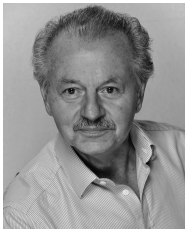

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Achieving customer experience excellence at seven critical life cycle points

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Abstract This paper uses findings from 20,000 hours of customer research to help marketers achieve deeper and longer-lasting relationships with customers. Per the research, one of the most powerful ways to build deep customer relationships is to provide competitively differentiating customer experiences that deliver value at seven critical points in the customer's relationship with the brand. This is effective because customers view their journey as a continuum that begins with the initial sale and continues throughout their full journey, ideally encompassing repeat sales over many years. It is therefore essential to set the right tone from the very beginning, with value, empathy and personalisation continuing throughout every step in the customer journey and encompassing all departments and levels in the organisation. Another critical requirement is that only preference-driven personalisation can deliver the sustained high-value experiences expected by today's customers.

KEYWORDS: CX, customer experience, customer engagement, customer journey, sales, B2B, B2C, P2P, personalisation, loyalty, VoC, voice of customer

INTRODUCTION

A recent study by Retail Info Systems asked execs, 'Who does personalisation best?'¹ The highest-ranking answer? 'No one'!

By using customer insights and authentic self-defined preferences, however, it is possible to achieve a fivefold increase in response and engagement rates, as

demonstrated in the case study in this paper. To achieve such engagement excellence, marketers must fundamentally change their thinking. Traditionally, marketers put customers into one of two buckets: business-to-business (B2B) or business-to-consumer (B2C). But these artificial labels do not work because no matter what you are selling, you are *selling to a person*.

For marketers, the critical question is how to achieve high-value engagement. The answer: understand the individual and what they want at every stage of their relationship with your business.

At Neiman Marcus, for example, the company had to find ways to engage with people with less effort and greater personalisation. In the words of Scott Emmons, Head of the Innovation Lab:

We were looking for a way to improve the capabilities and effectiveness of our online chat agent. Previously, a customer had to engage with the chat agent and ask for help. The chat agent really had no context in what the customer needed help with until they asked them to describe the problem. Now, shoppers on our website are represented as avatars in a mock-up of a store. The chat agent can tell many things about the customer by simply observing the colour of the avatar, what badges it is wearing, its position in the mock store and even its facial expression. If the agent clicks on the avatar, a detailed dashboard with deep information about that customer is presented. The agent now instantly has a lot of context about the shopper . . . The end result is better customer service and a much more natural conversation between the customer and the agent.

Regardless of where the buying decision is made — be it at home or in the office — it is a person making that buying decision. In short, now is the time to shift to person-to-person (P2P) marketing.

THE FOUR UNIVERSAL TRUTHS OF CUSTOMER EXPERIENCE

ERDM Corp conducted over 16,000 hours of in-depth, hour-long research interviews with the customers and prospects of clients such as IBM, Microsoft, QVC and 10X Genomics. These interviews uncovered four universal truths of customer experience (CX):

- There is a dangerous chasm between the CX fantasy of brands versus the reality that people actually experience.
- Millennial and Generation Z consumers have unprecedented high expectation levels when it comes to CX. When the reality fails to meet expectations, they move on to find it with another company.
- In spite of privacy concerns, customers are willing to provide deep explicit data to get improved CX.
- There are seven key points in the customer life cycle where people expect this high-value engagement.

To ensure that marketers can scale and operationalise high-quality CX and personalisation, there must be an exchange of deep customer preference data in return for authentic and effective personalisation based on the P2P data. This is known as reciprocity of value.

This new level of personalisation must be based on more than transactional, overlay and inferential data. To overcome privacy concerns and fears of being ‘creepy’ it must be based on a solid foundation of trust and perceived value. Through voice of customer (VoC) research, a six-step circle of value was identified (Figure 1):

1. Trust is the foundation; it opens the customer to reciprocity as a fair exchange of value.
2. The improved customer experience strengthens trust.
3. Reciprocity motivates the sharing of deeper information.

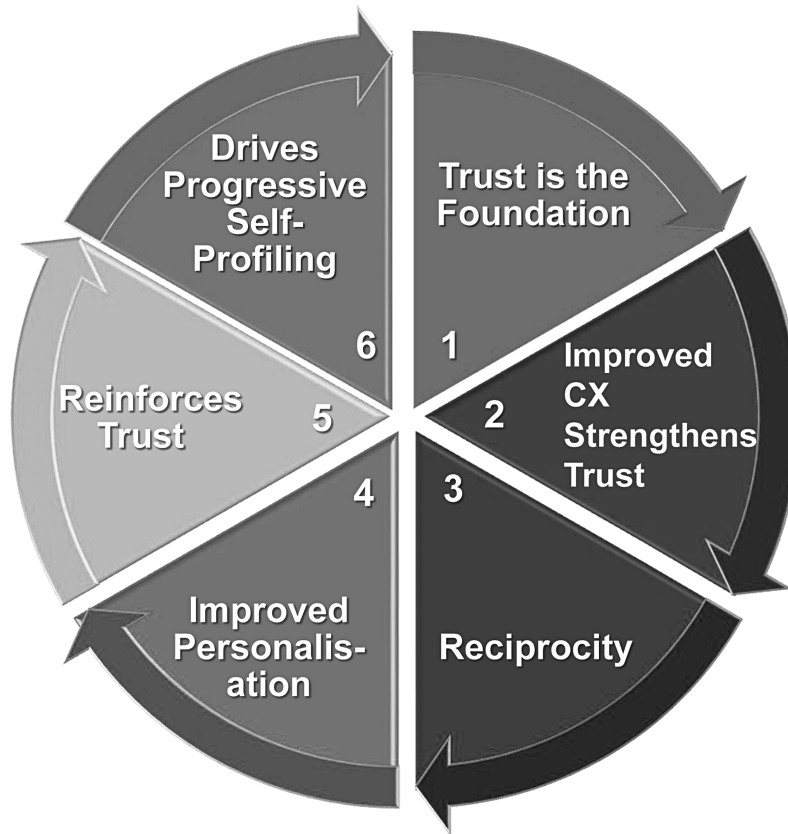


Figure 1: The six-step circle of value

Sources: EDRM Corp.

4. The unique opt-in customer preference data can enable improved personalisation of offers, communications and experiences.
5. This reinforces trust in the marketer and their commitment to engage in true reciprocity
6. This drives progressive, ongoing, customer self-profiling that provides the marketer with uniquely deep and accurate human data.

CASE STUDY

A Fortune 100 financial institution found that its traditional persona and cohort segmentation was no longer effective in driving response rates and engagement from Millennials. It was receiving feedback such as, ‘I’m not looking to be marketed to. I’m looking for help in making my specific life decisions’ and ‘I am not a simplistic cohort.

I have complex individual needs you should solve’. This indicated a severe disconnect with the target audience.

Based on insights from the deep VoC research, the company learned that Millennials are evolving at such a rapid pace that traditional persona-based approaches to personalisation were no longer effective. In fact, they were often viewed as ‘insultingly simplistic in their cartoonish attempts’ to address their needs and changing preferences.

The research identified new consumer segments based on how customers articulated their real-world human situations and potential needs for financial products:

- *Not me* — Too young, healthy, no beneficiary.
- *I’ll gamble* — Won’t pay for what I do not need.

- *Should but . . .* — Overwhelmed with choices, inertia is getting the best of me.
- *Planner* — Pays attention to finances, well informed, does research.
- *Taker* — Has work insurance and basic pension plan but pays little attention to retirement plans and insurance policies.

Based on these insights, new messaging, language, imagery and videos were developed to align with these human data segments, thus making each communication much more credible. In addition, because the messaging was now authentic and relevant, the company experienced significant increases: 94 per cent higher open rates, 1,062 per cent higher video views, zero opt-outs and 100 per cent deliverability.

Overall, this human data driven segmentation drove an increase in response rates from a baseline of 2 per cent to over 10 per cent — a five-fold increase — because communications now conveyed relevance and authenticity.

SEVEN CRITICAL POINTS FOR ENGAGEMENT

Consumers often experience frustration when interacting with brands. Here are some of the quotes from VoC research ERDM has conducted for brands such as IBM, Microsoft, QVC, Gilt and Shinola:

- ‘Simplistic purchase history-based e-mails do not work. With today’s technology, I expect e-mails to reflect my individual interests and preferences.’
- ‘We are complex human beings with individual needs. It is insulting when we get “personalisation” which reduces us to cartoon characters. We are not simple cohorts!’
- ‘True engagement forges strong ties with your company that serve as a “grace account” upon which to draw when there is the inevitable problem or outreach from competition’.

The research findings indicate that a brand’s ability to earn customer’s business and loyalty over the long term depends on how it treats customers at seven critical points in their life cycle. B2B and B2C customers reported wanting the following during their journey:

- High-value customer experiences across every point of contact with the organisation.
- Value in all elements of the media mix and all departments in the organisation.
- Value throughout the relationship, ‘not just when you are selling to me’.
- Customer experiences driven by individual preferences regarding needs, message, timing, frequency and media preferences and aversions.
- Preference data must result in obvious improvements in personalisation of communications and experiences.
- Privacy of preference information is essential.

Wellington Fonseca, Senior Vice President, Global Marketing at Shiseido Group, provides the following important perspective on personalisation:

Marketers must shift from today’s transactional focus on products we want to sell, to the personalised focus on the customer and the products she wants to buy. The beginning of the customer journey presents a unique opportunity to gather relevant and appropriate data about her personal preferences. For example, Shiseido’s NARS Foundation Finder tool asks the shopper to answer six highly personalised questions which help us improve her shopping experience. This information enables us to understand the colour intensity that matches her skin, her skin type and undertone, the type of coverage she is looking for, her preferred product formula, and the benefits most important to her.

The seven critical points in the life cycle where customers want value added engagement are discussed in the following paragraphs.

INITIAL PURCHASE

Begin the relationship (Figure 2) by being proactive in asking for appropriate data to improve each person's unique experience with the brand so it is possible to reciprocate and offer much smarter personalisation and recommendations.

It is critical to rethink this point in the life cycle and move from a focus on 'closing' a sale to using this phase to open a relationship. The following quote from the VoC research says it all: 'Don't worry about improving your renewal process at the end of the year. Focus on how you treat me from the very first moment of the sale and you will increase the likelihood that I will renew!'

Ruth Crowley, Vice President, Customer Experience Design at Lowe's provides an important perspective:



Figure 2: Step 1-Purchase

Customer experience is not an initiative it's a commitment. For some, it's a radical change in mindset. However, if you consider that today's customer has infinite options, on line and in stores, we have to make every moment matter with the customer and the employees serving the customer. At the end of the day, we are in the people business.

Scott Emmons comments:

Neiman Marcus has been in the relationship business since it was founded in 1907. As retail has evolved and we have many more digital touch points with our customer, the amount of data that is available is overwhelming. Fortunately, technology has also evolved, and we have a lot of new opportunities to analyse what we know about a customer and deliver personalised content to them. Customers expect recommendations and content to truly reflect their preferences. We believe personalisation done right drives customer loyalty. It is also important to always provide clear opt in and out touch points for the customer. Going beyond the legalities, it is important to be mindful of only communicating with the customer when and where they desire it.

ONBOARDING

Formal onboarding strategies and programmes (Figure 3) yield a very good return on investment (ROI).

At the purchase phase in the customer relationship, most marketers are trying to recoup the costs of customer acquisition. It is therefore critical to get onboarding right to deepen and strengthen the relationship, so new customers will spend and stay.

Set the tone for a superior experience with a sincere welcome and easily available help to be sure that the new customer fully understands the product they just purchased, the company and the available customer service. A second purchase is often

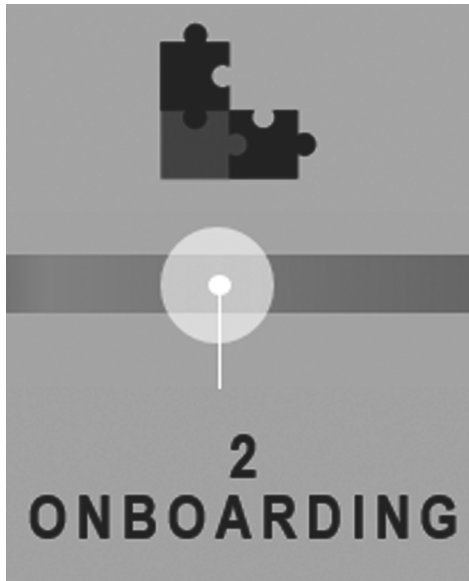


Figure 3: Step 2–Onboarding

dependent upon the initial onboarding experience: ‘Welcome me, make me feel appreciated. Then, make sure I understand what I need to know to get the greatest value from what I just purchased from you. Don’t just take my money and run!’

Scott Emmons comments:

Our ChargeItSpot charging station is a good example of how technology can provide new opportunities for onboarding customers. Beside the fact that the charging station solves a real problem for customers, we can also monitor the registrations on the unit for customers we have not interacted

with before. This allows us to funnel them through a new customer acquisition process. This is really where the primary ROI of the charging stations is realised.

DEEPENING RELATIONSHIPS WITH ANTICIPATORY RESPONSES TO DECREASING ENGAGEMENT

Millennials have an especially good understanding of how much data marketers now collect regarding customer behaviour on their websites and mobile devices. However, these consumers are often frustrated by marketers who do not use such data to proactively drive value and engagement (Figure 4).

The key signals of decreasing engagement to monitor and act on are:

- falling e-mail open and click-through rates;
- reduced visits to the website;
- reduced purchases and favourites and increased cart abandonment.

In spite of privacy concerns, customers want marketers to use their data responsibly and proactively to improve their customer experience. When engagement lags, it is imperative to discover why: ‘If we’re not buying, check in with us. Find out what’s happening, are we having problems? Don’t just view us as a cash register!’

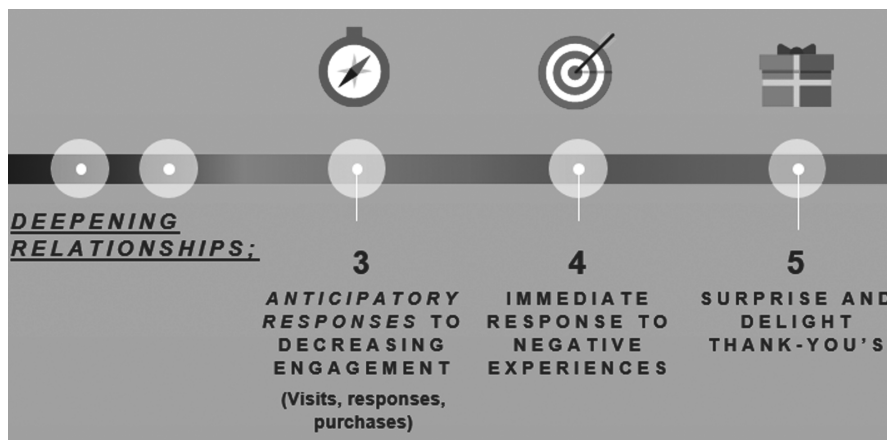


Figure 4: Deepening the Relationship; Steps 3, 4 and 5

Scott Emmons comments:

In our stores we have experimented with iBeacons to provide on-topic geo-aware messaging to our customers. Our Holiday Pass programme allowed the customer to easily opt in by installing a card into their mobile wallet. Opt-out was also easy as they simply deleted the card to no longer receive the messaging. The Holiday pass concept allowed us to interact with the customer from the time they entered our parking lot, until they left the store. This provided a platform that both the local store team and the corporate marketing team could leverage to deliver relevant messaging to the customer. One of the big lessons learned was that you need to be frugal with the messaging so that it does not become an annoyance.

IMMEDIATE RESPONSES TO NEGATIVE EXPERIENCES

In this digital age, people expect everything to be immediate. So, when it takes hours, days or weeks to resolve problems, it destroys the customer's trust that they will be treated right. That is a hard one to recover from. Consider these quotes from the VoC:

- 'Problems are inevitable. That's when we see whether it was all talk or whether you are committed to doing right by me'.
- 'How come the cool technology you use to get me to buy instantly, doesn't work to fix my problems . . . instantly!'

Scott Emmons comments:

Problem resolution is another great way to put new technology to work. Neiman Marcus iLab projects that fit the bill include the AlertTech fitting-room solution. We are leveraging this technology to tie the customer and their associate together once they have entered the fitting room. Now customers can instantly page their associate when there is an issue (eg they need a new size or colour). The technology

also provides fitting-room management functions that allow associates to see what rooms are in use and which are available. Using the AlertTech system, they can reserve rooms ahead of time for their customers and stage the room with items that are relevant for their customer.

SURPRISE AND DELIGHT THANK-YOU PROGRAMMES

Surprise and delight and thank-you programmes are one of the highest ROI programmes a firm can have. Consider the following quote from the VoC research: 'Make me feel appreciated. Be as loyal to me as I am to you'.

Showing appreciation costs little. Little thank-you surprises significantly improve experiences and demonstrate that the person behind the sale is valued. Keep in mind that, per the VoC research, people are not expecting much more than recognition. Appreciation is a key factor in nurturing loyalty: 'It doesn't take much, a thank you card, a token gift'.

Scott Emmons comments:

The concept of thank you has been embedded in our DNA since day 1. Stanley Marcus said, 'Consumers are statistics, customers are people'. We always want to deliver a warm and welcoming experience to our customer and the "thank you" is key to that. When the iLab is looking at technology, we are always looking for solutions that enhance the relationship between the associate and the customer. We are not looking to replace human associates but rather to reduce friction and give both the associate and the customer new capabilities.

CROSS-SELLING/UPSELLING

Think about these VoC quotes;

- 'Truly personalised offers are not sales, they are helpful service.'
- 'Don't expect me to know your entire product line. Proactively reach out and offer

- additional products or services based on understanding our needs and preferences.’
- ‘Knowledgeable and personalised add-on offers are valued and not perceived as “sales ploys”.’

Scott Emmons comments:

One of the reasons that the Neiman Marcus iLab exists is that we were starting to see an always-connected customer who had access to more information than the sales associate. We knew that technology could help us do a better job of providing the associate with the tools they needed to serve their customers. We provided all of our sales associates with iPhones. All by itself, it provides a communication platform that allows the associate to reach out to customers with their preferred method (e-mail, SMS, Facetime or just an old-fashioned phone call). On top of that we built an amazing app for our associates, iSell. iSell puts everything the associate needs to know about her customer at her fingertips. Purchase history, personalised recommendations and contact information can all be found there. iSell provides reasons to contact, as well which could be things like their order has shipped or their alteration is ready. All the things that associates used to have to track manually, often in a personnel black book, are now available enterprise-wide and updated automatically. This means an associate can have a more personal relationship with a much wider circle of customers!

The Neiman Marcus NMVP experience is a good example of upselling (Figure 5).

NMVP is for our digital customers. Participants in the programme are assigned a stylist who will work with them much the same way as a stylist would in one of our stores. Customers can schedule time with their stylist as well as communicate with them via chat and e-mail. They can even set up in home try-ons with their stylist. Other perks include expedited shipping, access to exclusive merchandise and special invites to events. This high level



Figure 5: Step 6-Value-Added Cross Selling/ Upselling

of service is a great way to differentiate the Neiman Marcus online shopping experience, provide highly personalised service and drive loyalty. Early results are highly promising. We have seen a lift in basket sizes, and NMVP customers are more likely to shop more frequently than customers not in the programme.

PERSONALISED REPEAT SALES/RENEWALS

To achieve a repeat sale, it is important to develop a comprehensive understanding of what each person wants post sale (Figure 6). Do not let them buy and be forgotten. As a brand, it is important to be visible and caring. It is up to you — not them — to make them want to be loyal. The key to this is to remember that loyalty is earned, not assumed. Some VoC quotes to consider:

- ‘If you’ve treated us right from the beginning, why should we buy from your competitor?’
- ‘Be a visible and caring brand and then . . . why would we go with someone else when it’s time to repurchase?’



Figure 6: Step 7—Personalized Repeat Sales/Renewals

- ‘Companies do not get it. If they’ve taken care of us from the initial sale and been there throughout the relationship, then in our book, they have earned the renewal.’

Chris Hull, Chief Merchandising Officer, Shinola, offers this insight regarding achieving ongoing engagement:

The needs and preferences of customers are constantly and rapidly changing. In order to keep them engaged, loyal and purchasing, we have to keep evolving and refreshing the customer experience. However, we must do this in a way that customers will feel is consistent with how they see our core brand story and differentiation.

Scott Emmons comments:

The Memory Makeover experience fits both the repeat sales and the renewal concepts. This digital mirror allows our beauty brand associates to record makeover sessions with their customers. The video is created in chapters and might include sections like lips, eyes and sculpting. When the makeover appointment is complete, the associate sends the video home as an

e-mail or text link with the customer. The customer now has the most personalised tutorial possible, starring herself. Once she arrives home with her bag of beauty products, she can easily refer to the video to recreate the looks the Neiman Marcus associate created for her. The associate also has access to the video record and can tag the appointment with products used, samples given and additional notes. This becomes an amazing CRM tool that can be used by the associate when reaching out to the customer in the future. It ensures that the associate knows this customer’s preferences and helps guide future interactions. The mirror can also assist the associate by reminding them when it is time to replenish the product the customer has purchased.

FINAL TAKEAWAYS

In summary, the insights we shared for engagement across the life cycle are actionable and go straight to the bottom line. The following key points are essential to success:

- Recognise how much you do not know about customer’s individual preferences and needs.
- Do not reduce complex humans to generic cohorts and personas.
- Customers want human engagement, not mass-produced spray-and-pray blasts.
- It is insulting to consumers when they receive empty attempts at ‘personalisation’ which reduce them to a transaction rather than a person with unique characteristics.
- Customer decision-making journeys are not linear. Customers are complex humans and one must engage with them accordingly.
- P2P marketing is the key that makes CX come to life — truly personalised communication based on opt-in preference information is the optimal combination to win first-time business and drive repeat engagement.

- True, relevant engagement with demonstrations of authentic caring is what forges the type of strong ties that can overcome lapses and problems.
- Customers' needs change over time; be one step ahead and know when to change CX and offers, to keep them engaged and loyal at every stage.

Paul Murray, Director, Dunkin' Brands, provides a critical final takeaway:

Keeping our guests at the centre of Dunkin's digital strategy is critical. We

have to meet our guests' needs and grow our relationships with them. Whether it's our DD Perks programme, which rewards guests for their loyalty, or on-the-go mobile ordering, which lets guests order ahead and speed past the line, so they can get on with their day faster, we have to be delivering both value and valuable experiences.

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