

CUSTOMER EXPERIENCE INNOVATION

How to Get a Lasting Market Edge

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CUSTOMER EXPERIENCE INNOVATION

How to Get a Lasting Market Edge

BY

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INVESTOR IN PEOPLE

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the importance of doing good things in business, rather than just working out how to make money.

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ABOUT THE AUTHOR

Robert Dew began his career as a physicist, but several reinventions evolved his career to consulting in innovation management and customer experience (CX). As the Principal of Coriolis Innovation, he now has almost 20 years of experience in helping companies grow. He has consulted for many large Australian firms, founded 48 start-ups and invested in four other private firms. As an academic, his PhD relates to increasing creativity in organisations with strong corporate governance. He has lectured in Competitive Strategy, Entrepreneurship and Creative Problem Solving as a Visiting Professor at eight universities across Europe, Asia and Australia. As a 10-year member for the International Society of Innovation Managers (ISPIM), he chaired their Advisory Board for two years and continues to front their conference rock band as lead singer.

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FOREWORD

Close your eyes and think for a moment about the most innovative companies you know. Chances are a few names jumped up on top of your short-list – Apple, Google, maybe a favourite airline or hotel? They're undoubtedly good at much of the innovation game but it's a fair bet that what helps launch them up there is the quality of customer experience (CX) they are able to create and maintain. Apple wasn't the first with either mp3 player or smart phone – but they came to dominate by virtue of their attention to design and to creating a distinctive CX.

It works the other way as well – think of companies you'd place low down on your list, the kind of firm you'd tell your friends to avoid like the plague. Once again the chances are this judgement is made on the basis of your (bad) experience as a customer rather than coming from a detailed analysis of their financials or R&D profile.

Joseph Pine made an excellent point in his article and book back in 1998 when he touched on the theme of 'experience innovation'. His argument was simple – in a world where things increasingly become commodities (especially services) the real differentiator becomes the personal experience you are able to create in the lives of your customers. His examples included Cirque de Soleil – not your ordinary circus theatre but a very specific mix in which CX is at the heart of the value proposition. Or Virgin's ability to punch above its weight in the highly competitive transatlantic airline game – again based on creating a unique CX around being pampered and supported from the minute the limousine drives up to your door to the Clubhouse which is so much fun that you don't want to leave it to catch your flight.

It's not always so obvious – and the risk with experience innovation is that it can fade. But some organisations succeed; in the UK the first online bank was First Direct and it attracted a loyal customer base by offering a very personal CX despite doing so via call centres and websites. Its real skill has been to maintain that level of satisfaction; it's now coming up on its 30th birthday and continues to grow. More importantly, it has held on to

the majority of its original customers – not through inertia but because of continued and careful attention to CX.

As Rob puts it in the book, ‘markets reward companies when they stand out from the crowd in a way customers value. This is the foundation of CX innovation. If you help your firm do something remarkable, customers will choose it more often, happily pay more for it and then refer you to other customers for free. The challenge is not so much finding the stuff the customers like, it is the standing out from the crowd’.

The idea of innovation as a kind of piracy is a metaphor running through the book – not in its negative sense but as a theme around being prepared to challenge and take risks in order to move around more effectively on the very stormy oceans of today’s business. It’s a concept (if not an image) which Joseph Schumpeter, the father of entrepreneurship theory, would have been happy with and it fits well with his powerful concept of ‘creative destruction’.

Not surprisingly, this is difficult to swallow for many senior managers in established companies. Whilst entrepreneurship would have been at the heart of all of their early days as start-ups once you make the big time you have to be careful. Control and caution come into play – the tendency in innovation towards the incremental, doing what we do better. That’s a good recipe for stability – but without some energy spent on exploration, sailing into uncharted waters, pushing frontiers, taking risks, it is also likely to lead to the demise of the whole venture. Innovation research is pretty clear about that – long-term success is a balance and any organisation needs a degree of piracy, of enabling different behaviours to develop a different offering. CX is at the heart of this.

So the importance of CX is clear; the real challenge is how to develop it and to sustain it. And that’s where this book comes in. Drawing on a decade of research in a variety of sectors it presents a structured framework for thinking about CX – what it is and how it is put together. More importantly, it offers some great examples and insights and an extensive toolkit for dealing with both incremental improvements to CX and more radical and adventurous approaches to transform it.

John Bessant
*Co-Author of *Managing Innovation*, now in its 5th Edition*

CHAPTER 1

INTRODUCING SHEEP AND PIRATES

If, like me, you can get frustrated with how most large firms operate – maybe the most challenging firm is the one you work with – then this book is for you. We collected nearly a decade of insights into trying to help companies improve their Customer eXperience (CX) because so many businesses offer nothing more than a ‘meh’ to their customers. It can be a little dismaying to start with. The root cause of this seems to stem from overcompensating against the fear of making a bad investment. The larger the company, the more it will value, protect and promote herding behaviours: alignment, risk aversion and safety in numbers are probably the most common shared values in large companies. Ironically, these values are the same as those observed in a herd of sheep. We work hard to help our clients become more than one of the herds in their market. Sometimes it works and sometimes it doesn’t because some large companies are happy to remain as sheep, as long as they are well fed.

Sadly, the stark truth of the matter is that very few large firms will prioritise their customers until their existence depends on becoming more customer centric. Some firms with a strategic outlook see the sky beginning to fall and others miss the market movement until it is almost too late. Many of your corporate peers will only get interested in CX when they can’t work out how to improve returns in another more conventional way. To continue our sheep analogy, you will get some support from showing how ‘the grass is greener over there’ but even more if you point out either the forest fire or vicious wolves over here. The drive to improve CX almost always comes as a result of the market. We believe in the market, and if you do too, then this book is for you.

Markets reward companies when they stand out from the crowd in a way customers value. This is the foundation of CX innovation. If you help your firm do something remarkable, customers will choose it more often, happily pay more for it and then refer you to other customers for free. The challenge is not so much finding the stuff the customers like; it is about the standing out from the crowd. And this is where we find many executives get a little twitchy.

We likened the content of this book to piracy is because it is about how to do the unprecedented and rebel against the status quo. Just like pirates at large on the high seas, CX is one of the few relatively uncharted and unregulated areas in business. This does not mean this book is about doing illegal or unethical things. In fact, it is quite the opposite – we believe making customers happy is about building *remarkable* experiences designed to leave them with specific feelings and memories worth sharing. However, just like piracy, CX innovation tends to be more successful when it is near the bleeding edge of the market frontier. This requires a combination of bold daring and swashbuckling style. And, dare we say it, innovating your CX to get an advantage sometimes seems like cheating, because success requires flouting established market conventions.

This book is about innovation. The content covers a range of research and design processes validated in real world organisations. If you apply the tools outlined in this book, you will learn how to create a competitive advantage for your business. While there are many types of competitive advantages that have been identified, this book is specifically how to get one from offering a superior CX. Many of the examples relate to large companies because they are often more visible and so easier to connect with. However, the principles here apply to businesses of any size, including start-ups. To help you navigate more easily to topics relevant to your size of business, we have divided the book into sections:

This chapter provides a more detailed explanation of the rationale above. Read this chapter if you need more validation for investing in improving your firm's CX, you can skip it if you are already convinced.

Chapter 2 is a primer on competitive advantage, the most critical objective of strategic planning. It is about what it really means to have a competitive market edge. Read Chapter 2 to learn about what makes a competitive advantage, discover examples of different types and compare

with your firm's strategic plan objectives. Skip this chapter if you are not interested in how CX innovation fits into the strategy development context, or if you are already an expert on competitive strategy.

Chapter 3 covers the research phase activities required to deeply understand your market context. It is based on mixed method research techniques. This chapter offers a crash course in how to combine customer interviews and surveys with statistical analysis, to capture critical context clues about your competitive landscape. It also covers customer journey mapping, market segmentation, value drivers and market positioning approaches. Skip this chapter if you are familiar with journey mapping, psychographic-behavioural segmentation, Blue Ocean Strategy and consumer decision modelling.

Chapter 4 introduces the TERMS framework prompts to identify and resolve pain points. These tools are useful for incremental CX innovation, and in some cases can prompt more transformative innovations. This is a good place to start if you have a list of existing customer pain points and need to design tactical improvement initiatives. This chapter is also useful to get a comprehensive and pragmatic understanding of customer centrality. It is probably the best chapter for small businesses looking for a cost-effective edge in their niche. However, it is common for large businesses to focus on reducing pain points. This is disappointing because they miss out on the long-term benefits of CX innovation.

How to Quickly Find Relevant Pain Point Examples and Solutions

We have formatted the mini case studies in the book like this so it is easy to find concrete examples. There is also a case list, so you can see examples from specific companies or industries you might know. If you are looking for guidance about how to identify a pain point, search for examples with a minus sign in their title. If you need inspiration for incremental improvements or transformational innovation, look for a plus sign in the title. We use some shorthand for specific concepts related to customer experience elements. If your issue relates to time, emotion, risk, money, situation or sense-based elements, you may find one of the abbreviations below useful as alternative search terms.

CX = *Customer eXperience*

T+ | T- = *Time based CX*

E+ | E- = *Emotion based CX*

R+ | R- = *Risk based CX-*

M+ | M- = *Money based CX*

S+ | S- = *Situational or Sensation based CX*

Chapter 5 presents advanced innovation design techniques and these are not for the faint-hearted. They are included for ‘power users’ who aspire to transform their organisations to deliver truly innovative CX. The challenge with these design tools is that their inherent effectiveness is also their weakness; you can use them to escape your current market paradigm, but this escape carries your firm into uncharted waters where the thrill of discovery must be offset against the risk of floundering on hidden hazards. Of all the content in the book, this chapter requires the most artistry.

Chapter 6 relates to learnings around implementation of new CX initiatives. This has two parts: managing both the changes needed and the resulting complexity. This chapter is critical to the strategic success of any CX innovation, because simple changes are easy for rivals to copy. There is no escaping the fact that it is complex to deliver CX improvements which result in a sustainable competitive advantage. Easy-to-implement CX initiatives also turn out to be easy to copy by rivals, which limits their useful lifespan.