Customer Experience Management (CEM) Technology: What, Why, and How Does It Work

February 2005

Executive Summary
A new class of technology has arrived. Customer Experience Management (CEM) Technology delivers a significant improvement in company profitability and effectiveness by allowing companies to target desired information from customers and leverage a unified, actionable view of customer experience – the most critical information in any company. In four companies studied, CEM Technology delivered benefits exceeding $9,000/agent in the first year of use.¹

This paper provides a comprehensive introduction to CEM Technology – from an introduction to the concept of Customer Experience Management through the impact of CEM Technology on the customer and customer experience states. The paper concludes with a high-level summary of how CEM Technology works.

Contents
i. Introduction .................................................. 2
ii. CEM defined ................................................ 3
iii. Customer Experience States ............................ 4
iv. How Does CEM Technology Work? ............... 7
v. Summary ...................................................... 7

¹ Amae Software: Value of CEM – PowerCI
i. Introduction

We all understand the importance of CRM technology and information in an organization — whether from a major vendor’s CRM system or from a simple spreadsheet. **CRM unifies an organization’s view of the customer.** It helps an organization understand what it knows about its customers.

Conversely, and arguably more importantly, **Customer Experience Management (CEM)** allows an organization to understand what **customers know about the organization.** With a clear understanding of what customers know about an organization and how they form those opinions, management can immediately act on and leverage opportunities. Executives, managers, and supervisors can quickly shift resources and business strategy. And, customer-facing employees can directly and easily influence customer behavior. **CEM** is the missing link to improving profitability - it is a profit-based approach to managing customer interactions, operations, and customer relationships.

CEM Technology enables organizations to automatically understand what customers know about them. It is customer-driven and increases profitability by positively engaging customers to detail what they think, feel, and experience according to their specific interactions. It captures the ‘voice of the customer’ within the context of their experience and personal circumstance – **resulting in better than 80% customer participation rate!**

CEM Technology collects information directly from customers across all customer touch points – telephone, Web, email, and chat. Information is in context of customer interactions and specific to their experience. CEM Technology rapidly increases profitability and operational efficiency by giving executives, managers, and marketing professionals critical information required to improve profitability – automatically.

CEM Technology reports customer experience information at its most granular level – by agent, process, product(s), or customer(s). It gives management (organizations) the ability to influence customer behavior by accurately understanding the drivers of customer experience (what, who, where, and how) and act upon them immediately.

CEM Technology encompasses the ability to combine CRM deliverables (customer profiles and segmentation) with actual customer experiences and transactional/productivity information. It delivers unprecedented opportunity, analytics, and decision metrics and quickly provides what CRM originally promised – a measurable return.

This document defines CEM Technology and its elements. It explains customer experience states and why they are important. Lastly, it discusses how CEM works in an organization and the tangible benefits that are realized in contact center operations, marketing, sales, and other customer-facing organizations.
ii. CEM defined

With every customer interaction, regardless of the channel or the nature of the interaction, the customer learns something about the company. Collecting, reporting, and incorporating customer experiences across all channels of interaction in a manner that business opportunities can be identified and acted upon is what CEM is all about. Tapping into what a customer thinks, feels, wants, and experiences is a valuable and powerful key to improving profitability in any organization. There are four key elements that CEM Technology must include in order for information to be valid and actionable:

1. Customer experience information must be customer-driven, collected immediately, and in context of the customer experience using the same channel as the interaction. There is no value in collecting customer experience information after a brief period of time or outside of the context of the original interaction.

2. Customer experience information must be collected across all customer interaction types: telephone, Web, email, chat, — and even person-to-person interactions if appropriate.

3. Customer experience information must be reported and accessible not only collectively, but also at its most granular level. Otherwise, information is not actionable at the customer experience driver levels. Detailed reports regarding specific products, transaction types, and processes need to be processed and presented accurately. Detail regarding how individuals, teams, and organizations are affecting customers or customer types must also be accurate and available — including the ability to review specific, important transactions.

4. Reports, analytics, and required actions to leverage opportunities and influence profitability must incorporate existing company information and objectives — and be available across the organization immediately.

There is nothing more accurate, or as effective, as collecting information directly from the customer immediately and in context of their interactions. If you want to know something about a customer and their experience, the best and most accurate approach is to ask them in a manner that is specific to that experience. They'll tell you – they have a vested interest to do so!

CEM Technology reports opportunity across organizations, teams, and with individuals and specific products and processes according to customer experiences in all channels of interaction. Without the ability to associate CEM information to actual interactions, agents, processes, and products; there is no ability to understand what must be done to correct, improve, or leverage opportunity in contact center operations, sales, marketing, and other customer-facing departments. If you can’t measure it, you can’t manage it. Unlike surveying and research methodologies (that generate general results and take days, weeks and sometimes months to prepare,) CEM Technology sends detailed opportunity information to each relevant department in real-time.

The combination of CEM Technology with company information and objectives not only delivers faster and more accurate predictive analysis, business intelligence, and opportunity data; it also fosters customer loyalty and satisfaction. It creates a charged customer-centric culture that considers internal measures, profiles, and objectives relative to actual customer experiences — a powerful combination.
iii. Customer Experience States

Customer Experiences can be categorized into three unique states. The state of the customer experience has implications on the type of information to communicate with and collect from customers. The three states of Customer Experience are: Normal Experience, Critical Experience, and Unique Experience.

<table>
<thead>
<tr>
<th>Normal Experience</th>
</tr>
</thead>
</table>

Normal Experience interactions reinforce existing perceptions and promote customer loyalty and retention, particularly in the early stages of the relationship.

Analyses of turnover patterns typically show that new customers account for the lion's share of defections. As customers become familiar with a company's offerings and capabilities, they adjust their expectations accordingly. Logically, in the early stages of the relationship, customers are more likely to experience disappointment and are more likely to defect. Turnover by new customers is particularly hard on profitability because many defections occur prior to break-even, resulting in a net loss for the company. Thus, experiences that stabilize the customer relationship early on ensure that a higher proportion of customers will reach positive profitability.

The keys to an effective Normal Experience strategy are education, competence and consistency.

Education influences expectations, helping customers develop a realistic range of tolerance early in the relationship. It goes beyond simply informing customers about the products and services offered by the company. It systematically imparts information that tells new customers how to use the company's services more effectively and efficiently, how to obtain assistance, how to complain, and what to expect as the relationship progresses. In addition to influencing expectations, systematic education leads to greater efficiency in the way customers interact with the company, thus driving down the cost of customer service and support.

While educational efforts influence the expectations of new customers, competence and consistency validate those expectations. Every company strives to offer competent and consistent service, but, that objective is becoming increasingly difficult to accomplish. Companies have been reducing staff and outsourcing key services since the 1980's, often at the expense of front-line service quality. In many industries companies have also had to contend with high employee turnover rates, leading to productivity and consistency problems that are increasingly obvious to frustrated customers. In addition, the complex, multi-channel service environment that has emerged in recent years has challenged companies to present a unified identity to the market and to provide a consistent level of service across all channels and touch points.

Customers expect companies to do what they promise, and to do it every time. Any experience that contradicts that expectation weakens the relationship and increases the probability that a customer will defect. In order to demonstrate competence and consistency, companies must be able to assess their performance across channels, across locations and across time – at granular levels. They must be able to identify inconsistencies and deficiencies in performance at every point of interaction with customers, whether the interaction originates with company employees, out-sourced service providers, franchisees or affiliate organizations. Furthermore, this data must be integrated in such a way that it will realistically reflect the complete customer experience, not only within individual channels but also across different channels.
Critical Experience interactions are service encounters that lead to memorable customer experiences. While most service is routine, from time to time a situation arises that is out of the ordinary: a complaint, a question, a special request, a chance for an employee to go the extra mile. The outcomes of these Critical Experience incidents can be either positive or negative, depending upon the way the company responds to them; however, they are seldom neutral. The longer a customer remains with a company, the greater the likelihood that one or more Critical Experience interactions will have occurred.

Because they are memorable and unusual, Critical Experience interactions tend to have a powerful effect on the customer relationship. Positive outcomes lead to "customer delight" and word-of-mouth endorsements, while negative outcomes lead to customer defections, diminished profitability, and unfavorable word-of-mouth.

The key to an effective Critical Experience interaction strategy is **leveraging opportunity**. Many companies attempt to "exceed customer expectations every time." While this may sound like a worthy objective, it is, in fact, logically unattainable. If expectations are consistently exceeded, customers will simply raise their expectations. The exceptional thus becomes routine, forcing companies to continually raise the bar, often at great expense.

The fact is, customers do not want to be delighted all the time. It is an exhausting exercise, both for the customers and the employees. Every consumer receives service dozens of times a week from a wide range of companies, and most of those interactions are, and should be, routine. However, when an exceptional circumstance does occur, companies should recognize the opportunity and be prepared to take advantage of it.

CEM Technology includes systems for capturing and acting upon Critical Experience interactions, analyzing trends and patterns, and feeding that information back to the organization. Employees can then be trained to recognize Critical Experience opportunities, and empowered to respond to them in such a way that they will lead to positive outcomes and desired customer behaviors.

Unique Experience interactions are intended to increase customer profitability by leveraging change opportunity through up-selling and cross-selling. These interactions are frequently triggered by changes in the customer’s purchasing patterns, account usage, financial situation, family profile, etc. CRM analytics are becoming quite effective at recognizing such opportunities and prompting action from service and sales personnel. CEM Technology complements CRM by collecting, reporting, and incorporating the quality of execution by the company and the resulting effect on customer relationship from the most important viewpoint – the customer’s.

The key to an effective strategy for Unique Experience interactions is **appropriateness**. Triggered requests for increased spending must be made in the context of the customer’s needs and with permission of the customer; otherwise the requests will come off as clumsy and annoying. By aligning information about execution quality (cause) and customer experiences (effect), CEM Technology helps companies build a more effective and appropriate approach to Unique Experience interactions.
## Managing Interactions

<table>
<thead>
<tr>
<th>Experience Types</th>
<th>Key Words</th>
<th>Stage</th>
<th>Objectives</th>
<th>Profit Implications</th>
</tr>
</thead>
</table>
| Normal           | • Education  
                  • Competence  
                  • Consistency | • Early     
                  • Middle      | • Establish positive perceptions  
                  • Validate expectations  
                  • Establish trust, loyalty, satisfaction  
                  • Engage Customers | • Reduce early-phase customer turnover  
                  • Reduce service and support costs  
                  • Reduce research expense        |
| Critical         | • Opportunity  
                  • Flexibility  
                  • Problem resolution | • Early      
                  • Middle  
                  • Mature      | • Service recovery  
                  • Positive, memorable experiences | • Reduce turnover  
                  • Promote positive word-of-mouth endorsements |
| Unique           | • Appropriate timing  
                  • Appropriate context | • Middle     
                  • Mature       | • Up-sell products, services  
                  • Cross-sell products, services | • Increase average purchase levels  
                  • Increase proportion of high-margin sales |
iv. How Does CEM Technology Work?

CEM Technology captures customer experience information across all customer touch points and feeds it back to the organization so that action can be taken to improve profitability. At the beginning or end (or both) of an interaction, and within context, the customer is invited (automatically or manually) to provide their perspective via four or five short questions. Done properly, this process will result in better than 80% customer participation and have a measurably positive effect on customers.²

Whether phone, email, or Web channels, the experience information is collected within context of the interaction. The questions that are delivered to the customer are specific to that interaction type; the people, products, and processes that were a part of the interaction; and the customer. The questions are also conditional in nature and facilitate both quantitative as well as qualitative experience information.

CEM Technology accesses existing CRM data, productivity metrics, and incorporates key information related to customer behavior and profitability. Information such as retention rates, average purchase amounts, store sales, complaint and resolution rates, customer segments, etc. are all combined with customer experience information and analyzed/reported in real-time. The strength of a CEM system is in its ability to continually align company performance with customer needs and behaviors, enabling companies to make effective, correct, and critical day-to-day adjustments in resource allocation and execution — as well as enterprise-wide shifts in strategy.

v. Summary

Companies have always tried to influence and manage their customers' experiences through marketing, sales, and service and support activities. They have always tried to deliver a consistent set of cues, messages and human interactions that, taken together, create "the customer experience." Although the term may be relatively new, CEM has for many years been a fundamental consideration in the way most companies do business.

CEM Technology, however, is very new. A perfect complement to CRM initiatives, CEM Technology allows companies to understand what a customer thinks, feels, wants, and experiences with regard to their people, products, and processes. It does so at a granular level enabling the organization to take immediate action to exploit opportunities, reduce costs, and improve revenues, while directly improving overall customer satisfaction and loyalty.

² Amae Software: White Paper - Transactional vs. Traditional Research ; White Paper - Surveying in the Contact Center Correctly

Amae Software has captured all the benefits of CEM Technology and processes within the Amae CI Suite. Data throughout this article is supported from actual implementations and customer experience. For further information or demonstration of the Amae CI Suite, please contact Amae Software at www.AmaeSoftware.com or call direct: (650) 965-0820.