

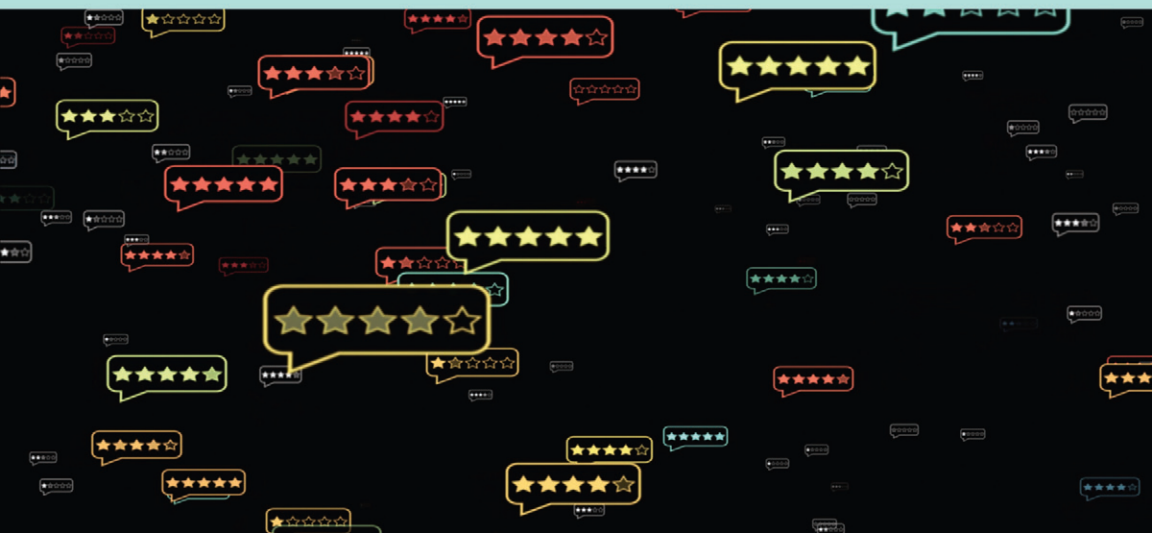


Crafting Customer Experience Strategy

Lessons from Asia

Edited by

Sapna Popli • Bikramjit Rishi



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Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2021

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83909-711-9 (Print)

ISBN: 978-1-83909-710-2 (Online)

ISBN: 978-1-83909-712-6 (Epub)



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Foreword

In the last decade or so, the focus on customer experience (CX) management has increased exponentially. The ongoing changes in the business outlook across the globe, with the added impact of COVID-19, have made it even more pertinent to design and deliver exceptional CXs. Historically, while organisations and leaders bought in to the importance and need for investing in CX, there remained gaps in actual implementation and whole-hearted execution. The siloed mind-set and existing organisation structures continued to keep CX in a corner or house in customer support. Even when an organisation invested in capturing the ‘voice of the customer’ it was hardly shared organisation wide, let alone integration with other metrics from operations and finance. But as the customer got into the driving seat, competition increased and the need to focus on executing a perfectly crafted CX strategy has increased manifold.

Organisations today are starting to understand the impact of the CX on the top line as well as the bottom line. The understanding of the CX has started to move beyond customer care and marketing to operations, human resource management and board rooms. In organisations which are at the top of the CX maturity ladder, each employee works to break the silos within the organisation to deliver the best experience to its customers. The organisations are trying to understand the in and out of the customers by working closely on the customer journey, customer emotions and the CX at all the touchpoints. The customer journey elaborates on the pre-purchase, purchase and post-purchase engagement of a customer with the brand. An adequate understanding of the customer journey helps a brand to design an excellent brand experience aligned with the brand promise. At the same time, reports indicate that many brands are unable to live up to the customers’ expectations as they cannot understand the customer journey properly. The advent of digital and social media has further increased the complexity of the customer journey, making it more and more interactive and multi-channel.

A *Forbes* report indicates that today 89% organisations compete based on CX. It has become a new weapon in the hands of marketers to fight the competition. The report also showcases that 80% of the organisation believe that they deliver a ‘super’ CX, but only 8% of their customers agree. It means there is a massive gap in what the organisations are providing versus what the customers are getting. This gap is also increasing due to the increased number of alternatives the customers have to reach a brand. Traditionally when customers had a problem, they could visit the brand outlet, email or speak to customer care. But now, when the

customers are dissatisfied with your brand, they might tell you and an unsatisfactory or delayed response will soon have a post on social media to say to others, which negatively impacts the business and arouses negative emotions in prospective customers' minds.

Asian economies differ significantly from the developed markets in socio-economic and cultural variables. The variance leads to the difference in their customer's behaviour, expectation and experiences. The majority of the CX research contributions specially in the form of a book have come from the developed world mostly the United States and Europe, which left out many aspects that may be relevant for the Asian markets. This necessitates a dialogue where researchers and practitioners operating in these economies to share their experiences and coalesce on a research agenda related to the customer experience. The book on the theme *Crafting Customer Experience Strategy: Lessons from Asia* purports to provide a platform where these experiences, insights and thoughts have been assimilated to approach a unified understanding of what (re)defines customer experience management.

Sapna Popli
Bikramjit Rishi

Acknowledgement

This book would not have been possible without the support and encouragement of our families, friends and colleagues who encouraged us throughout the book's compilation and editing. We are incredibly thankful to our families for their unconditional love and support and for all the time they gave for us to work freely on this book. We are grateful to Emerald's editorial board for providing feedback on the submissions and following up with us for the timely submission of the manuscript.

We are extremely thankful to all the book chapter contributors, most of whom we have known for years as colleagues and friends. This book project gave us all an opportunity to reconnect, work together and appreciate each other as people, specially in the times of the pandemic. The field of customer experience management is inherently so cross-functional this book needed each contributing author's professional expertise without which it wouldn't have been what we aspired it to be. It has been a pleasure to work with all the authors. We are also very thankful to all organisations and industry professionals who have contributed cases and interviews to make the book relevant in an Asian context.

We are also thankful to our workplace, the Institute of Management Technology (IMT), Ghaziabad, India, for continuous motivation, encouragement and a friendly environment for us to focus on the book publication. We are also thankful to our director, Prof. Subhajit Bhattacharya, and dean research, Prof. P.K. Biswas, for their unstinted support and guidance.

Finally, we are thankful to all fellow researchers and authors in the customer experience space who have been happily sharing the knowledge and expertise with us and the world of business at large.

Sapna Popli
Bikramjit Rishi
November 2020

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Chapter 1

The What, Why and How of Customer Experience

Sapna Popli and Bikramjit Rishi

Abstract

The opening chapter takes the reader through three aspects of customer experience management (CEM) – the what of customer experience (CX), the why of CX and the how of CEM. The authors have collected, synthesised and presented information from research as well as practice in this chapter. It helps the readers build a perspective on CX, sieving through various notions, philosophies and terms that have come to mean CX. The chapter also establishes the need for understanding CEM and executing it using the framework presented in the ‘how’ section of the chapter. The chapter concludes with a short overview of each of the following chapters.

Keywords: Customer experience; customer experience management; integrated; frictionless; culture; leadership

Experiences are all around us,
we are experiencing something in
each breath we take

1. Introduction

Every organisation gives some kind of experience to its customers – that experience might be great, good, bad or ugly...but experience it will be. Every time we interact with a website, shop online, shop offline, walk into a café, use an equipment we bought, use a software at work, use technology to connect and collaborate, each of these times we experience the product, the brand, the service and the organisation itself. Each experience has an emotion, a feeling attached to

it, maybe subtle but is very much there. What we remember as we think of buying again or recommending the brand is based on the perception of these emotionally cued interactions with the organisation.

Movie going has always been an experience, not just because of the movie, but all of it, the planning, the ticketing, the popcorns, the feel of the movie hall, the other patrons, the theatre and all that it brings. For the same movie, some will come back and think of it as an exceptional movie experience, yet for others it may not have been so. Not because of the movie, but maybe because of waiting time outside the movie hall, not getting your popcorns on time or the strange smell of the place or a random argument over the cab charge en route. Buying or waiting for the car to be delivered as promised by your dealer may be a neutral experience, and interacting with your bank call centre may have been very pleasant or painful, it's an experience nevertheless. You do not have to be in the opera hall for an experience; a well-managed, effortless buying journey in the time of need with an organisation is also a superlative experience. The question is, can organisations manage these experiences...the many emotions...? Is it doable? What does it take to get it right?

Customer experience management (CEM) over the last decade has become not only an important discussion subject in corporate corridors and branding conversations but is also being seen as the only source of sustained competitive advantage in the coming years. While academic research and consulting both are starting to arrive at an agreed understanding of CEM, the field continues to evolve. One of the most accepted academic arguments on customer experience (CX) is presented by [Lemon and Verhoef \(2016\)](#), 'customer experience is a multidimensional construct focusing on a customer's cognitive, emotional, behavioural, sensorial, and social responses to a firm's offerings during the customer's entire purchase journey'. And CEM/CXM as proposed by consultants and academics alike is what organisations do to manage CX, such that it brings back customers and enhances customer loyalty and recommendation, thereby leading to growth and revenues. [Gartner \(2016\)](#) defines CEM as 'the practice of designing and reacting to customer interactions to meet or exceed customer expectations and, thus, increase customer satisfaction, loyalty and advocacy'.

While many reports and articles have documented the heightened interest and attention on CX across organisations, there is also ample reporting about the difference in perceptions of the kind of CX senior leadership believes their organisations deliver and what consumers say they receive. There are also dismissive notions about the return on investment (ROI) in CX. The truth about CEM remains, that unless the CEM intent is perfectly aligned within the organisation structure, processes, people, practice and all employees have a complete understanding of the customer's journey with their brands, the challenges will remain. Many organisations have set up fairly new CX department/function and are struggling to get it right and specially in terms of making the business case for CEM.

To top all this, the pandemic caused by the novel corona virus (COVID-19) has brought a fundamental shift in the ways customers think, decide and buy. Their expectations and priorities have shifted from the 'shopping experience' to a

‘safe experience’ and from an in-store experience to an ‘online experience’. A recent article by [Diebner, Silliman, Ungerman, and Vancauwenberghe \(2020\)](#) rightly points out that

‘...in times of crisis, a customer’s interaction with a company can trigger an immediate and lingering effect on his or her sense of trust and loyalty...a primary barometer of their customer experience will be how the businesses they frequent and depend upon deliver experiences and service that meets their new needs with empathy, care and concern’.

In this context, this first chapter tries to clarify three key questions about CX and CEM/CXM – the what, why and how of CX and CEM.

- (1) What is CX? What is the genesis of CX? What is CEM?
- (2) Why is it important? Why are leaders betting on CX? What does it offer to organisations?
- (3) How do we manage CX? How does an organisation embed CEM in its philosophy, design and way of doing things?

2. What Is Customer Experience?

Let us begin the conversation about CX from the word ‘experience’. In ordinary language, experience is used in two broad contexts, one that refers to ‘knowledge accumulated over time’ and the other that refers to ‘ongoing perceptions and feelings and direct observation’. Most English dictionary references of the word ‘experience’ include both these common understandings. Collins English Dictionary (2014) included the following entries for the word experience.

experience

n

1. direct personal participation or observation; actual knowledge or contact.
2. a particular incident, feeling, etc, that a person has undergone.
3. accumulated knowledge, esp of practical matters.
4.
 - a. the totality of characteristics, both past and present, that make up the particular quality of a person, place, or people
 - b. the impact made on an individual by the culture of a people, nation, etc.

5. (Philosophy) philosophy

a. the content of a perception regarded as independent of whether the apparent object actually exists.

b. the faculty by which a person acquires knowledge of contingent facts about the world, as contrasted with reason

c. **the totality of a person's perceptions, feelings, and memories**

vb (tr)

6. to participate in or undergo

7. to be emotionally or aesthetically moved by; feel: to experience beauty.

[C14: from Latin *experientia*, from *experiri* to prove; related to Latin *periculum* peril]

It is this '**totality of a person's perceptions, feelings and memories**' that comes closest to the way the experience is interpreted for understanding and evaluating CX. In one of the early books on 'experience marketing', Schmitt (2011, p. 60) referred to 'experiences in the here and now – perceptions, feelings and thoughts that consumers have when they encounter products and brands in the market-place and engage in consumption activities – as well as the memory of such experiences'.

The theoretical roots of CX can be traced back to the late 60s/early 70s in the consumer decision-making models. The most influential one's being those of Howard and Sheth (1969); attention–interest–desire–action (AIDA) model and its adaptations (Lavidge & Steiner, 1961); business buying process Webster and Wind (1972) and the model of industrial buying behaviour (Sheth, 1973). They focussed on the process of the purchase journey and the factors that influence customers while making a buying decision. These models continue to influence marketers while they explore the realms of CX. These models provided the foundation to view CX holistically, as a process that consumers go through; today these are commonly referred to as the 'customer decision journey' or 'customer purchase journey' (Lemon & Verhoef, 2016) or just 'customer journey'.

Other theories and works that have influenced the current conceptualisation and practice of 'CX' include the following:

- The stimulus-organism-response model (Mehrabian & Dan Russel, 1974). The authors articulated customer response to an organisation in terms of 'approach' or 'avoidance' and it being shaped by the interaction between the stimulus (organisational or environmental) and organism (consumers – emotional state). '*Interaction*' and '*response*' continue to be critical elements of CX.

- The works of [Holbrook & Hirschman, 1982](#) and [Woodward & Holbrook, 2013](#) helped marketers going beyond the information processing approach to include the subjective elements of the ‘consumption experience’. The authors may have been the first ones to bring in the experiential aspects of consumption including the symbolic meaning, subconscious processes and nonverbal cues. The information processing and stimulus-response perspectives till then focussed on product attributes and functionality. The discussed the full range of possible **consumer emotions** (e.g., love, hate, fear, joy, boredom, anxiety, pride, anger, lust and guilt) that influence buying decisions) ([Schmitt, 2011](#)).
- Service-dominant logic (S-D logic) and value co-creation ([Vargo & Lusch, 2004, 2008](#)). The concept of ‘**value**’ has dominated economic thought from centuries. Traditionally, value creation is thought of as a series of activities performed by the firm to create value and then distribute it in the market through exchange of goods and money (today referred to as the goods-dominant logic). The S-D logic view does not segregate the roles of producers and consumers in value creation, meaning that value is always co-created, jointly and reciprocally, in interactions among providers and beneficiaries through the integration of resources and application of competences. S-D logic is a mindset for a unified understanding of the purpose and nature of organisations, markets and society. The foundational principles of S-D logic state, ‘The customer is always a co-creator of value, value creation is interactional and that value is always uniquely and determined by the beneficiary’; [Prahalad & Ramaswamy, 2004](#) discussed that value in the emergent economy will centre on personalised **co-creation of experiences** and that customer value will be derived from purposeful and meaningful personalised interaction between customer and organisation.

The emergence of ‘experience economy’ as coined and popularised by [Pine, Pine, and Gilmore \(1999\)](#) is also an important underpinning to the world of CX. The authors argued that experiences are the fourth economic offering, as distinct from services, goods and commodities; accordingly the economic value at a societal level has progressed through the three stages of creating and capturing value in commodities, goods, services and now through experiences. The authors also brought to centre stage the fact that customers have limited time, that attention is scarce and that in this experience economy businesses must form unique connections in order to secure their customers’ affections for their own economic survival ([Pine & Gilmore, 2019](#)). This progression towards experience-based economy is strongly supported by many scholars and practitioners ([Palmer, 2010](#); [Pine & Gilmore, 1998](#); [Pine et al. 1999](#); [Schmitt, 1999](#); [Shaw, 2007](#)).

Integrating these streams of theory and thought, one could safely suggest that CX as well as managing CX is strategic, integrated, cross-functional and something that has come to define organisations; the core of CX must include

interaction, response, emotions and most importantly value co-creation. To simplify, we could try and understand the two terms CX and CEM/CXM as follows:

Customer experience is the totality of a person's (customers) perceptions, feelings and memories that are accrued over their journey with the organisation **and**

Customer experience management is the totality of the organisational intent and activities that it does to capture the time, attention and affection of its customers so as to co-create and capture value by enabling a perfect customer experience.

Scholars and practitioners have come to agree that CX is a multidimensional construct that involves cognitive, emotional, behavioural, sensorial and social components (Lemon & Verhoef, 2016; Schmitt, 1999, 2003; Verhoef et al., 2009). A recent paper that carefully reviewed close to 69 articles, 12 books and dissertation on CX spanning last 25 years (from 1990 to 2015) also concluded that CX is the aggregate of feelings, perceptions and attitudes formed during the entire process of decision-making and consumption chain involving an integrated series of interaction with people, objects, processes and environment, leading to cognitive, emotional, sensorial and behavioural responses (Jain, Aagja, & Bagdare, 2017).

The arguments shared above have tried to clarify what CX and CXM are. Students, participants and managers alike continue to describe CX as collecting customer feedback, listening to the voice of customer or customer satisfaction. We have often begun our first session in training or teaching by asking 'what do you understand by customer experience' or 'what does customer experience mean to you'. Many a times the responses include feedback, customer support, customer care, voice of customer, customer satisfaction, rarely do we hear emotions, journey, the totality of experiences or customer value. Fig. 1.1 lists some of the commonly used terms (blue hexagons Fig. 1.1) that are often used while referring to CX. These may all be contributed in the making of CX and CXM as we know it today and as defined above, but they by themselves are not CX, rather many of them are parts or inputs to making a great CX; essential elements of CX discussed earlier are included in the yellow stars.

3. Why Customer Experience?

The second question that one would like to think about is about the growth in the practice of CX over the last two decades and the importance being given to understanding and managing CX across the world. As per a recent study conducted by Grand View Research, the global CEM market size is expected to reach USD 23.6 billion by 2027, set to register a CAGR of 17.7% from 2020 to 2027 (Grand View Research, 2020). In recent years, CEM has emerged as one of the top arenas of marketing investment for firms, making it the new marketing

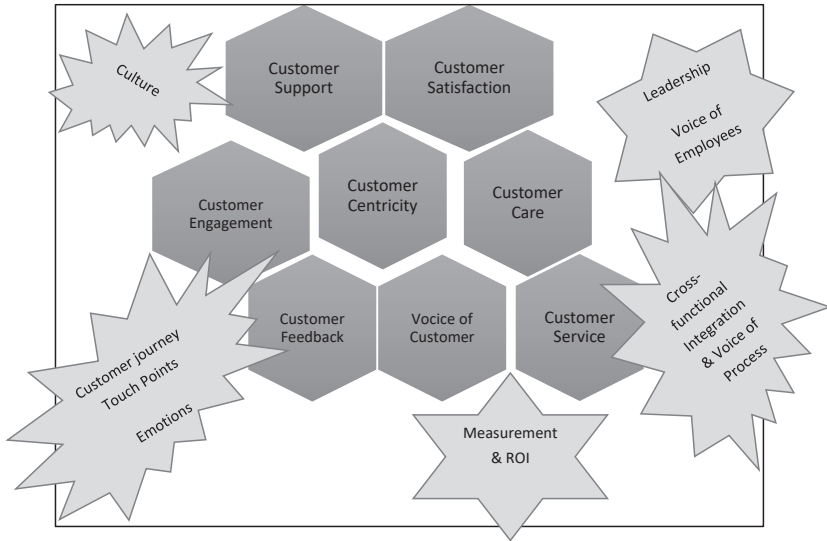


Fig. 1.1. Notions of Customer Experience. *Source:* Authors Creation.

battlefront. According to a Gartner survey, 81% of marketing leaders responsible for CX say their companies will mostly or completely compete on the basis of CX in the next two years (Pemberton, 2015).

The interest and growth in CX can also be attributed to the changing customer preferences and diminishing competitive advantage of brands focussing on just products and/or services in the experience economy. Customers today have a much wider choice availability to source the products and services they need and have resources and access to information to evaluate their purchase decisions on a click of a button. The theories of how choices are made by consumers have also continued to evolve over these years. In 2002, Daniel Kahneman was awarded the Noble Prize for his work in applying psychological insights to economic theory, particularly in the areas of judgement and decision-making under uncertainty. Together with his team, he countered some assumptions of traditional economic theory on rational choices based on self-interest. The authors showed that people frequently fail to fully analyse situations where they must make complex judgements. Instead, people often make decisions using rules of thumb or heuristics rather than rational analysis, and they base those decisions not necessarily on rational thinking, but on other kinds of attributes such as fairness, past events and aversion to loss. In 2012, with his award winning book *Thinking fast and slow*, he popularised the System 1 and System 2 theory, the dual-processing thinking defined as two modes of thought: System 1 is fast, instinctive and emotional; System 2 is slower, more deliberative and more logical. System 1 and System 2 are widely used in the neuromarketing and consumer neuroscience field to describe forms of information and decision processes of the consumer, based on reported psychophysiological data.

Dual-processing system has remained a dominant paradigm embraced by consumer researchers to interpret decision-making. Breaking down the brain into two distinct ‘systems’ has been extremely helpful for simplifying the complexities of cognition by dividing the brain (e.g., unconscious/conscious, fast/slow, automatic/effortful, intuitive/deliberate). The proponents of CX have continued to be influenced by these works and called it by different names such as the Intuitive System and the Rational System in the book *The Intuitive Customer* (Shaw & Hamilton, 2016). Other works in neuroscience continue to evolve and impact the way we know and think about brains decision-making process. Neuroscience has repeatedly demonstrated our brain does not passively wait for information, but rather is ‘always active’, automatically and continuously, predicting the incoming streams of input before they arrive to prepare us for action (Clark, 2013). Behavioural science is becoming more and more applied by providing a broader, holistic picture of customer behaviour that is grounded in context and time, in situations, social influence and networks, perception of future and uncertainty.

What all of this means for organisations is that the consumer’s mind is always looking to make the process of decision-making easier and automatic. Consumers want to save energy and are continuously looking to switch rational processes and decisions over to automatic processes and decisions. Ideally, organisations and brands do want people to make automatic and intuitive decisions to buy from them. However, they will go through a rational process with the organisation first to get to a point where they trust the brand completely and blindly. Trusted organisations and brands need to deliver their brand promise consistently all the time and across all touchpoints. Even with products and services that has high involvement as well as complex B2B buying, there will be parts of that rational experiences that are influenced by the intuitive. All of this behind the scenes, functioning of the brain, its decision-making processes and how we form perceptions and learn to trust or not trust a brand gives another reasons for organisations to focus on the customer’s world of experiences.

The trend on importance of focus on CX can be traced back to many years, but in the last decade the progress had been incremental, CX has made a stable place in the mind space of marketers and CEOs alike as compared to only five years ago when only 20% of marketers said that capitalising on CX was the most exciting opportunity for their organisation (Adobe, 2020). If one scrolls through the pages of the big management consulting and research firms, one would find not only a significant emphasis on ‘CX practice’ but also whitepapers, reports from across sectors and indices that measure CX. As per the 2020 NTT CX benchmarking report, 81.6% of organisations agreed that CX offers a competitive edge and about 58.0% say it’s their primary differentiator (NTT, 2020d). So what does a well-integrated CX strategy do for an organisation?

In today’s hyper-competitive, hyper-connected global marketplace, a well-aligned CEM thus becomes a necessity. In addition to helping organisation and