

Promoting excellence in customer management: emerging trends in business

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Published Version

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Clark, M., Harrington, T. and Myers, A. (2016) Promoting excellence in customer management: emerging trends in business. *Journal of Emerging Trends in Marketing and Management*, 1 (2016). pp. 119-129. ISSN 2537-5865
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Published version at: <http://www.etimm.ase.ro/?p=91>

Publisher: Bucharest University of Economic Studies Publishing House

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Promoting Excellence in Customer Management: Emerging Trends in Business

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Abstract

The importance of customer management as an area for research inspired the formation of the Henley Centre for Customer Management in 2006. The Centre is a unique collaboration between business and academia, which aims to promote excellence in customer management. Together its members discuss and share current challenges to create a genuine opportunity that harnesses the forward thinking to deliver growth, build transferable knowledge, and turn it into effective practice. This paper reports the findings of a ten year longitudinal study of customer management issues identified by businesses that have collaborated with the research centre. The purpose is to review emerging trends in marketing that provide opportunities for future research and best practice case studies. Over the last decade the Centre has researched many themes - topics in areas such as on-line and off-line customer experiences, managing out-sourced relationships, multi-channel marketing, and dealing with service recovery through effective complaint handling. Using social media for innovation, collaboration and commercialization have also been key themes. One area that members have identified as an emerging focus for research is managing the customer journey more effectively, so that organizations can make it easier to attract customers and add value to the customer experience. A further research opportunity is exploring how organizations can effectively develop the softer side of their business to improve customer management for example, by developing an engaged culture and climate so that it improves business performance. Other areas include actionable insight and internationalization. Emerging business trends suggest a research agenda that will help companies continuously to innovate and adapt, leading to an improved customer-centric focus and sustaining a competitive edge.

Key words: trend analysis, engaged culture, customer journey, customer-centric focus, brand credibility.

JEL classification: M31.

1. Introduction

Within the last decade, customer management has undergone many changes, having been significantly affected by events such as a global economic recession and rapid advances in innovation and technology. As a consequence, the Henley Centre for Customer Management was set up to promote excellence in customer management and share best practice amongst its members. Each year, the Centre has identified themes or topics where members' wish to gain greater insight to help their organizations improve their customer management capabilities. This paper tracks historical and current trends in customer management from the business perspective. The Centre is currently actively engaged in topics relating to:

- The customer journey and exploring the emotional side of that journey
- Customer-centricity

- Creating brand credibility
- Developing an engaged organizational culture
- Actioning insight and internationalization.

This paper explores each of these themes.

2. The Strategic Importance of Customer Management

Those organizations that lead in the provision of customer service excellence primarily focus their efforts on two key factors: managing customer relationships; and a desire to provide a memorable positive customer experience. As a consequence, customer management has become a management tool of great strategic importance that provides organizations with a genuine opportunity to gain competitive advantage, leading to the formation of the Henley Centre for Customer Management.

2.1 The Henley Centre for Customer Management

The Henley Centre for Customer Management (HCCM) was formed in 2006 as part of the Henley Business School. The HCCM's primary objective is to 'promote customer focus and service excellence best practice through observing practice in leading companies and synthesizing this into useful knowledge that helps members to improve their own customer management and customer service plans'.

The Centre brings together industry thought-leaders and business practitioners, along with specialist experts and academics to assist organizations tackle current and future business challenges by delivering workshops, and highly focused research projects. The Centre typically has around 10-15 members each year, and currently includes renowned international organizations such as Microsoft, Scottish Water, the Lloyds Banking Group, BOC and the Bank of Ireland.

2.2 Trends in Customer Management

At the beginning of each year members of the HCCM attend a facilitated workshop to decide which topics relating to customer management will be important to work on in the coming year to help them in the day-to-day aspects of their role; in other words, what are the types of activities that keep them awake at night? These outputs are then summarized into activities relating to research topics, literature reviews, case studies and practical sessions.

Typically at the beginning of each year there are three or four main research topics that emerge and these are then researched throughout the year. Each topic utilizes academic input with practical insights and the findings are reported back to the members.

Table 1 summarizes the research topics covered since 2006. In recent years, for example, measuring customer and employee effort - which is about service interactions, how easy the company makes it for employees to solve issues, and how the level of effort can impact on the customer experience – has been a major area in customer management engaging the HCCM.

The emerging research trends for the forthcoming year centre on three areas. Firstly, gaining insights into the emotional aspects of the customer journey – mapping the customer journey and understanding the emotional aspect at the touch points (e.g. generic vs. personal approach). Secondly, actioning insight – gaining insights from 'big data', predictive modelling and proactive care; and finally, internationalization – how customer needs and engagement methods vary between countries.

These research topics have then be summarized into eight key themes emerging over the last ten years (see Table 1). The list comprises aspects that are important for leading organizations in the provision of customer service excellence; i.e. being effective in:

- 1) Customer experience

- 2) Measurement
- 3) Strategy
- 4) Customer relationship
- 5) Social media
- 6) Customer management
- 7) Organizational culture, and
- 8) Innovation and technology.

| Year | # | Research Topic | Summary Theme |
|-------------|---|---|-------------------------|
| 2006 | 1 | Customer experience from the customer's perspective | Customer experience |
| | 2 | Customer insight | Measurement |
| | 3 | Culture and climate | Organizational culture |
| 2007 | 1 | Online customer experience | Customer experience |
| | 2 | Beyond customer service | Customer management |
| | 3 | Channel migration | Customer relationship |
| 2008 | 1 | Customer experience and corporate social responsibility | Customer experience |
| | 2 | Delivering customer experience through intermediaries | Customer experience |
| | 3 | Online customer experience and communities | Customer experience |
| 2009 | 1 | Using social media to enhance competitiveness | Social media |
| | 2 | CRM for B2G organizations | Customer relationship |
| | 3 | Best practice in managing relationships with outsource partners | Measurement |
| 2010 | 1 | Developing a social media strategy | Social media |
| | 2 | Implementing strategic partnerships | Strategy |
| | 3 | Self-service | Customer experience |
| | 4 | Sustainability | Customer management |
| 2011 | 1 | Collaborative innovation | Innovation & technology |
| | 2 | Homeworking | Customer management |

| | | | |
|-------------|---|---|-------------------------|
| | 3 | Social segmentation | Strategy |
| | 4 | Corporate reputation and inter-firm partnerships | Customer relationship |
| | | | |
| 2012 | 1 | Customer effort measurement | Measurement |
| | 2 | Role, impact and investment in social media | Social media |
| | 3 | Developing a multi-channel strategy | Strategy |
| | 4 | Corporate reputation and inter-firm partnerships | Customer relationship |
| | | | |
| 2013 | 1 | Employee engagement | Organizational culture |
| | 2 | Measuring B2B customer satisfaction and customer effort | Measurement |
| | 3 | The changing nature of segmentation | Innovation & technology |
| | | | |
| 2014 | 1 | B2B customer experience factors | Customer experience |
| | 2 | Customer and employee effort measurement | Measurement |
| | | | |
| 2015 | 1 | Customer and employee effort measurement | Measurement |
| | 2 | Value of using social media in a B2B context | Social media |
| | 3 | Service recovery strategy | Strategy |
| | | | |
| 2016 | 1 | Emotional aspect of the customer journey | Customer experience |
| | 2 | Actioning insight | Measurement |
| | 3 | Internationalization | Strategy |

Table 1. Research topics trends at the Henley Centre for Customer Management (2006-2016)

As indicated, the work of the Centre also goes beyond undertaking research projects and there are a number of other activities which address members' needs. These activities may take the form of, for example, a literature review on a subject area such as customer-centricity, or a case study of best practice in a particular area.

The remainder of this paper focuses on the current and emerging trends that members' currently face and to which they seek solutions.

3. Effective Management of the Customer Journey

The customer journey is about aggregating the number of experiences that customers go through when interacting with an organization and it has become a pre-eminent theme in

customer management within the last few years. The effective management of the customer journey focuses on how to design and compete on customer journeys - well documented by Edelman & Singer (2015).

The authors argue that ‘empowered’ consumers have now become so highly competent in their use of tools and available information that they can ‘call the shots’; while service providers have struggled to develop their analytics capabilities to better understand its customers and keep pace with them, and seeking to get one step ahead. For organizations, it is about trying to anticipate the customer’s journey from deliberation to the decision to purchase.

To combat changes organizations need to shape and manage the customer journey for competitive advantage; to be proactive rather than reactive to lead consumers down a particular path, where the journeys themselves are now becoming a highly influential part of a customer’s experience of a brand.

Traditionally, the journey has involved consumers considering and evaluating before deciding to buy, and then making a decision either to enter a loyalty loop and buy again or to go through the same process but purchase a different brand from elsewhere. Edelman & Singer (2015) highlight a progressive approach whereby a new journey is streamlined by compressing the ‘consider’ step and dramatically shortening or eliminating the ‘evaluation’ step, by directing customers straight into the loyalty loop for a brand and then keeping them within that loop (see Figure 1); and many organizations are now optimizing the customer experience through various triggers and touch points along the way. Purchasers of the *Apple* brand is a good example of this, whereby consumers are engaged, become hooked and continuously enjoy, advocate, bond with and benefit from the brand.



Figure 1. Streamlining the decision journey

Source: Edelman & Singer, 2015.

Organizations developing the most effective journeys need to master four inter-connected capabilities, each of which makes the journey ‘stickier’ for the consumer. This development relies on sophisticated IT, creative design thinking and novel managerial approaches:

1. Automation - digitizing and streamlining of the journey steps that were done manually before to make the journey more efficient.

2. Proactive personalization - customizing the purchaser's experience in real-time, based on historical interactions and existing sources.
3. Contextual interaction - using knowledge about where the customer is in a journey, to direct them to the next interaction the organization wants them to pursue.
4. Journey innovation - experimenting and analysing the customer's needs, using innovative and technological approaches to lengthen the relationship with the customer.

The development of high value journeys has had its impact on the internal structure of organizations, where dedicated, cross-functional teams exist to support these journeys and in some cases, the introduction of a Journey Product Management can have an effective impact.

3.1 The Emotional Side of the Customer Journey

The effective management and mapping of the customer journey should look not only at the rational side of the customer experience, but also at building in the emotional aspect, in other words to determine how the customer feels at different points along the journey they experience. This is an emerging research trend that HCCM members wish to understand better to help enrich their customers' journeys through greater emotional engagement.

From current research five areas feature which can lead to greater emotional engagement:

- Knowing what emotional triggers currently exist in the experience – by clearly identifying aspects where customers have a positive experience and understanding at what points any negative emotional experiences occur
- Defining what emotions the experience should generate – set objectives at each stage of the journey by targeting the desired emotions, for example are you looking for excitement, delight, hungry for more, so that customers continue along that journey
- Listening to customers – it is important to gain feedback from customers, as this helps gain insights into emotional feelings at different points along the journey that drives their decision making
- Identifying the customers' subconscious experience – this is about picking up messages, for example it could be frustrations about some aspect of the journey that cause some to exit the journey – putting oneself in the customer's shoes and going through the experience could help identify these
- Continuously improving the experience – even with high scores on metrics, there is no room for complacency and always room for improvement, and as consumers evolve so should the experience.

4. Customer-Centricity

In recent times a notable shift is observable in what organizations do to sustain competitiveness while continuing to be relevant in today's business world. Organizations that have previously been fully focused on external influences affecting their industries - such as new market entrants, alternative products and services, brand equity, and customers' negotiating power - are now focusing these efforts on being more customer-centric; not just by gaining a deeper understanding of customers, and providing a better experience through tailoring products and services, but also by spending time creating a culture around the customer and satisfying their needs.

4.1 The Core Ingredients for a Customer-Centric Organization

HCCM's research suggests that a holistic approach to customer-centricity is about putting the customer at the heart of the business and that such an attitude should permeate every decision made in the organization. It is about aligning organizational resources to integrate continuous customer insight. The aim is to create and deliver maximum value for the customer to achieve

long-term mutually satisfying and trusting relationships with customers and sustain competitive advantage. Figure 2 defines the scope of customer-centricity.

| Customer-centricity is not: | Customer-centricity is: |
|--|---|
| <ul style="list-style-type: none"> • Focus on a single sale or on the ‘average’ customer • Focusing on poor quality customers • Focusing on product features & benefits • About short term wins • Little emphasis on customer service • Limited customer commitment • Little or too much customer contact | <ul style="list-style-type: none"> • Focus on customer retention – using your data to gain customer insight and segment customers using benefits sought or motivations or CLV (customer lifetime value) • Identifying and targeting your best quality customers • Focusing on developing products and services for your best quality customers • Focusing on customer benefits • Focusing on the long term • High customer service emphasis • High customer commitment • Appropriate customer contact for the chosen segments |

Figure 2. Defining the scope of customer-centricity?

4.2 Overcoming Challenges

Becoming a truly customer-centric organization in itself presents a number of different challenges, for example, organizations need to overcome possible issues such as: a silo mentality and not being easily able to share customer data across different functions and departments; and a culture that is not aligned around the customer needs. A further constraint is the lack of a common definition within the organization to clarify the meaning and understanding of the term customer-centricity.

To become truly customer-centric organizations need to:

- Throw conventional marketing wisdom out of the window – it made sense in a transactional/product-centric world to distinguish between profitable customers and not-so-profitable customers, but times have changed
- Use data to their advantage – a profitable customer-centric strategy is about how, where, and when you acquire real-time actionable insights about an organization’s customers
- Build the business around its best customers – come up with products and services to make an organization’s best customers better customers.

4.3 The Role of Leadership

For organizations to make the customer a top investment priority in the future requires change. Change starts from within, and here the CEO plays a key role. Leadership creates the conditions for change and is crucial in making customer-centricity happen, which may demand changes at the top of the organization.

In 2015, the *John Lewis Partnership* recognized that to lead the retailing market in the UK it needed to develop its omni-channel strategy to reflect changing shopper habits. The way the Partnership aim to achieve this outcome is by gaining a fresh perspective in their leadership team. Managing Director, Andy Street said, “*These important changes place the customer at the heart of our decision-making. The new board composition will ensure we continue to lead omni-channel retailing in the UK.*”

Leadership not only provides a vision and a clear sense of purpose for the entire organization, it also instils an established set of core values to help engage and guide the workforce in their

day-to-day activities and in their interactions with customers. Customer-centric organizations build trust with their customers, and this comes from the values demonstrated by such interactions.

4.4 Moving from a Product-Centric Approach

Traditionally, the product-centric strategy has focused on an organization's capabilities and the processes by which it sells products and services to its customers. Using the latest technology to implement CRM, e-commerce or a call centre should not fundamentally change how the organization works. On the other hand, a customer-centric organization is said to 'orbit' its customers, and even if it does not utilize the latest technology, customers will come back again and again.

One of the HCCM members is in the process of moving from a traditional product-centric focus towards becoming a customer-centric organization by developing a customer-centric culture. It is using a checklist developed by Vanessa Gavan – Managing Director of *Maximus International* - where the start point is to map the customer's journey (see Figure 3).

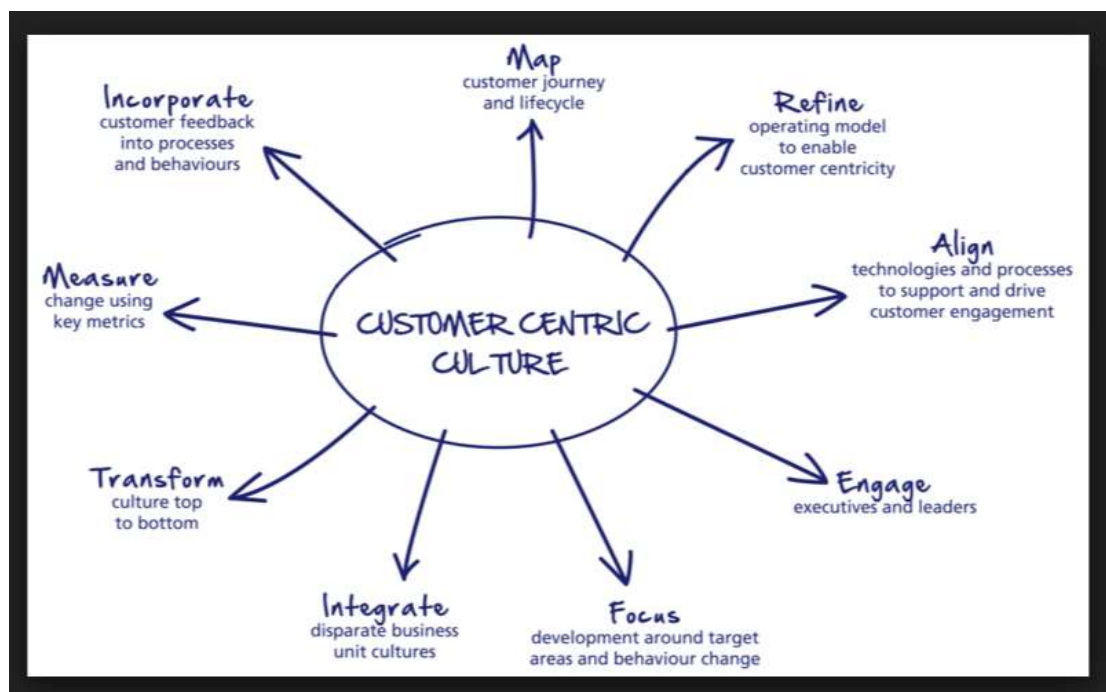


Figure 3. Moving towards a customer-centric culture

Source: Vanessa Gavan, Managing Director of Maximus International

5. Creating Brand Credibility

Haig (2015) argues that a company's 'brand credibility' is an important measure that should determine the value of the company, replacing brand equity measures such as goodwill which are often too vague or imprecise to measure effectively. Brand credibility is more specific because 'credible' means 'expertise' and 'trust' – traits that can be measured.

Earning trust in the brand begins from being able to deliver excellent customer service. It is then about consistency – which comes from employees providing an equivalent level of service. Customers then know what to expect, how and when. Of course, occasionally not everything goes to plan. In such circumstances transparency should play an important role in brand credibility, in being open and owning up to any mistakes, in explaining where things went wrong, and indicating how the problem is being rectified so that it will not re-occur.

5.1 The Importance of Brand

Brand credibility has become increasingly important in recent times. The key issue is how it impacts on the consumers' purchasing decisions. This approach should be strongly linked to an effective customer journey and an organization's customer-centric approach.

In creating the effective journey and accomplishing the four capabilities described earlier, the organization has made the ongoing customer journey as much a part of the brand as the product itself – and as important a source of value. *'Today, winning brands owe their superiority not just to the quality and value of what they sell, but to the superiority of the journeys they create'* (Edelman & Singer, 2015).

In becoming customer-centric it is essential to start by focusing on aspects from the customer's perspective. The customer-centric brand creates products and services, processes and policies, and a culture aimed at supporting customers and offering a great, on-going experience. Current research highlights four best practices - having brands that:

- Are passionate, and genuinely believe that the customer comes first. Without the customer, brands cannot succeed in business; brands aspire to see the world through the eyes of the customer
- Focus on the needs and desires of the customer, and generate products and services that build on these
- Focus on the customer relationship to maximise the product and service experience for the customer
- Evaluate, develop and execute a sensibly formulated customer strategy that centres on creating and keeping the most profitable and devoted customer.

6. Developing an Engaged Organizational Culture

A theme that has emerged as an ongoing trend amongst HCCM members is developing and maintaining a customer-oriented culture to support the creation of superior customer experience through positive employee engagement consistently across the organization.

6.1 Organizational Climate Research

The 'climate' of an organization is an expression of employee perceptions of the atmosphere created by the organization through policies, practices, and rewards. Links in the academic literature between employees' perceptions of organizational climate, employee attitudes and behaviours, customer behaviour and retention are key to identifying the features of an organizational climate that can help to explain, for example, the variations in service to customers between high customer-retaining branches and low customer-retaining branches of a large retail bank.

Research within the Centre identifies five key dimensions of organizational climate:

- Structure
- Rewards and recognition
- Cohesion
- Warmth and support
- Customer care.

6.2 Measuring Organizational Climate

The measurement of organizational climate developed by the HCCM makes use of a short questionnaire tool to research each of these five key themes and their dimensions organization-wide. In the retail bank case, it was found that the high customer-retaining branches in the

original study scored significantly higher on all five themes than the low customer-retaining branches.

The research methodology was initially tested with three disparate organizations: the financial services arm of an automotive retailer; the IT department of a local authority; and, a private hospital. The research concluded that:

- The findings confirm the validity and statistical reliability of the survey tool as an effective measure of an organization's climate; being effective in both the public and the private sectors.
- Departmental management versus Non-Management analysis provides meaningful insights into issues and areas of concern in organizations where there are gaps in alignment.

The tool has been successfully used with a number of organizations to help them gain a 'snapshot' of their own organizational climate and identify areas to address. Figure 4 shows, by way of example, how management and non-management score on each of the climate dimensions. The research also highlights the size of the gaps; here the biggest gap to address between management and non-management is on the scale of 'Cohesion'.

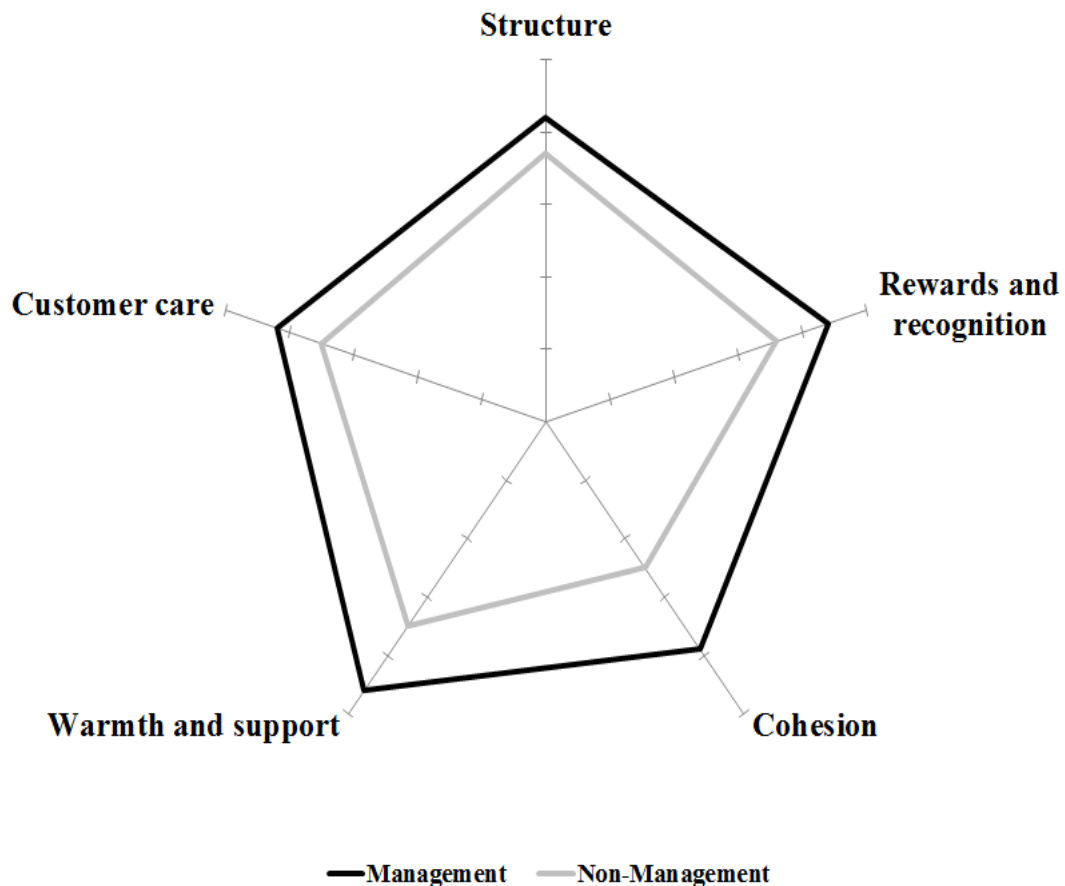


Figure 4. Example output from the organizational climate tool

Measuring employee engagement is an important feature in the provision of a superior customer service and experience and in time it should be possible to develop a database to benchmark and compare best practice organizations, and at different levels and dimensions against other organizations.

7. The Future Research Agenda

The future research agenda for the Centre will focus upon two further topics identified in Table 1, namely: Actioning insight and Internationalization.

7.1 Actioning Insight

‘Big data’ and data analytics have become important buzzwords in recent times. Due to advances in technology - which allow organizations to look at large sets of data at a number of different levels or perspectives – it is now possible to discover previously ‘hidden’ patterns, market trends, and customer preferences, all of which could generate greater insights and promote competitive advantage.

From the HCCM members’ perspective it is also about taking that data, learning from it and using it effectively by minimizing the steps to a solution, and by actioning insights in real-time to, Thus, it will be possible to improve the customer experience based on a satisfaction survey, responding quickly to a competitor’s advertisement, or by providing proactive ‘care’ changing the relationship from pull to push – for example a bank sending the customer a text to avoid potential bank charges.

7.2 Internationalization

The Centre also plans to explore the internationalization and the management of global customers. Examples that members have highlighted as areas they would like to learn more include: does the word ‘easy’ translate effectively as a measure across different languages; do customers’ needs vary between different countries/cultures; and does the same customer engagement method work in the international context.

8. Summary and Conclusions

No matter where organizations are in the business cycle, key themes such as customer experience, measurement, strategy, customer relationship, social media, customer management, organizational culture and innovation and technology will always prevail.

Through the work of the HCCM, we have been able to identify historical and emerging trends that have an impact on members’ businesses within each of these themes and the way the customer is managed by promoting excellence in customer management.

Exploring issues relating to the customer journey, creating a customer-centric culture, brand credibility and developing an engaged culture, getting the most out of ‘big data’, internationalization are all high on the agendas of marketing executives and the like – and by identifying these emerging business trends it is possible to help organization’s continuously innovate and adapt in a fast changing world and sustaining a competitive edge.

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