GROW YOUR BUSINESS BY SHIFTING FROM CUSTOMER SATISFACTION TO CUSTOMER EXPERIENCE

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BUSINESS SOLUTIONS

Executive Summary

Most business executives agree that customer retention is a key strategic objective and is becoming ever more critical in a digital economy. Research indicates it is much less expensive to retain existing customers than to find new ones. Yet it seems like many companies place too much emphasis on searching for new customers rather than tending to the ones they already have.

A lot of businesses continue to believe that customer service/satisfaction is the key to customer retention. **Customer Service** is the advice and assistance given by a company to its customers after buying or using its products or services. The goal of customer service is to increase *customer satisfaction* and loyalty by creating lasting relationships with customers and/or correcting problems with a recent transaction. Today, however, businesses need to look at the bigger picture. **Customer Experience** is a term used to sum up all the interactions a customer has with a business and its products or services from initial contact through post-sale support.

Not long ago, customer service/satisfaction was often confused with customer experience. Why? Because providing good customer service meant a company delivered on its promises, so the customer obviously had a good experience, right?

However, with the increase in the number of social media platforms and frequency of communication between buyer and seller and/or other consumers sharing opinions, things are no longer that simple. Good customer experience today is not just about providing good customer service and fast problem resolution. Customer service is merely one part of the total customer experience[1]. *It is the customer's perception of how a company values their patronage from end-to-end that will drive success in the digital economy.*

Through a series of anecdotal examples, RCN examines how customer satisfaction remains a priority for many companies but is evolving beyond fast problem resolution to encompass engaging the customer in new ways that transform the purchase or service *transaction* into a holistic *experience* that keeps them coming back.

The Customer Experience Imperative

Most business leaders agree that keeping customers happy is a priority, and that it's cheaper to retain existing customers than to find new ones. So why are most companies so bad at it?[2] What can you do to avoid the pitfalls of others attempting the journey from customer *satisfaction* to customer *experience* in your efforts to grow your business?

Once upon a time, shopping was an in-store experience. Local customers, drawn in by newspaper and broadcast advertising, never really knew what they were going to find or how much they were going to spend until they got in the store and tried on various sizes and colors, saw the picture quality firsthand, felt the fabric, tasted a sample, sat in the chair, or went for a test drive. There was high brand loyalty. Customers had personal relationships with the owner or employees, or at least had a favorite store where they liked to shop.

Today, the internet and ubiquitous mobile technologies have changed the shopping experience. Global markets are open to every customer, large and small, with overnight delivery at their fingertips. Social media platforms give voice to consumers sharing their opinions, positive and negative, who influence others before a decision is made. Customers already know what they want and how much they will pay before they walk in the door – if there still is a door. Brand and store loyalty (and customer attention spans) are falling as more and more interactions are conducted remotely and decisions are made based on price and availability.

Customers don't need you to tell them what they need or want anymore. They already know. What they want is to be treated as individuals. They want to feel like their business matters to you and that you care[2].

Yet the goal remains the same: **Keep customers happy.** And, in fact, businesses spend huge chunks of money and time trying to win new customers. However, many fail to address the future needs of customers they already have. And that's where the rubber meets the road:

Bain & Company reports that a 5% increase in customer retention can increase a company's profitability by 75%[3]!

According to Bain & Company, **attracting new customers will cost your company 6-7 times more than keeping an existing customer!** Why? Existing customers have already bought from you, so there's less effort to identify and convince the buyer of your value. If they had a good experience they will most likely buy from you again. You'll also spend less time and money trying to find out who they are in subsequent marketing efforts as you already have their contact information. And as existing customers get more comfortable with your business, they are less focused on price and more open to upselling and cross-selling opportunities[3]. As a bonus, existing customers are a great source of data for feedback to improve your product or quality of service.

Yet most salespeople remain consumed with finding new customers as their primary source of growth and revenue. Many believe that their superior product or service will naturally lead to customer retention and repeat business, so they're always out mining for the next new account. But sooner or later, if the customer feels taken for granted, they will leave and spend their money elsewhere.

Many organizations have armed their salespeople with various Customer Relationship Management (CRM) software solutions to help them organize contacts, follow up with existing customers, as well as track new prospecting/pipeline activities. CRM solutions can indeed make the customer feel important, minimize account churn, and help a salesperson get in touch when a new product meets identified criterion for a sale, like that customer who told you to call him when the next release is out, or when their size comes in. But CRM is a tool designed to assist the salesperson; that's not *customer retention*.

According to Marketing Metrics it's far easier (about 50% easier) to sell to existing customers than to brand new prospects[3].

Over the past several years, we've seen a change in thinking as to how to best retain customers in a global marketplace, both in business-to-consumer and business-to-business circles. In an age where fickle customers can switch to a competitor with one swipe of a thumb, businesses must focus on delivering a great **overall customer experience from discovery to purchase** to keep them coming back. That's not to say CRM software and prompt customer service are no longer important, but in an age where interpersonal relationships have been largely replaced by various sized screens, it is imperative for decision-makers to see the sales process from the customer's viewpoint in order to drive success.

Change your Thinking from Reactive to Proactive

"THERE IS ONLY ONE BOSS. THE CUSTOMER. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."
- Sam Walton (Walmart)

After a sale is complete, many businesses turn over responsibility for ongoing customer retention to a customer service department. If the company doesn't hear from you, great, you must be satisfied with the product or service and have no complaints. If they do, well, chances are it's not performing as advertised. It's the customer service rep's job to make sure the company delivers on the sales rep's promises. In the past, customer satisfaction was defined as giving the customer service representative authority to issue a credit up to *X* dollars to appease a customer whose appointment window was not kept, whose product did not live up to expectations, or whose flight plans changed, for example. Customer service is there post-sale to correct mistakes, resolve problems quickly, and soothe angry customers. **Customer satisfaction** is therefore an outgrowth of customer service, but it remains mostly **reactive** - only coming into play when a dissatisfied customer contacts the company. The business can only take action once something goes wrong, and not beforehand[1]. The customer may be happy in the end, but *they* had to initiate the contact. And what if the customer isn't happy and considers it a bad experience – even after getting the knee-jerk discount response? They'll take the credit, sure, and then take their business elsewhere next time too.

Prompt and courteous customer service was once the backbone of business success and customer retention. But today it is just one aspect of a larger effort to capture and keep customers through creating a holistic approach to the entire sales process. **Customer experience** is about the moment of initial contact through purchase and post-sale support. It is still doing all of the above, but also taking **proactive** steps such as NPS surveys, CSATS and employing mystery shoppers to ensure a delightful experience *before* the customer ever becomes dissatisfied – and rectifying problems immediately should they arise. Forrester defines Customer Experience (CX) as the sum of all the interactions a customer has with a business and its products or services[1]. Customer experience is about creating an atmosphere in which customers want to return, whether your business is digital or brick and mortar. Consider the examples on the next page.

The Studio Movie Grill in Scottsdale Arizona can't control the quality of the films it shows, but it does impact the moviegoer experience with reserved comfortable seating, a full-service lobby bar and in-theater dining with seat-side service during the movie.

Automotive repair shops have found new ways to attract customers by installing exercise rooms. Go spinning while your tires are rotated or hit the treadmill while waiting for an oil change.

ACE Hardware stores across the country work to differentiate themselves from industry giants like Home Depot and Lowe's by giving extra personal attention to every shopper from the "friendly hardware folks" as opposed to a find-it-yourself warehouse experience.

Tired of waiting in long lines at a **Disney theme park**? Disney can't control crowd size and line lengths on any given day, but upgrade to FASTPASS tickets and you can bypass those lines to hop right on your favorite attractions without waiting – that'll change your Disney experience on a hot summer's day!

The Museum of Ice Cream in San Francisco is not a museum. Rather, it is a sprawling complex of interactive, confection-themed exhibits where every room features something to eat, touch or smell. There is a rock candy cave to explore, a swimming pool of rainbow sprinkles to dive in, countless places to take selfies and, of course, ice cream flavors to experience[5].

Telecom companies (like RCN) have shifted to a two-hour arrival window promise to allow customers – residential and commercial – to better plan their days around technology installation or upgrade appointments. How many customers were frustrated (and lost) by waiting all day for technicians that never arrived? Business customers need even more accurate scheduling and installation estimates as they must plan around system outages. A bad on-boarding experience can sour the customer on the entire relationship – and it's just begun!

Build a Better Customer Experience to Increase Customer Retention

In truth, the concepts of *Customer Service/Customer Satisfaction* and *Customer Experience* are not that far apart. Indeed, good customer service remains a critical element of the overall customer experience. It's all about keeping and retaining happy customers. But mastering the customer experience is about more than correcting mistakes…it's about not letting them happen in the first place. Here are a few ideas to help shift your business mindset from *reactive* to *proactive* and enhance your customers' experience to keep them coming back:

- **Leverage CRM but recognize it's not the end game.** Customer Relationship Management software does not achieve customer retention on its own. The right package will provide tools to help your sales force organize contacts, schedule activities around customer engagement and follow-up, track past account history and purchasing patterns, etc., but in and of itself CRM will not result in long-term repeat business.

- **Understand how your customers find you.** Is it via the web, social media referrals, or walk-in traffic? Where are they in the buyer's journey – early stages of research or ready to purchase? Give them all the information they need in the proper medium to make a decision. Don't make customers search for the needle in the haystack; make it easy for them to reach you. Ensure that you're connected to those social media platforms that might be used by your customers and be sure to respond promptly to any messages you might receive. Provide complete product or service descriptions and clearly post all return/exchange policies. Offer prompt human assistance, whether in store or on line[6].

- **Be unique.** Look at other businesses providing the same product or service in your market. Can you offer something different or expand your services to capture more business? Like dinner <u>and</u> a movie?

- **Reward *your* customers for rewarding *their* customers.** Appreciation is always appreciated. Giving something back increases the chances of them coming back. Edible Arrangements, for example, will send a token thank you gift to the sender of multiple holiday fruit baskets.

- **Empower your employees.** A great customer experience starts with a great employee experience. With so much focus being placed on external audiences, it's easy to forget about the people who execute the commitment to customer service on a daily basis. The employee is the front-line interface of your organization with the customer. Training and rewarding employees to go the extra mile on behalf of your customers – again, whether in store or online – will create a better experience and keep them coming back[7]. Allow them to do more than just authorize a credit and instead enable them to actually fix the problem. So, raise the bar. Incentivize employees to go above and beyond by providing them with spifs, a free lunch, or an extra vacation day and they will in turn create a better experience for your customers.

- **Listen to the voice of the customer.** Get feedback in real time through live customer exit interviews or follow-up emails and surveys. Then, try to implement viable suggestions for improvement. From a micro standpoint, individual customers like to think that their input is valued, whether that is a suggestion for carrying merchandise in additional sizes, adding healthful alternatives to the menu, or changing store hours. From a macro perspective, analyzing feedback plus actual sales data can help stock the shelves with products more customers want to buy, or at least tweak the merchandizing mix to match the preferences of customers in different regions.

- **Create an emotional connection with your product or service.** Research shows that emotionally connected customers buy more of your products and services, visit you more often, exhibit less price sensitivity, pay more attention to your communications, follow your advice, and recommend you more – everything you hope their experience with you will cause them to do[8]. So, work to connect on that level. Travel services play on excitement and a sense of thrill. Clothing brands seek to make you feel like you belong. Financial services companies must convey trust, confidence and stability. Some companies make a charitable donation with every purchase. Find your niche and follow through in all your customer communications.

- **And, lastly, never forget about the golden rule for customer retention: Do what you said you were going to do.** In order to attract and keep customers in today's globalized/digitized economy you've got to give them a better overall experience than they can find elsewhere for your product or service. It's about more than correcting mistakes; it's about preventing them. Be there on time. Have the parts. Answer the question. Anticipate needs. Keep your promises, and if for some reason you can't, give your front-line employees the power to rectify the situation immediately to ensure a positive customer experience.

Are you ready to put the power of **ultra-fast Internet, data** and **hosted voice solutions** to work for your business?

Contact us today to learn more about how **RCN Business Services** can help improve your customers' experience and drive your business productivity and profitability to new heights.

Sources & Acknowledgements:

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