

The role of technology

- Although many believe CX is a synonym for software, **customer experiences** involves analytical as well as operational processes
- Technological advancements in interactivity, such as the Internet, mobile technologies, and social media, have driven the growth capacity of CX, but such technology is a **means** of managing customer experiences, **not the end in itself**
- The **experience** that retains customers is the understanding of their needs and values - less to do with technology and a lot more to do with **how you engage** with them

Technology Revolution – increases the enterprises' ability to connect with customers one-to-one

Customer Revolution – increases the customers' expectations to be treated as an individual

Is taking a customer – centric view important?



The customer-centric view focuses on 'share of customer'

Market Share' Focus

- Products and brands as source of company value
- Sells one product at a time to as many customers as possible
- Differentiates products from competitors
- Sells to customers
- Finds a constant stream of new customers

- Makes sure each product is profitable, even at expense of customer confidence
- Uses mass media to build brand and announce products

Share of Customer' Focus

- Customers by definition only source of revenue
- Sells as many products as possible to one customer at a time
- Differentiates customers from each other
- Collaborates with customers
- Finds a constant stream of new business from established customers
- Makes sure each customer is profitable, even if loses money on occasional product or transaction
- Uses interactive communication to determine needs and communicate individually

A **1-1 learning relationship** - is where the customer teaches an organisation about their preferences and the organisation then tailors its response to those preferences ... such that it becomes more worthwhile for the customer to remain loyal than to switch to another organisation for any reason.

Benefits of 1-1 learning relationships ...

- Customer loyalty
- The customer learns more about his or her preferences
- The organisation learns more about its own strengths and weaknesses

Customer retention drives increased profits

Reichheld and Sasser (1990) found that a customer's profitability increased with length of retention, based on four factors:

1. Increased purchases
2. Reduced operating costs
3. Referrals to other customers
4. Price premium (conversely, new customers usually pay lower introductory prices)

Being customer centric pays but...

requires a **unified view of the customer** across the five principal business functions:

1. Financial
2. Production, logistics, and service delivery
3. Marketing communications, customer service, and interaction
4. Sales distribution and channel management
5. Organisational management strategy

Customisation:

- **Customisation** is a response to this standardisation. It attempts to create individual and unique product offerings for each customer, thus enhancing the customer experience

Mass customisation:

Mass Production	Mass Customisation
Supply chain management	Demand chain management
Economies of scale	Economies of scope
Make to forecast	Make to order
Speculative shipping costs	Goods presold before shipping
Inventory carrying costs	Just-in-time inventory

Mass customisation and profit:

Mass customisation is really mass *configuration*

- Create and pre-produce product and service modules
- Configure modules to meet individual customer needs – producing thousands of possible configurations

For manufactured goods, if products are modularised, 'make/assemble to order' can be more cost effective than 'make to forecast' (no large inventory)

- Subway – 'assemble to order'
- McDonalds – 'make to forecast'

Done well, mass customisation can be very profitable ... and ... deliver high customer satisfaction and loyalty

Four types of mass customisation:

1. **Adaptive** customisation