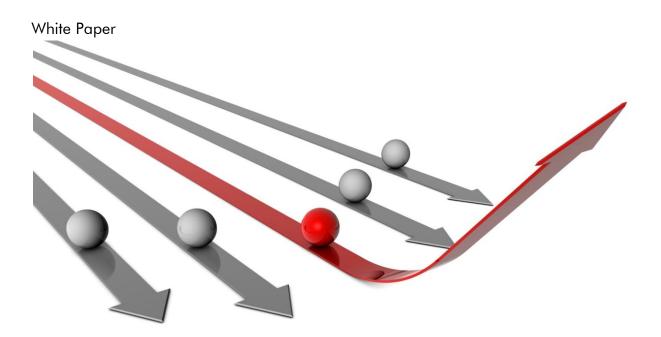**PIDAS**

THE CUSTOMER CARE COMPANY

CUSTOMER CARE CONCEPT 2.0

Customer Care as critical Factor for increasing the Customer Value and ensuring Operational Success in the Social Customer Economy
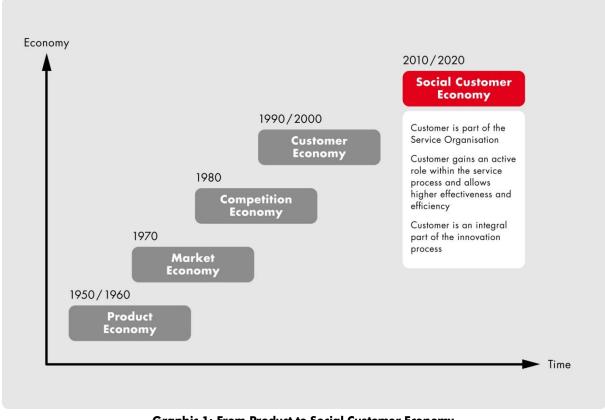
White Paper

Contents

1 The Game is changing

The term *Customer Care* needs to be completely reinterpreted today. The antiquated way of thinking that Customer Care is exclusively about activities in after-sales service and handling of complaints has become obsolete. The entire customer life cycle needs to be centered on the establishment of long-term customer relationships and the achievement of a 360° perspective of customers. Only if a company knows its customers in detail, is it able to support them optimally and gradually adjust products and services to their specific needs.

1.1 Looking back

A strong focus on customer needs and hence on customer orientation as central term was not always present and was also not considered to be relevant for the long-term success of a company. Global economy went through various stages of development in the last years (with reference to Bruhn 2007, S. 3ff.).

Graphic 1: From Product to Social Customer Economy
(Source: own Graphic)

In the middle of the last century demand exceeded supply by far. Companies which were able to mass-produce their goods, were economically very successful and could claim high growth rates. The focus was on production and efficient allocation of produced goods to consumers. In the 1970s the situation changed. If companies for aforementioned reasons had maximized their production capacities, they now gradually found themselves confronted by an over-capacity developed on the market. Products that previously could be sold without much effort suddenly remained sitting on the shelves. A differentiated handling of the market became inevitable for successfully managing a company. From now on, the product-mix needed to correspond to

concrete customer needs of target groups. In the 1980s pressure on companies further increased due to a growing assimilation of products and marketing activities. Differentiation of products vis-à-vis competition became a central management task. Around the turn of the century, customer-oriented factors started to get a strong focus. Changes in consumer trends and needs had to be recognized and considered accordingly to achieve economical success.

1.2 Social Customer Economy

Most recent market developments clearly show that customers do no longer just want to buy and consume, but wish and are able to be involved into the creation of products and services themselves. We call this age ‚Social Customer Economy´. The original role models – providers (companies) and consumers (customers) are no longer fully valid today. In the age of Social Customer Economy the customer himself is part of the Service Organisation. Hence, he not only influences the development of a higher service efficiency and effectiveness but can also become an important and active part of the innovation process. In many cases he is probably the better product developer because he knows best what he needs and how his needs can be satisfied.

Origin and source of the development from the passive customer to the active 'doer' are certainly at least partially to be found in the Social Media field. On platforms such as Facebook, Twitter and YouTube, to name only a few, consumers learn how they can make their good and bad experiences with products and services public and exchange them with each other. Once customers have learnt how 'to table' facts and figures, it is only a matter of consequence that they also want to be involved into the market and product development. The market will have to stay abreast of this trend. The customer will not only need to have a voice but will have to be involved as an active partner and service provider.

1.3 Mouth-to-Mouth Propaganda and Multichanneling

It is obvious that word-of-mouth advertising by actively using Social Media platforms has reached a completely new dimension. Recommendations of a customer to his friends no longer have a regional character but can go far beyond national borders. Therefore the most important maxim must be to turn customers into fans of the company. This is exactly what *Customer Experience Management* is all about.

Customer expectations are continuously increasing. A wide offer of communication channels is considered as a matter of course and professional support irrespective of the chosen communication channel is expected by customers. This fact puts the topic and challenge of Multichanneling at the centre of interest of many companies. The integration of the channels, the storing of customer interaction information and the transfer of data to all relevant points within the company are indispensable for professional Customer Care. It will therefore be inevitable for many companies to work on their interaction and dialogue capacity in order to be able to establish strong customer relationships and provide customers with positive experiences.

1.4 Buy-In of Top Management is Key for the Implementation of Customer Orientation

Many CRM Concepts failed because the customer and his needs were not taken into consideration or sight of them was quickly lost in the course of a project. It is furthermore evident that true customer orientation can only be achieved through profound cross-divisional changes in the

company. Such far-reaching changes in the area of Customer Care can only be initiated by Top Management and need to be pushed through with a lot of power and energy later on. For this reason, a strong commitment and buy-in of Top Management in Customer Care projects is an absolute obligation.

1.5 Let's go! Toward the new Customer Care Concept

The Customer Care Concept 2.0[1] (CCC 2.0) considers the findings described above and makes it possible to realize the newly developed theoretical foundations and ideas. The CCC 2.0 shall therefore be used as theoretical framework to implement an integrated Customer Experience Management in a company. Many companies will inevitably ask the question of 'how?' once the current situation and corresponding new requirements for successful economic activity have been acknowledged. The revised version of the Customer Care Concept is intended to be the answer to the implementation of customer orientation in the company, so that companies, also under these changed circumstances and rules, can still be an active part 'of the game'.

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[1] The original Customer Care Concept has been completely revised. To talk about a revolution would be too far-fetched. Rather more an evolutionary approach has been followed, which does not completely turn the existing concept inside out, but rather starts from the basis and develops individual elements further on the grounds of experiences of past years and findings developed through extensive market research and adapts them to new requirements. All this is done without negating the original concept and body of thought. The original Customer Care Concept is consequently developed into Customer Care Concept 2.0 (CCC 2.0). In analogy to versioning of software products, the new name postulates a new generation and distinguishes itself from earlier ways of using the Concept. Moreover it hints at the catch phrase Web 2.0, which stands for a number of interactive and collaborative elements of the current information era. As interaction, dialogue and collaboration between companies and their customers are central components of the Concept also this part of the naming process seems justified.

2 From CRM to Customer Experience Management (CEM)

Various experts have dealt with this term and have defined it in different ways in the past years. The term Customer Experience Management (CEM) was first used by Pine/Gilmore (1998) in an article for the Harvard Business Review (HBR).[2] Thompson/Kolsky (2004) from the consulting firm Gartner for example pointed out the growing relevance of CEM and Customer Relationship Management (CRM) for sustained corporate success already some years ago. In 2007 the authors C. Meyer and A. Schwager define the term in an article in HBR as follows: „Customer experience encompasses every aspect of a company's offering – the quality of Customer Care of course, but also advertising, packaging, product and service features, ease of use, and reliability". And in 2008 Jessica Debor in an article in the CRM Magazine holds the view that the capacity of a company to create positive experiences, which from a customer's point of view make a significant difference in competition, not only increases customers' disposition to buy but also their brand loyalty towards the company.
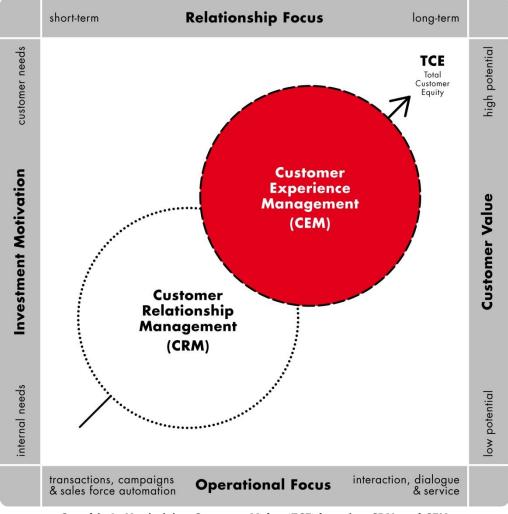
Don Peppers and Martha Rogers in their book "*Rules to Break and Laws to Follow*" (2008) point out the importance to again and again adopt the customer perspective. In this way, the really relevant questions can be asked: „How is it to be your customer? How do daily customer experiences with your company look like? How does it feel to be kept in the waiting loop when calling your company or to open a package and not know how to follow the instructions of the badly translated manual? How does it feel if one has to queue up only because one needs to pay a fee? Or to have to wait for the call of Customer Service which is already overdue for hours? Or to return to an empty online shopping cart one hour later and have to start from scratch? And how does it feel instead if one is easily recognized as a customer and if earlier contacts are remembered, or if one is offered helpful advice? If everything is as it has been promised and I can be certain that the answers and solutions I receive are the best possible answers for my case?"

Only those who anchor CEM strategically within the company and combine it with CRM experiences can fully explore potentials of a lived customer orientation. Only if Customer Care activities are embedded into the company-wide strategy is a lasting implementation possible. This is also documented by an expert study among top-telecommunications companies in Germany and Switzerland. In a qualitative study which took place within the framework of a diploma paper at the Technical University in Munich, in cooperation with the consulting firm Client Vela, experts from leading telecommunications providers from both countries were questioned on the topics CEM and CRM. The aim of the study was to find out if CEM should be considered as a further CRM instrument or as an independent innovation. Results are unambiguous. Participants of the study can see a true innovation only in the combination of CRM and CEM. An additional finding of the study is that the significance of CEM is altogether increasing. Susanne Karlein, responsible for carrying out the study, made the following comment: „The understanding for CEM has to be anchored in all divisions as well as in a holistic CEM strategy within the corporate culture. If that is the case, customers can be offered cross-divisional, uniform experiences and the effect of CEM can fully develop".

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[2] http://de.wikipedia.org/wiki/Customer-Experience-Management (viewed 15.01.2011)

3 Maximizing Customer Value through CRM and CEM

To be able to differentiate the two terms CRM and CEM, it makes sense to view them from the following four perspectives:

Graphic 2: Maximizing Customer Value (TCE) by using CRM and CEM
(Source: own Graphic)

Investment Motivation: CRM projects mainly resulted from inwardly-pointing motives. Following the motto 'What do we have to do to acquire more customers?' such initiatives were mainly launched in the divisions Marketing, Sales and Customer Service. CEM has a diametrically different approach. Customer requirements are the starting point for the identification and launch of activities for satisfying these needs. Here the motto is: 'What do we have to do to make our customers happy?'

Operational Focus: The operational focus in CRM was mainly set on transaction force and the establishment of cost-intensive marketing campaigns and sales control. Quick sales achieved by

means of data mining, segmentation, campaigns (e.g. direct marketing) and sales initiatives are the goal. CEM focuses on interaction, dialogue and aims at the provision of excellent service. The support of the customer along the full customer life cycle is at the center of activities. Reward and profit from excellent service performance in the presence will be realized in the future, because the customer will remain loyal to the company and will continue to purchase new products and services.

Relationship Focus: Classic CRM strongly focused on purchase evaluation and processing and thus mainly emphasized these two phases of the relation to the customer. CEM is looking for ways to establish a long-term and adaptive customer relationship, which shall be beneficial for customer and company.

Customer Value: Stands for the value of a company for the customer, meaning the degree of importance that the relation to the company has for the customer. This value is not a top priority in CRM, short-term success is clearly in the foreground. CEM on the other hand tries to continuously increase Customer Value and thus literally becomes 'irreplaceable' to the customer.

These definitions of objectives make clear that CRM and CEM cover different fields and are in this sense both relevant for maximizing Customer Equity. Customer Equity stands for the value that the customer has for a company. Thus, the **ideal combination and alignment of CRM and CEM leads to Total Customer Equity (TCE)**, which finally has to be the top goal of a company to ensure corporate economic success.

Of course the two terms also stand towards each other in a certain kind of tension. If a company approaches customers too aggressively in order to increase sales immediately, this can have a negative impact on the long-term relationship with potential or present customers. On the other hand, excellent service is not free of charge. Profit is needed to maintain the excellent service standard. So, sales also need to be effected in due course.
For these reasons a company has to succeed in finding a balance between CRM and CEM. Unfortunately most companies undergo the risk of maximizing short-term profit without taking into account that this can have adverse consequences for the future.

Thereby, it is interesting that despite the well-known fact that it is far more expensive to acquire new customers than to retain existing customers, many companies have not changed their approach. In setting this focus, there obviously exists a strong correlation with the different specifications of CRM and CEM highlighted above.

In CRM the following focus and logics apply: The main focus lies on the acquisition of new customers. Investments are made accordingly. Sales divisions and Marketing therefore often have a privileged position within the companies. They are considered as 'guarantors' for corporate success and are valued and rewarded accordingly. The topic of customer retention is only addressed at a much later stage. Mostly, however, companies never advance to that stage because they are too busy acquiring new customers. Consequently, acquisition is continuously getting more important because due to the neglect of customer retention, there is a constant customer loss to competition. For this reason, ambitious targets for growth can mostly not be achieved.

In CEM the situation is different, especially viewed against the background that it is much more cost-efficient to retain customers. Therefore, the full focus lies on customer retention. To achieve customer retention it requires strength in interactions, good dialogue skills and long-term relationships with customers. Excellent Service makes happy customers loyal customers. This gives the company the possibility to realize new profit by cross- and up-selling and thus to generate growth. Moreover running service and operational costs can be reduced as costs occur and are distributed over a longer period of time. Especially acquisition costs are generally considerable. Therefore a long-term customer relationship allows a smoothing of these expenses. Because CEM focuses on customers and their needs, their personal and individual support, as well as the provision of services and products according to their requirements, customers can become true advocates who finally prove to be real sales-champions in Social Customer Economy. Especially through the use of Social Media, word-of-mouth advertising reaches a completely new dimension and will probably prove to be an efficient, intelligent and sustainable strategy of our time for increasing sales.
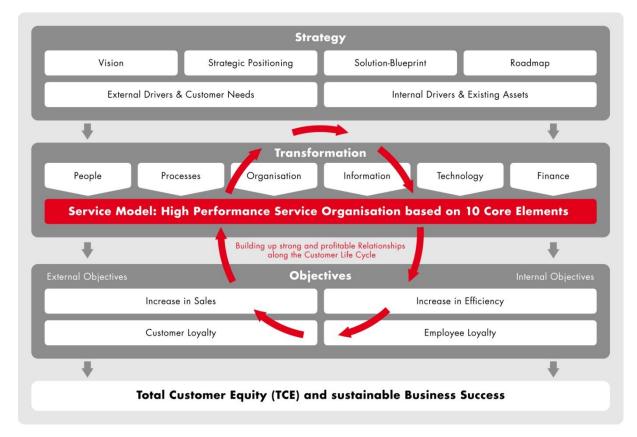
4 Customer Care Concept 2.0

The development of a Customer Care Strategy in the sense of CEM initiates profound changes in the service process and consequently in the whole company. Here management cannot reduce its contribution to mere sponsoring but needs to take a strong lead in the transformation process. This is the only way promises regarding customer orientation and service can be translated into positive customer experiences. The CCC 2.0 offers the theoretic framework for the implementation of an integrated Customer Experience Management in companies and not only covers CEM partially but to its full extent.

4.1 Strategic & Holistic Framework for Service Excellence

This white paper positions the term Customer Care along the whole customer life cycle and aims at showing the way to strong and profitable customer relationships which in the end ensure the economic success of a company.

In order to achieve these goals, a strategic and holistic framework has been developed. It is based on the author's long-lasting practical experience in the Customer Care business, on the literature research performed for the paper, on further analysis and research activities as well as on the exchange of ideas with Customer Care Experts and Senior Executives of different companies from various business areas.
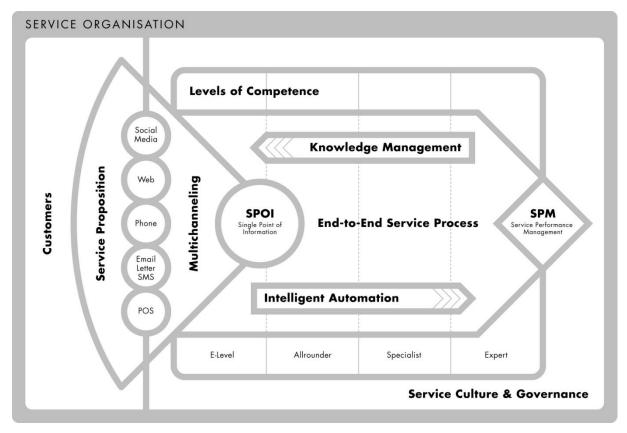

Graphic 3: CCC 2.0 Strategic & holistic Framework for Service Excellence
(Source: own Graphic)

The framework is characterized by five aspects:

- **Strategic:** Based on external drivers and customer needs as well as on internal drivers and existing assets, a clear Customer Care Vision, strategic positioning as well as a blueprint and roadmap required for the implementation are created. Thus the framework has a clear top-down approach and is meant to be initiated and later on also implemented by Senior Management.
- **Multi-level**: The framework is designed for a multi-level process. From strategy, its resulting transformation, to a strong internal and external performance in daily business.
- **Holistic:** The framework integrates the resources and perspectives necessary for successful Customer Care. These are: people, processes, organisation, information, technology and finance.
- **Dynamic:** The framework features a strong dynamic. This dynamic is caused on the one hand by the servicing along the customer life cycle and on the other hand by constant improvement of the achieved service performance by means of adaptation of the used resources and adjustments of the Service Organisation itself. This dynamic ensures that service performance corresponds to required standards long-term with the aim to achieve set targets.
- **Targeted:** Strategy and transformation aim at the strategic external and internal performance targets. The winning of new customers and advocates (cheering fans!), the increase of customer satisfaction and loyalty, the improvement of service effectiveness and efficiency as well as the increase of employee satisfaction and retention. Everything is done to achieve the superior target: increasing the Customer Equity and ensure the sustained economic success of the company.
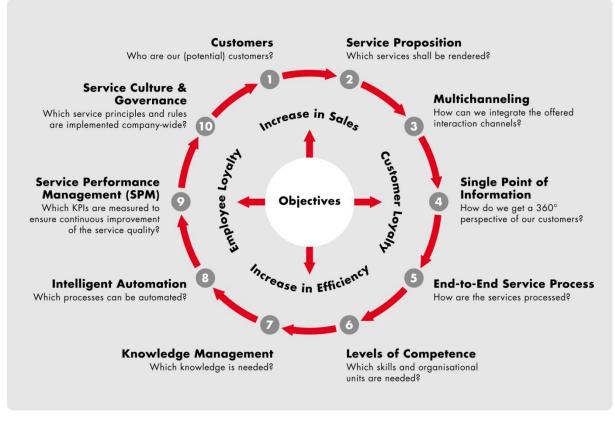
4.2   Service Model & Core Elements

The Service Model resulting from the framework is based on the understanding of the original Customer Care Concept but has, however, made a significant step of development forward. On the one hand, it was the idea to preserve its original simplicity, but on the other, it was the intention to clearly represent the complex reality in the interaction of the individual elements. The image resembles a puzzle, and this is not a coincidence. The Customer Care Concept 2.0 'behaves' like such a toy in some ways. The different elements are not part of a selective list. The concept is complete in itself and consequently only successful if all of its elements are validated and meaningfully developed. In this context it is not mandatory to work out the details of every element to absolute perfection. It is in fact important to consciously consider every single element in the implementation of this Service Model and design it according to the respective requirements. Every element has its justification and contributes to the success of the concept as a whole. All Core Elements are part of the Service Organisation. This aspect is important and it shows that in the new version also customers are considered as a part of the Service Organisation.

Graphic 4: CCC 2.0 Service Model
(Source: own Graphic)

The present Service Model is unique in this specification and clarity. It is of great benefit to every company which is seeking to incorporate customer orientation in its daily business and at the same time wants to increase effectiveness and efficiency of the Service Organisation.
The present model serves as a theoretic basis and at the same time also very specifically shows how to realise implementation. The correspondent Core Elements raise 10 questions relevant to

the Senior Management Level which need to be treated in order to be able to reach the following targets: increase in sales, customer loyalty, increase of efficiency and employee loyalty.

Graphic 5: CCC 2.0: Objectives and central Questions
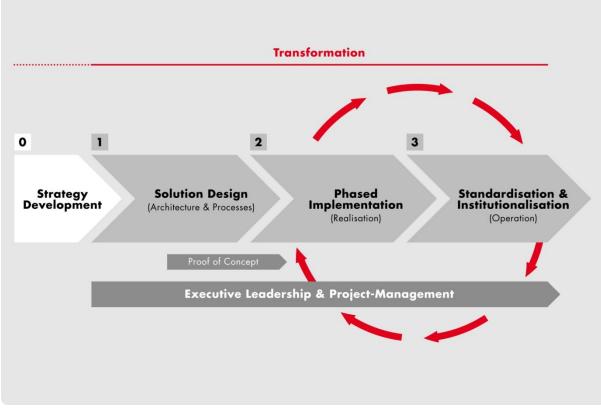(Source: own Graphic)

The degree of maturity of encountered Service Organisations can be judged in comparison with the Customer Care Concept 2.0, which discloses how far they have already advanced on their way to the ideal Service Organisation. The Customer Care Concept Index 2.0 (Mapping of actual-situation compared to CCC 2.0) can thus shed light on the development of all ten Core Elements of the concept.

4.3 Transformation Methodology

For the implementation of the Customer Care Concept 2.0 a corresponding Transformation Methodology was developed. Starting point of the transformation journey is the development of the strategy by the Senior Management of the company. This phase determines if a Customer Care Transformation will be initiated at all or not. If this is the case, elements for solution, guidelines and targets developed in the course of the Strategy Process are submitted into the first phase of the Transformation Process. In phase I the detailed Solution Design of the future Service Organisation is defined. Characteristics and stages of development of the individual Core Elements are developed. Before terminating this phase, manageable 'implementation-packages' are determined. Additionally the possibility of a Proof of Concept is evaluated and, if possible, directly

initiated and promptly implemented. In this way, the acceptance within the company for the envisaged transformation, which entails a lot of changes, is increased and new motivation is inspired. In phase II the realization of the defined packages is implemented in a staged approach, and in phase III the implemented solution is meant to be standardized and institutionalized. As soon as the first package has been installed, realization of the following package is initiated. Phases II and III are repeated until all defined solution packages have been implemented. It is highly possible that two to three such cycles are part of a project and two to three further phases are installed in the company on an operational basis. This phased approach is essential for the realization of the Customer Care Concept 2.0; this approach only makes the transformation for the company manageable and feasible. It requires time and continuity for the creation and consolidation of the new solution incorporate customer orientation in the company. The entire transformation journey therefore needs to be supported and carried through by dedicated Members of the Top Management and a professional, capable and flexible Project Management Team.

Graphic 6: CCC 2.0 Transformation Methodology
(Source: own Graphic)

4.4 Benefit

This list of potential benefits is long. In the end, however, the benefit clearly needs to consist in achieving the strategic targets listed already earlier in this paper (see graphics 3 and 5). Depending on the starting point of the company and the actual market situation the vehemence with which targets are aspired may vary but it is definitely a must to strive for the achievement of internal as well as external performance targets to ensure complete success. For both internal and external performance targets have a mutually effective impact on each other. It is therefore impossible for an inefficient and ineffective Service Organisation to create satisfied customers. And with unmotivated employees the creation of long-lasting customer relationships will not be possible to realize either. The potential benefit resulting from the implementation of the Customer Care Concept 2.0 is extremely big, supports the strategic relevance of the company and clearly shows which added value can be achieved by providing excellent service. It can thus be deduced that Customer Care definitively has to be a Top-Management matter!

The strategic targets resulting from the Customer Care Concept 2.0 are:

Customer Loyalty

- Loyal customers form the basis for sustainable business success.

Increase in Sales

- Loyal customers are buying time and again, are the best sales support and make it possible to achieve ambitious growth targets.

Employee Loyalty

- Happy employees represent the company in a professional and friendly way and are service-oriented. Additionally, they will stay with the company much longer.

Increase in Efficiency

- Clearly defined, transparent, integrated and technologically intelligently supported Service Processes make it possible to provide excellent service and ensure a good cost-benefit ratio.

Everything is done to reach the overarching goal: maximizing the customer value to ensure the sustainable economic success of the company. Excellent service pays off: guaranteed!

5 Definitions

Customer Care

„Customer Care includes the extensive support of potential, existing and former customers resulting from the core competence and service of a company and aims at achieving customer satisfaction and loyalty to increase economic success by creating additional values along the whole customer life cycle."

Service-Organisation

"Service Organisation means the totality of all interest groups involved into the service process. It combines on the company side classical divisions with frequent customer contact, such as Sales, Marketing, Customer Service and Operations as well as other sections which, although more downstream, also play a role in the service process. Customers are also part of the Service Organisation and, in Social Customer Economy can act as consumers and service providers at the same time."

Customer Experience Management

"Customer Experience Management is the ability to understand the requests and needs of customers and satisfy them with positive experiences they receive via their preferred channel along the whole customer life cycle. All interactions of a company with its customers are identified and measured in order to ensure that an added value results from every company activity to reinforce customer loyalty and make loyal customers true advocates for the company."

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