

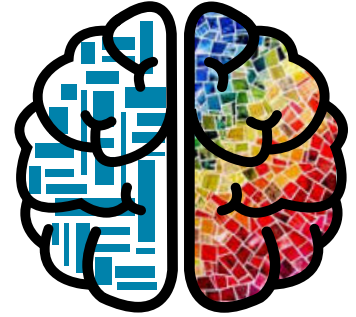
PAIRING ART AND SCIENCE TO INNOVATE ON CUSTOMER EXPERIENCE



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PAIRING ART AND SCIENCE TO INNOVATE ON CUSTOMER EXPERIENCE



The State of B2B Customer Experience

Finding and keeping customers is difficult!

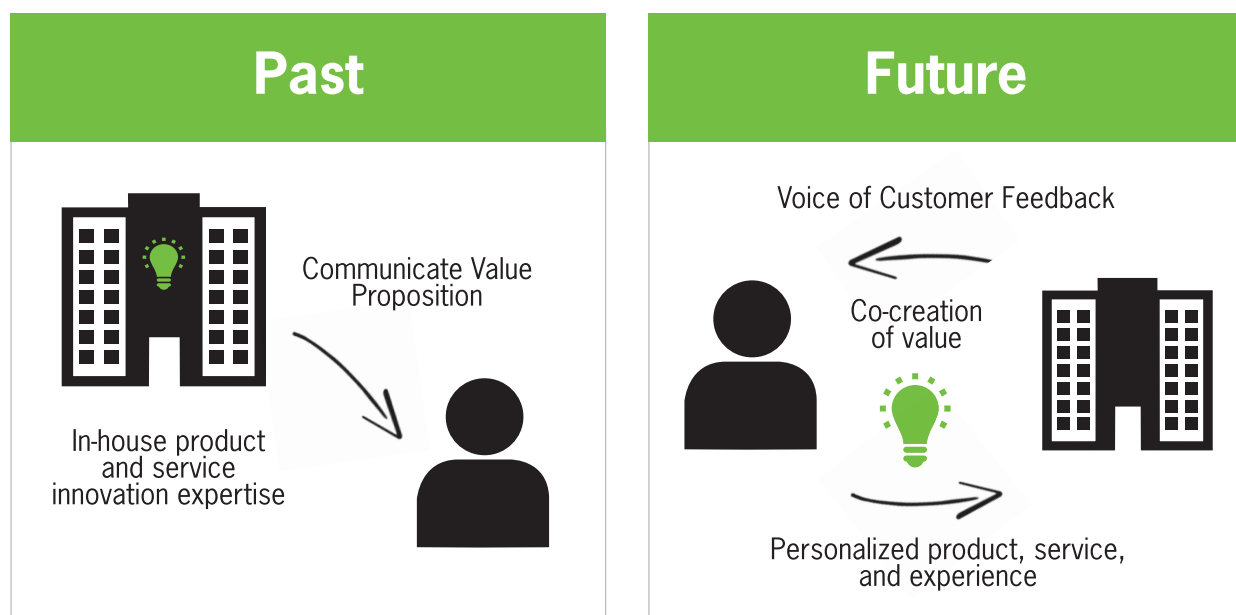
The future is knocking at our doorstep in 2016 with smart virtual assistants that will help us find information and accomplish tasks, intelligent reasoning technology interfaces that will provide relevant information based on our use history, and customer service reps responding to our questions with streaming video rather than over the phone.

These experience innovations are the next generation of an increasingly fast-paced race to delight consumers. Though much of this activity has occurred in the business-to-consumer (B2C) environment, it has raised expectations for the entire marketplace, including for business-to-business (B2B) buyers. In 2016 and beyond, B2B organizations will have to work harder than ever to find, keep, and win more customers.

In this competitive landscape, B2B organizations have recognized that customer experience makes a real difference when it comes to winning and keeping customers. Nearly all companies surveyed by Gartner in 2015 (89%) believe that customer experience will be their primary basis for competition by 2016¹.

By reimagining the ways that they interact with customers, customer experience innovators are replacing a one-directional exchange of goods and services with a two-way collaboration with customers to define where, when, and how value is created.

B2B Selling Environment



1. <http://blogs.gartner.com/jake-sorofman/gartner-surveys-confirm-customer-experience-new-battlefield/>

Customer experience in B2B is even more difficult

Most likely, as a B2B professional focused on developing a differentiated customer experience, you are already aware of many of these trends. You also know how challenging it is to make a meaningful customer experience change in B2B. This challenge is caused in part by the B2B selling environment and process:

- **Extensive interactions** that lengthen the buying cycle
- **Multiple functional areas** with competing priorities
- **Industry alliances** and partners that influence your customers

A client example:

A complex experience ecosystem complicates customer experience

A mid-size plumbing manufacturer was focused on maintaining and growing market share in a complex sales ecosystem. With multiple sales channels, including wholesale distribution and home center showrooms and a variety of sales partners ranging from external reps to building owners, the manufacturer lacked control of the end-to-end experience. In order to generate a clear view of this complex ecosystem, the manufacturer conducted voice of the customer research to identify key stakeholders, and participated in innovation workshops to identify new customer experience delighters. A marketplace survey tested these ideas with a variety of customers and informed the definition of six key CX initiatives that the company is currently implementing.

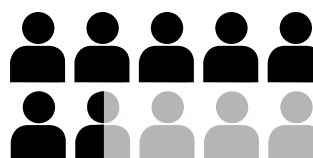
These challenges make it very difficult for B2B professionals who are eager to make meaningful customer experience changes.



OVER HALF OF B2B ORGANIZATIONS DO NOT HAVE CX MANAGEMENT



3 / 4 OF B2B ORGANIZATIONS LACK A SEPARATE BUDGET FOR CX PROGRAMS



62% OF B2B ORGANIZATIONS ADMIT THAT THEY LACK A CLEAR CX STRATEGY

Source: State of B2B Customer Experience Report, Regalix, 2014

To make matters worse, work to date in the customer experience space has left some executives unimpressed. The market is filled with examples of stylish customer experience journey maps that are good for organizational alignment and understanding, but are not actionable. Most of us have seen these high-level customer journey maps that are just thinly disguised promotions for branding improvements and technology solutions. This leaves practical business leaders looking for the value and wondering how they can measure the return on customer experience investment.

The future of customer experience

To date, we believe that the practice of customer experience has told only part of the story, primarily the importance of documenting the customer journey. Moving forward, B2B leaders must introduce art and science to customer experience: art to form creative design processes proven to generate experience innovations and science to drive experience testing methodologies that quantify customer reaction and importance.

This approach to customer experience strategy, a blend between creativity and analytical rigor, will serve as the foundation for pragmatic B2B customer experience leaders eager to move the needle in 2016 and beyond.

Customer Experience: Pairing Art and Science

The Science of CX:

[Quantitative Rigor and Analysis]

CX “Left-Brained” Toolkit

Data Analysis: quantitative understanding of customer data and experience value calculation

Journey Mapping: definition of specific interactions and expectations

Budgeting: allocation of investment and ROI calculation

Roadmap Development: prioritization of initiatives, capability definition and gap analysis

Measurement: ongoing monitoring of the effectiveness of CX initiatives, as determined by pre-defined success metrics

The Art of CX:

[Innovation and Emotion]

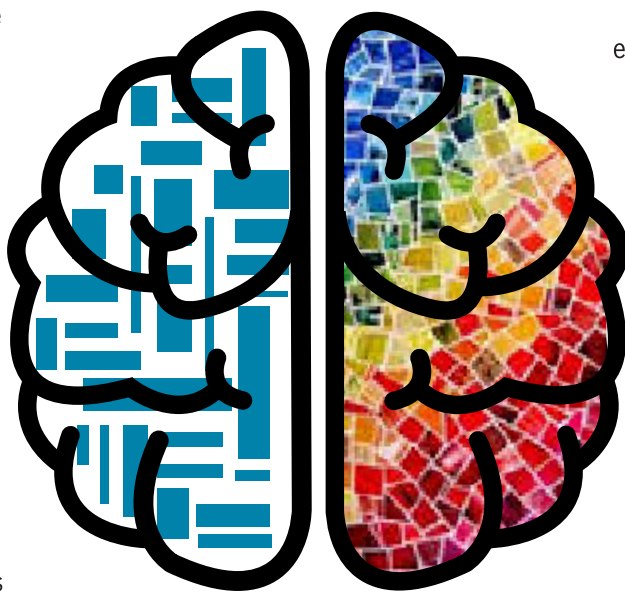
CX “Right-Brained” Toolkit

Voice of the Customer Research: speaking with customers to identify their thoughts, emotions, goals and current pain-points

CX Innovation & Design: applying design thinking techniques to generate differentiated experiences

Prototyping: testing minimal viable products, services and experiences with your customers

Emotional Engagement: understanding and documenting the emotional connection driven by the experiences provided to customers



The Art of Customer Experience: Experience Innovation

Harness the power of customer journey maps

Customer experience as a concept is not new to the marketplace – in fact, many organizations have gotten really good at many customer experience activities, such as creating customer journey maps. In Baker Tilly's 2015 B2B Trends and Topics survey, of all the customer experience skills tested, respondents said they were best at customer journey mapping². The problem is that most organizations don't know what to do with these maps after they are created and in many cases they gather dust in the office of the Director of Customer Experience.

The real power in these maps is their ability to communicate complicated, disparate, and numerous interactions in concrete, understandable terms. The best journey maps translate the complex story of your customer interactions into a picture that anyone can understand. They show the viewer which stakeholders are involved in the journey, what these stakeholders are thinking and feeling and how they interact with the experience ecosystem (i.e., suppliers, distributors, customers, influencers). Even better, they can provide a clear view of where current customer pain-points exist.

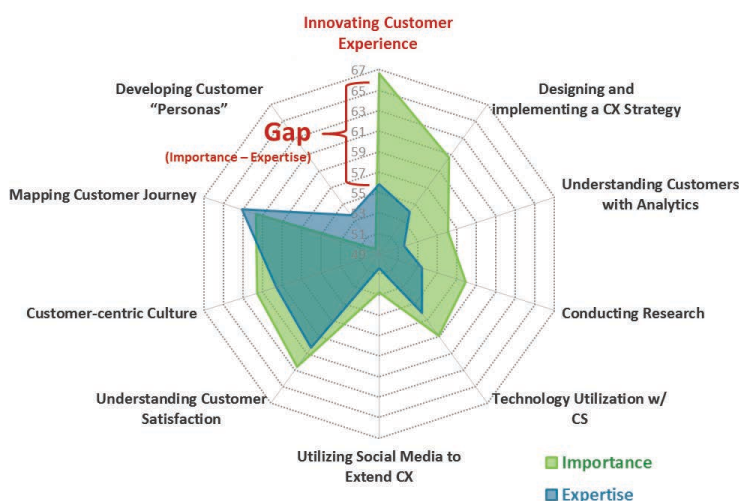
So why is this important?

It's time to shake the dust off of your customer journey maps. Let them guide conversations about how the experience could be improved. The reality is: customers don't know what will delight them; they won't tell you in customer satisfaction surveys; and the next big experience innovation will not be reflected in the thoughts and feelings of your customers on your journey map.

Just think pre-Uber. We were not asking our cab company to eliminate the exchange of payment at the end of the ride or deliver Halloween costumes. These experience innovations were born out of Uber's internal conversations about what could be – often finding solutions to what riders didn't like about the current cab experience.

Journey maps - by the nature of their ability to communicate complex interactions and document customer thoughts and feelings - provide a springboard to experience innovation. Customer service reps, marketers, sales leaders, or senior VPs can all look at the journey map, understand the current state, and pitch ideas about what could be improved.

The Execution Gap for CX Focus Areas



Scale: Expertise and Importance average ratings from 1-100
Source: Baker Tilly 2015 B2B Trends and Topics Survey

Many B2B organizations have yet to master experience innovation

The problem is that many B2B organizations simply don't know how to innovate around new customer experiences, let alone use a customer journey map as an innovation guide. There may be good ideas just waiting to be pitched, but no formal mechanism within the organization for capturing and deploying these potential customer delighters. Alternatively, organizations may lack the culture of innovation required to think creatively about new experiences to delight customers.

In our 2015 B2B Trends and Topics survey, we asked B2B executives about their most important strategic customer experience focus areas and their organization's ability to execute in those areas. We found the biggest execution gap in innovating customer experiences³. This deficit is especially troublesome for organizations, as the value of delivering top-notch experiences to customers is clear. According to a CEI Survey, 86% of buyers will pay more for a better customer experience, but only 1% of customers feel that vendors consistently meet their expectations⁴.

2,3. Baker Tilly 2015 B2B Trends and Topics Survey

4. <http://www.oracle.com/us/products/applications/cust-exp-impact-report-epss-1560493.pdf>. 2011 Customer Experience Impact (CEI) Report

Innovate with right-brained thinking

Help with experience innovation comes from an unlikely source.

Interestingly, we have found that the same principles of theatrical improv can be applied to help your team think creatively and transform your customer journey map into a list of potential new experiences. The best innovators conduct ideation sessions with brainstorming activities linked to each step of their customer journey. For example, a team may spend two hours thinking about out-of-the-box changes to the way that customers research their products and services.

The most important guiding principle of these workshops is to use the improv concept of “yes, and...” Too often, business leaders are limited by the constraints of budgets, current technology, and precedent. By forcing a conversation to build upon “yes, and...” rather than “maybe, but...” brainstorming sessions can explore new ideas. Conversations start by exploring solutions to current pain-points and listening to all voices in the room, from C-level executives to front line service reps. Then, as ideas are presented, participants expand upon the idea by saying “yes, and...”

This methodology helps participants shed the fear of “bad ideas” and recognizes that one mediocre idea might be the very thing that sparks a thought in another participant. The concept of “yes, and...” can be used in a variety of brainstorming activities. Some of our favorites include: Semantic Intuition, “Who, What, How” and Analogous Models. The outcome of these sessions is a long list of potential new customer experiences that could resolve current pain-points or delight customers.



Semantic Intuition:

Asks workshop participants to think backwards - first coming up with a name and then ideating what product, service or experience could be described by that name

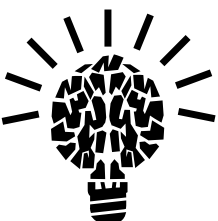
What commercial plumbing experience could be called “Instant Cloud Specification?”



Who, What, How:

Has participants answering “how” a selected “who” (taken from pop culture, history or politics) would complete a “what” (a moment of truth in your customer journey)

How would Harry Potter specify products for commercial plumbing applications?



Analogous Model:

Facilitates a conversation that explores how innovative companies like Apple, Uber, or Amazon might meet the needs of your customers

How would Uber sell commercial plumbing products?

Why innovate new experiences if we can't even deliver on the basics today?

Many of our clients fear that spending time innovating new experiences is not valuable if they aren't meeting the basic expectations of their customers. We agree that it is important to fix known issues but we have a few questions for these clients:

#1

Do you truly know what the “basics” are?

Without voice of the customer research and experience value testing, it is very difficult to identify the “must be” experiences that customers expect. Often, conversations about current pain-points are crowded with input from anxious salespeople and a few customers making a lot of noise.

#2

Do you know how to prioritize what to do now and what can wait?

The experience innovation and testing methodology we use allows you to test current and potential new experiences across your customer base and determine the value each provides, including how that may differ by customer segment. This information helps you plan for what CX changes need to happen now (often this quarter), next (within the year) and later (1-3 years out).

#3

Could your competitors beat you to the punch?

Though it can feel daunting to add new CX initiatives to your list, the reality is that if you are not improving your experience, your competitors will. There is value in identifying potentially delightful experiences that could provide a competitive advantage.

The Science of Customer Experience: Experience Testing

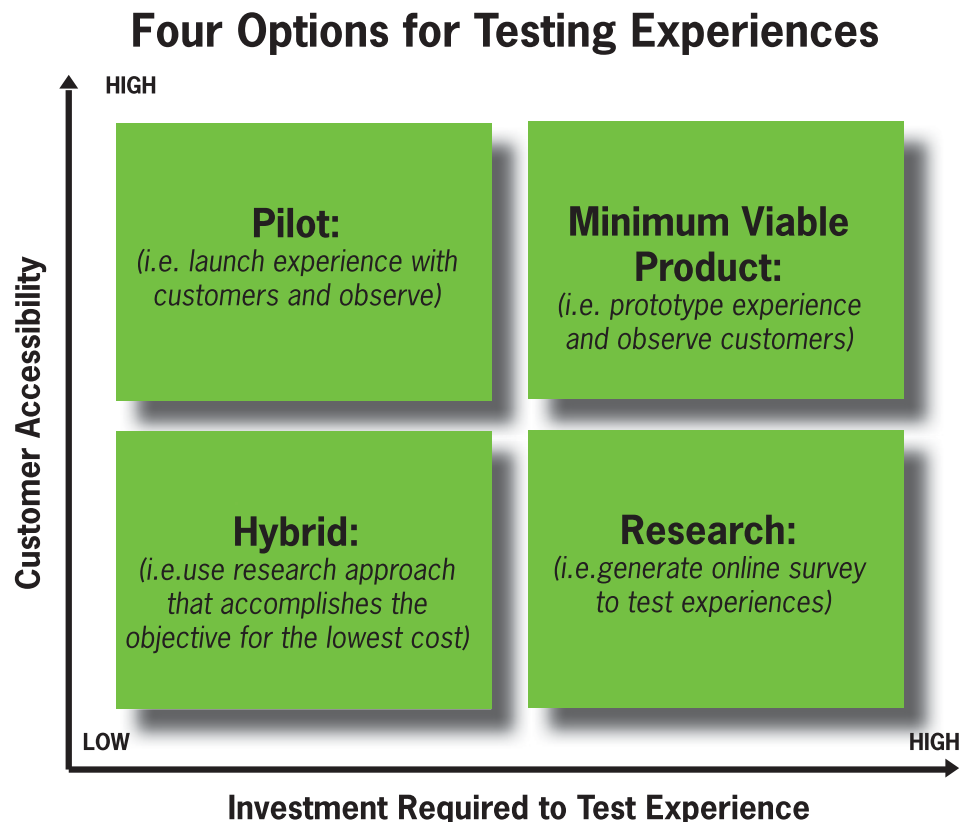
Test before you launch

B2B customer experience practitioners have one goal: improve the experience so that the organization can win more and keep more customers. This seemingly simple charter can bring with it immense risk and complication.

To begin with, there are often many ideas for how the customer experience could be improved. All of these potential experience innovations carry risk. At the very least, there is the cost associated with making the people, process and technology improvements required to deliver the new experience. This investment can be relatively small and span a short period of time or it can be massive and require multiple years of implementation.

Then, there is the unknown factor of how customers (current or future) will react to the change. Sure, someone somewhere may have thought this would be a good idea, but at the end of the day, the market determines if the experience innovation is a success. It makes sense for B2B leaders to look for ways to minimize the risk associated with customer experience changes.

The easiest way to reduce risk is to test experience ideas before implementing them. Testing can take on a variety of forms (as shown to the right). In some cases, ethnographic research and customer interviews give you the best insight. This is especially true when your customers are accessible and the investment to test the experience is low. In other cases, research methodologies such as quantitative surveys are preferred.



Baker Tilly's experience testing methodology considers the research approach that best fits your organization and situation. The ultimate goal is to calculate the experience value realized by customers for any given experience to give you comfort that your investments will be well received by customers.

Calculating experience value:

Customer's Reaction
(the customer's attitude about the experience)

X

Interaction's Importance
(the criticality of the experience and its related interaction)

=

Experience value

Measuring reaction

The first step in calculating experience value is to define the reaction that the customer has to an individual experience. To do this, we use the Kano Model, a tool made popular by Six Sigma. By posing carefully designed questions, we are able to determine how customers feel about a given experience. The analysis defines each experience as belonging to one of the following five reaction categories:

- **Delighters** (highest positive reaction driven by investment)
- **1 to 1** (incremental positive reaction driven by incremental investment)
- **Must Have** (neutral reaction if present, negative reaction if not present)
- **Neutral** (neutral reaction)
- **Undesirable** (negative reaction)

Customer reaction, as measured by the Kano Model, is determined by comparing customer expectations to experience execution. When expectations of the experience are high, execution must be exemplary to drive a positive reaction. Conversely, when expectations are low, organizations can create delightful reactions with less than perfect execution.

Companies are often surprised that their investment in executing an experience is not directly associated with driving positive customer reactions. In many cases, companies spend a lot of money to deliver an experience that they believe will be delightful only to find that the experience has a neutral value to customers (think individually signed thank you notes inside of each package shipped to customers).

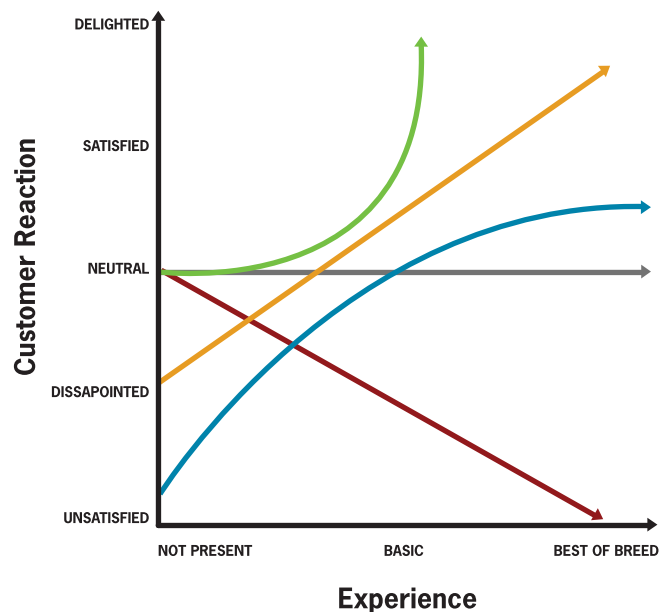
Measuring importance and calculating experience value

Though the entirety of the experience is important, interactions within the experience are not created equally. Some extremely important interactions, or moments of truth, exert more influence over the experience as a whole. Let's assume order placement is a moment of truth. Due to its importance, experience innovations introduced at this phase would be more valuable than those introduced at less important interactions. It would make sense for the organization to invest in creating as many delightful experiences as possible related to the interaction "order placement."

By testing ideas and identifying those that will provide the highest total experience value beforehand, customer experience practitioners are able to reduce the risk associated with customer experience change and investment. This testing must consider the reaction of customers and overall importance.

Kano Model Example: *A hotel experience*

- **Delighter:** An app enables you to automatically check in upon entering the hotel and use your phone as a room key
- **1 to 1:** The wellness/fitness center is well equipped (think 1 treadmill vs. 3 treadmills vs. 3 treadmills, 1 elliptical and a complete set of weights)
- **Must Have:** Your room has a bed in it
- **Neutral:** The concierge wears a red suit
- **Undesirable:** An outdated heating system turns on and off loudly throughout the night



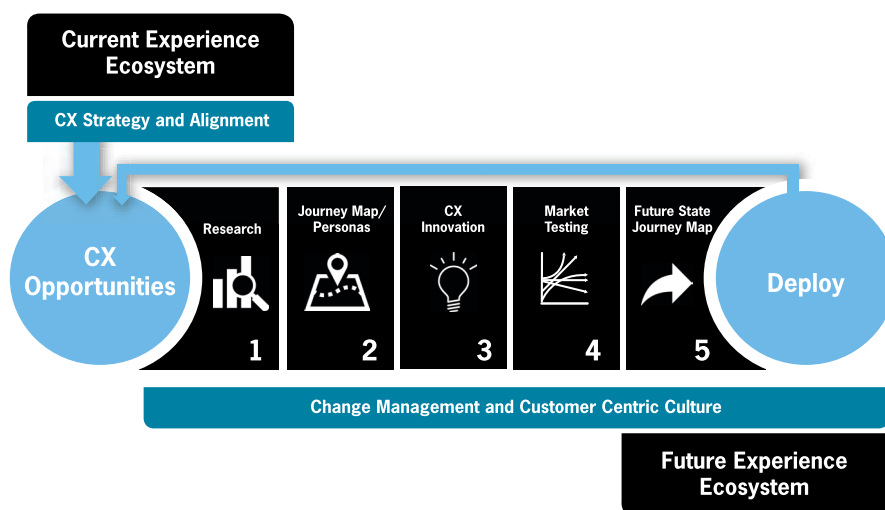
Experience Deployment

An art and a science

The beauty of conducting customer experience innovation and testing is that it combines the art of creative ideation and the science of quantitative analysis to arm customer experience practitioners with knowledge about how their customers would react to changes in the customer experience. Now decisions about what to do next are no longer based solely on the opinions of the people in the boardroom, but by concrete data that explains the value customers derive from any given experience. This knowledge helps business leaders prioritize what to do now, next and later.

Improving your customer experience

For any organization looking to compete and differentiate on the customer experience they deliver, change begins with an evaluation of your current experience ecosystem: the suppliers, distributors, customers, and influencers that all interact in your go-to-market environment. Based on the opportunities identified in this evaluation, a shared vision of customer experience strategy can be defined including – where to start. Next steps include voice of customer research, journey mapping, experience innovation, market testing, and future state experience modeling. Together, these activities support the eventual deployment of newly designed, innovative experiences that are tailored to the needs, goals, and emotions of your customers. Along the way, it is important not to forget about the importance of effective change management to create organization-wide support and excitement for your customer experience initiatives and to keep the customer at the center of your conversations.



Measuring success

Prior to deployment, it is also advisable to agree upon the metrics that define success. Directors of Customer Experience should create a formal tracking and submission process that can be used to demonstrate the return on customer experience investment. Using data gathered during experience testing, customer experience practitioners are able to set a baseline upon which to judge future customer satisfaction. Then, using predefined metrics of success, the team can develop a Customer Experience Scorecard that becomes a success dashboard for use in internal and external reporting. Ongoing measurement is critical to maintaining and improving the experience your customers encounter.

Our Guidance

Too often we see organizations misfire on their customer experience investments. By following an approach based on understanding the experience ecosystem, identifying opportunities for improvements and testing and deploying experiences, organizations can improve the effectiveness of their customer experience investments and change their relationships with customers.

About Baker Tilly

Baker Tilly Virchow Krause, LLP is a nationally recognized, full-service advisory and consulting firm. With a specialized Growth Strategies consulting practice, we define customer-centric strategies and help clients build the capabilities that will better enable their sales, marketing, and service organizations to provide differentiating customer experiences and drive sustained growth.

We believe that exceptional client service comes down to a single idea...trust. The trust that comes from working with people dedicated to understanding your business needs. Headquartered in Chicago, Baker Tilly is a leading consulting and advisory firm in the country. For more information on Baker Tilly's Growth Strategies practice, visit: www.bakertilly.com/growth-strategies.

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Our Growth Strategy services include four key areas of deep expertise.

- **Market Research and Alignment:** Answering the important questions of "Where to play and How to win". Helping our clients choose which markets they should pursue and how to have success in those chosen markets, including the differences in the expected customer service.
- **Customer Experience:** Developing customer experience strategies and helping our clients innovate new experiences to create differentiation. Customer Journey Mapping, ethnographic and other forms of customer experience research are incorporated in what we do to help our clients achieve success in their customer experience transformation efforts.
- **Sales Effectiveness:** Selecting the right sales structure, associated competencies and enabling a strong sales coaching environment are a challenge for most sales organizations. In addition, aligning the structure and competencies to the desired customer buying experience requires more than just training in the newest methodologies. We provide a range of services to improve the effectiveness of sales organizations beyond what simple methodology training will do.
- **Marketing Effectiveness:** The co-mingling of traditional and digital marketing channels requires new thinking about how to execute marketing effectively. Understanding the digital body language and personalizing the marketing experience are keys to success for marketers today. We provide proven processes and technical solutions to help marketing organizations improve their ability to find more and win more customers across all the channels that their customers are engaged in.





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