



Winning through Delight:

The Artful Science of Customer Experience

**NRF Associate Member Advisory Council
Thought Leadership Series**

*The National Retail Federation gratefully acknowledges the contribution of
Ogden Associates, Inc., the author and project lead for this interactive “web paper.”*

Objectives

The goal of AMAC's Thought Leadership Series is to put the collective knowledge of NRF's Associate Members at the service of retailers. The series is conceived and spearheaded by NRF's Associate Member Advisory Council (AMAC).

AMAC is comprised of companies serving the retail industry with products and services as disparate as store design, risk management, and retail technology. Through a needs survey of retail member executives, including CEOs, CFOs, and CIOs, the Council identified one particular issue prominent in retailers' minds, and so broad in scope that it also impacted, in one way or another, each of the Council's member companies. The issue: how retailers can achieve differentiation and advantage through enhancement of the customer experience.

The Council members came to recognize that they all had different views of what "enhancing the customer experience" actually entails, but that the different views were all complementary. The competencies of the different companies, they felt, represented "different slices of the same apple." The Council members also felt that retailers' customer experience challenge, however one defines this, has less to do with specific obstacles within Marketing, Merchandising, Operations, or IT, and more to do with how to focus efforts of the total retail organization in a way that delights the customer and, to no less a degree, the shareholder. It's more about "connecting the dots" than about "inventing something new."

Similarly, it's as much about the "whole" as it is about the "parts." Retailers stand to win much by instilling unifying, motivating, customer-inspired values in their organizations as a whole, and creating environments in which customers, employees, business partners, and shareholders all have a sense of purpose, meaningful roles and an opportunity to succeed.

Accordingly, the Council members decided to pool their expertise to create an interactive "web paper" on the Customer Experience with the following objectives in mind:

- **To connect the dots:** Show how various retail activities and disciplines - from customer segmentation to CRM to labor scheduling - can be interconnected and aligned to drive both customer delight and profitability, and enable the retailer to achieve continuous improvement in meeting the needs of its stakeholders.
- **To help show the way to profitable implementation:** Begin to assemble best practices and case studies to assist retailers in transforming their companies to be more successfully and profitably customer-focused.

The result is AMAC's Customer Experience Initiative, *Winning through Delight: The Artful Science of Customer Experience*. The Initiative will take several forms, including this overview document, as well as its web version, to be located on NRF's web site, NRF.com, with links to extensive content provided by the various participating companies.

In many ways, the present paper is a beginning rather than an ending. It sets out an overall structure for assembling useful information from sources across the industry. You will see that there are many places where we are seeking material, and this paper will continue to "grow" when its web version is implemented early this year. Please join in!

Several retailers have been particularly helpful in providing assistance in the development of this paper. We would like especially to thank Carlo Coda Nunziante and Daisy Chin-Lor of Birks & Mayors Inc., Lisa Gavales of Bloomingdale's, Dianne Binford of Nine West, and Susie McIntosh-Hinson of Bloom, a Food Lion Market. The AMAC Council would also like to acknowledge with gratitude the assistance provided by the companies and individuals listed on pages 22-23 of this document.

Key Themes

The principal theme of this paper is:

- Using “science” to make the customer experience “art” a *profitable* reality.

Additional key themes are:

- Understanding the customer experience as desired by *your* customers
- Validating customer experience strategies with “the facts”
- Continuously improving the customer experience
- Living the customer promise...from the inside of the company out

Use “Science” to Make the Customer Experience “Art” a Profitable Reality

By the “art” of customer experience, we mean all the many strategies and techniques retailers use to engage and delight customers and inspire their behavior. This can take many forms: décor that resonates with customers’ lifestyles or aspirations; lifestyle displays that help customers understand how to integrate particular merchandise into their lives; impeccable housekeeping that demonstrates retailers’ attention to every detail that impacts the customer; pleasing scents and sounds (since the art of customer experience is multi-sensory); the ability for the customer to personalize selections, which intensifies their emotional connection to you; special services to respond to special customers’ every whim; and more.

These strategies and techniques can spell differentiation for the retailer in the minds of customers, and breakthrough success, or they can break the bank. They can be a route to competitive advantage or merely up the competitive ante for all retailers in a market area.

Best practice, knowledge-based methods, which we dub the “science” of customer experience, can make the difference. The “science” of customer experience includes analytical techniques and tools and best practice methods that can be used to define, measure, and ensure the *consistent delivery* of the target customer experience for your unique customers. Customer experience “science” can be employed to tie intuitive and creative strategies to *tangible measures of success*. It can also open the way for a corporate culture in which customer-inspired creativity and action are the way of life, yet where new ideas are *tested and measured* for their actual impact on customer delight.

The “art” and the “science” of customer experience, as we discuss them here, consist of elements in use to a greater or lesser extent among different retailers today, and they will be illustrated through the examples and case studies included in the web version of this paper.

Our goal is to help you connect the dots, so here is a summary of how the “art” and the “science” of customer experience can work in tandem:

The Artful Science of Customer Experience

| | THE ART | THE SCIENCE |
|--------------|---|---|
| VISION | Market, customer, organizational <i>insight</i> | Making it <i>measurable</i> and <i>actionable</i> . |
| STRATEGY | <i>Intuiting</i> what differentiates you | <i>Proving</i> what differentiates you |
| RELATIONSHIP | Inspiring focus on the <i>customer promise</i> | Delivering to the promise <i>consistently</i> across the organization |
| MANAGEMENT | <i>Living your brand</i> | <i>...from the inside of your company out.</i> |

The “art” and the “science” of customer experience are founded on the notion that not all customers are the same; customers differ in their lifestyles, requirements, and potential relationship to your company’s goals. For this reason, making the customer experience “art” a reality isn’t merely a matter of developing creative ideas and potential tactics, and choosing carefully among them; it’s a matter of determining, in a concrete and measurable way, what will be required for you to delight *your unique customers*. It’s not a matter of discovering what techniques and strategies work best for your competitors. It’s a matter of identifying clearly *your* promise to *your* customer, which powerfully ties together their aspirations and *your unique potential* as a retailer. It’s a matter of clearly articulating your Customer Promise, grounded firmly in both customer knowledge and your brand heritage, and then making the Customer Promise more and more concrete and compelling as a driver for organizational focus, as you deliver on that promise more and more fully and consistently over time.

While the “art” is about envisioning and creating a meaningful brand entity to inspire customer behavior, motivate and empower employees, align activities with business partners, and ultimately delight shareholders, the “science” takes this all out of the realm of conjecture and the power of personality and roots it in reality. It entails a methodical definition of requirements, structured experimentation to determine which programs actually work the best with particular customer groups, workable metrics tied to *what matters to the customer*, and best practice implementation methods.

Nonetheless, it cannot be overemphasized that, just as in the realm of the physical sciences, the role of creative intuition is always key. The crucial role of the “science” of customer experience will for many companies be to help pinpoint what *not* to do, and what *not* to invest in. The “science” will never on its own generate the big idea, the insightful idea of what to try next. This will always remain the “art” of retailing.

Overview

Understand Your Customers, and the Experience They Require of You

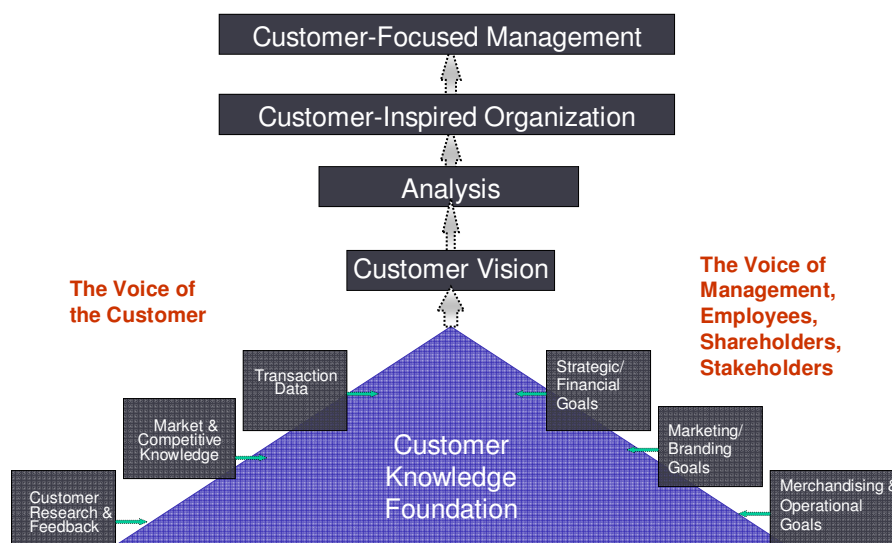
Winning through delight begins, of course, with knowing your customers, but the pinpointing of actionable customer segments has proven to be a tough task in retailing. While consumers decry the “sameness” of the shopping experience, few retailers have yet acquired the deep customer insights required to see the discrete customer groups, and the differentiating, critical-to-quality business requirements, that are often concealed beneath volumes of transactional data, market research, customer and consumer research, and under-utilized third-party demographic and psychographic data.

Slicing and dicing customer files based on demographics, psychographics, ethno-graphics and other criteria has proved valuable to drive targeting efforts within Marketing, yet in most companies this has done little to drive company-wide focus on the customer. Furthermore, even when meaningful customer segmentation has been attained, what these specific customers actually expect or require of you is often unarticulated, hidden, and perhaps not even fully apprehended consciously by the actual customer.

Nevertheless, this is an area where retailers are now making headway, and powerful tools and techniques exist to capture direct input on customer needs and aspirations; integrate and examine the rich data resources many retailers already have, in order to see correlations among customer characteristics, lifestyles, and buying behaviors; and to develop higher-level profiles or personas that can be understood and drive concerted action not only within Marketing, but also in Merchandising, Visual Merchandising, Store Operations, Internet utilization, and across all the various points of connection with the customer.

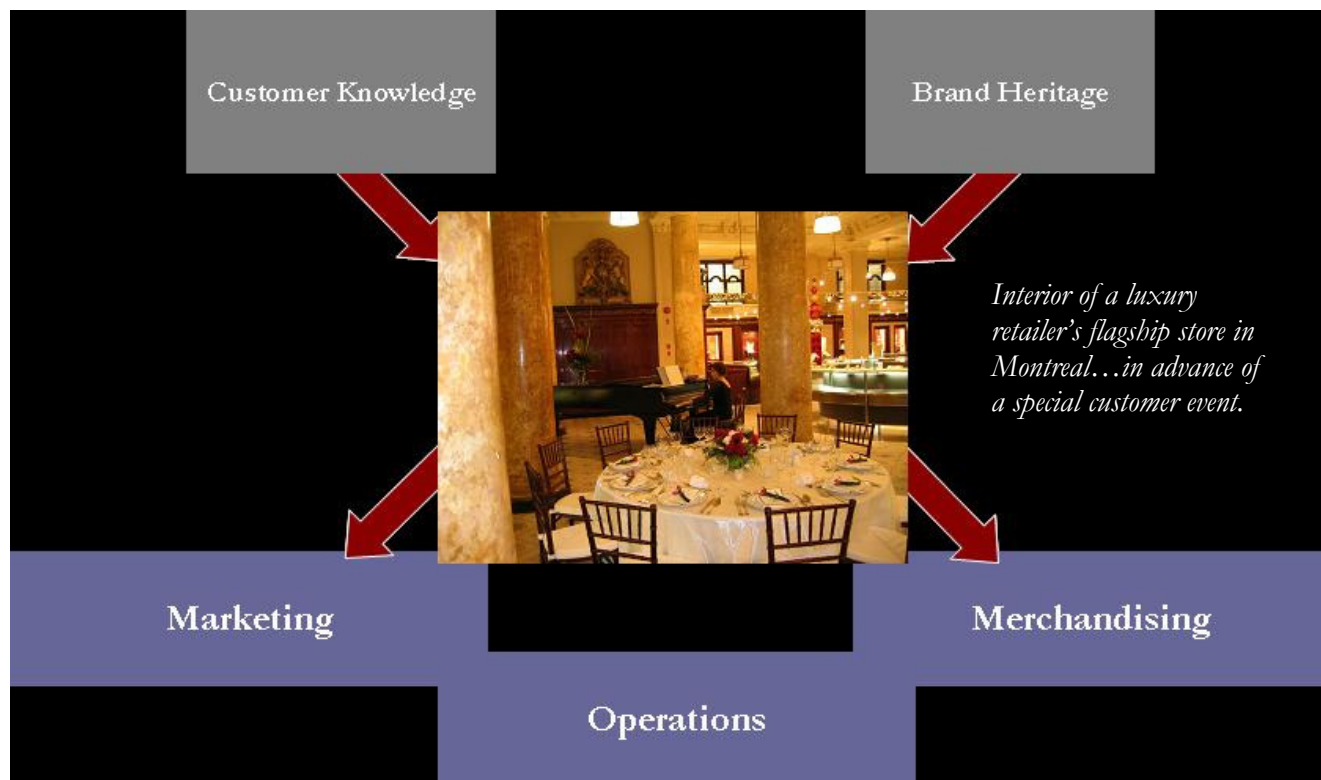
The web version of this paper will include examples of retailers’ progress in this crucial area.

Customer Knowledge is the Foundation of Customer Delight



Winning through Delight: The Artful Science of Customer Experience

Once you have a clear Vision of your unique customers, the experience they desire, how you interact with them, how well you've served them in the past (e.g., historical merchandise performance), the "artful science" lies in developing a crystal clear, revitalized Customer Promise. Quantitative analysis, structured experimentation and process improvement can then transform the Customer Promise, with all its components --- from the in-store and cross-channel experience, to the sales associate relationship, to the merchandise itself --- increasingly into a concrete, measurable, and profitable reality.



One savvy luxury retailer promises its customers exquisite merchandise and "perfect gifts," relevant to their customers' life styles, which customers can find with ease, in a great atmosphere. Acknowledging the exponential power of gifting, they ensure that both givers and recipients are delighted by the gift experience. The Brand and Customer Promise of superior quality is played out in the details of the company's Merchandise offerings, Marketing campaigns, Customer Relationship programs, Sales Associate training, Store Décor...and other touch points with the customer.

Enhance the Shareholder Experience

A powerful technique companies use to drive both customer delight and bottom line results is to envision not only end-customers, but also "internal customers," including employees, business partners, and shareholders. There is an advantage for morale and company spirit when everyone treats everyone "as they wish to be treated," or literally "as a customer."

The sense of shareholders-as-customers goes beyond this. World class quality improvement methodologies and other leading-edge approaches provide a framework for building end-customer delight while you contain or even reduce costs - a huge advantage and arguably a necessary requirement for retailers to invest in enhancement of the customer experience.

The building blocks we discuss later build toward end-customer delight *while* you contain costs and drive for increased customer acquisition and retention rates, higher sales and profitability per customer, improved

brand perception, and ultimately *shareholder value*. In *The Artful Science of Customer Experience*, end-customer delight, and customer *value* are, in a sense, two sides of the same coin. Focusing an organization's efforts on what will delight the customer provides, simultaneously, a working rationale for eliminating projects and programs that are wasteful in the sense that they contribute little or nothing to this objective.

What about your organization, supply chain and other business partners?

The goal here is win-win. In *The Artful Science of Customer Experience*, understanding and aiming to satisfy this set of “internal customers” is an essential part of the foundation of many initiatives. Just as you can drive out critical end-customer requirements, and use these to focus the entire organization on tangible ways to put the customer first, you can also systematically discover and clearly articulate requirements for successful supply chain partnerships. In an environment where the critical requirements of your organization, suppliers and other stakeholders, as well as end-customers, have been clearly defined, you're far better armed to take action to optimize activities and inventories in relation to multiple objectives, including merchandise content, in-stock availability for customers, your requirements for inventory turns and cash flow, and total supply chain costs and timing considerations.

In fact, long-established processes for the purchasing, flow, and pricing of merchandise between suppliers and retailers will make it essential for many retailers to work closely with suppliers as they transition their organizations to drive performance by customer objectives.

Validate Potential Strategies with “The Facts”

There's no substitute for creative and intuitive ideas, and an over-emphasis on quantification can in fact inhibit innovation. AMAC's *Artful Science of Customer Experience* carefully frames the role of data analysis as a complement to, not a substitute for, management instinct and creative development.

You may have volumes of underutilized data, which can be organized and brought to bear to actually *inspire innovation* as you use your data to:

- Verify or discredit creative hypotheses by reference to the hard facts (for example, which customer groups are most profitable; which relationship programs are the most effective from the customer's point of view?)
- Ferret out the root causes of problems more accurately (what are the root causes of customer *dissatisfaction*? What exactly is causing the fall-down in store-level execution of customer programs?)
- Eliminate fuzziness and speculation in many areas where the facts can be determined through actual measurement (will this or that new merchandise category be received well by our customers? What effect will the elimination of this unprofitable category have on our customer relationships?)
- Utilize customer feedback in a statistically-valid manner as a vehicle to improve operations (put structure around the way customer comments and observations are collected at the various touch points around the company, and analyze systematically to determine what works and what doesn't from the customer's point of view)
- Tie new initiatives, from the outset, to measurable objectives; then evaluate and improve based upon measurable results (set measurable objectives for customer programs to address both customer and shareholder delight)
- Drive actions company-wide from a profound knowledge of what both external and internal customers expect and desire of you today, and what they're likely to require in the future.
- Get your entire organization on board with respect to a shared understanding of “the facts.”

Improve Continuously

Transforming your Customer Promise into reality is largely a matter of developing and managing processes that allow you to *deliver to the promise consistently*. That's the "science." Equally important is the "art" of ensuring that the Customer Promise is understood and embraced by the organization as a whole.

Retailers across the board acknowledge that customer relationship-building and customer experience enhancement are crucial to achieving differentiation from the competition. Fewer than 15%, however, say they are fully satisfied with their initiatives to date, according to NRF's CRMretail Study, which has been conducted each of the past four years.

The reasons for the "disconnect" between goal and reality are myriad and complex, but studies show that many of the challenges are process-, organization-, and culture-related. The most common obstacles, as noted in the CRMretail study and elsewhere, are such factors as

- The absence of actionable customer segmentation
- Difficulty coordinating initiatives across departments
- A perception of inadequate in-house expertise or resources
- Lack of a clear customer-centric vision from the top
- A lag in the development and implementation of workable measurements for customer relationship and experience
- Failure to implement required organizational changes
- Data maintenance issues
- Lack of statistically valid customer feedback
- Poor planning

These challenges are all matters related to business process, organization and culture.

What has been lacking is a set of industry best practices for the customer-centric retail company, to govern such critically-important functions as customer segmentation, systematic collection and analysis of direct feedback from the customer, as well as other information and insights gained about their behaviors and preferences, integration of information across disciplines, development of the customer metrics essential for driving progress, and the development of requirements for effective and consistent execution to the store/channel level.

Equally important to the enhancement of the customer experience is the development of an organizational structure, along with practices for performance assessment, compensation, and internal communications, appropriate to a company that truly puts the customer first.

There is a great deal of talk today about "differentiation" in retailing. Differentiation is only part of the story. To be *differentiated* a company needs also to have a clear sense of itself as a meaningful *unity*. When everyone has a clear sense of how customers, employees, business partners, and shareholders are part of a meaningful whole that is "our company," employees are more likely to feel empowered, to be fulfilled, to go beyond the necessary to delight the customer, to understand that management needs their input and action to deliver on the Customer Promise, and to be motivated to do just that.

These are all matters for which best practices and inspiring examples of success can be found inside and outside retail. Under AMAC's leadership, these will be brought together for retailers for the first time in the web version of this paper.

Please join in and provide your input!

Live Your Brand...from the Inside of Your Company Out

Your Vision for your brand, and the nature of The Customer Experience, are closely connected. If your Vision for your brand is unclear, or if your Vision is clear but poorly executed, chances are your customer will have diffuse or incorrect notions of who you are. More importantly, if you *are* effectively communicating your vision, but not in fact *living* it within your company, your customers will tune into your lack of sincerity and authenticity. In the long run, you're unlikely to fully carry off an image of caring, or of finest quality, or of trust, or of other values you may propound to your customers if you don't live by those values in the way you treat your employees, suppliers, and shareholders.

If, on the other hand, your Vision is crisp, you can “deconstruct” it in increasingly specific ways over time. Your Vision can unfold in an increasingly concrete way: from brand concept to brand attributes and characteristics, and ultimately to the actual composition of your merchandise, your services, your sales personnel, your visual merchandising, your marketing communications, store décor, web presence and all the various environmental aspects that are so key to eliciting and maintaining emotional bonds with your customer.

Your Vision, once clearly articulated, can drive the entire organization, so that you *live* the customer-focused message that you give to the outside world. Merchandising regards and treats Marketing as a valued customer (and *vice versa*), whose feedback is sought and whose delight is regarded as the measure of success...and so forth around the customer-centric organization. You not only convey the message to the outside world that you put the customer first; you have also implemented business processes and management practices that permit you to plan, measure, and drive the organization from the customer's point of view. Furthermore, you will have implemented within the company a comprehensive notion of “customer,” where each department and individual has a meaningful role within a network of supplier-customer relationships, all aligned to delight the end-customer with consistent delivery to the Brand and Customer Promise. Here, the “art” of creative customer relationship and experience strategies and techniques meets the “science” of organizational and process Quality.

Use Customer Feedback to Keep the Reality of the Customer Experience in Line with Your Customer (and Brand) Promise

In the end, in a sense, your Brand *equals* the Customer Experience. Otherwise stated, the Customer Experience is your Brand as experienced by your customer, and your Brand is no more and no less than the reality that it attains through the experience of your customers. You can close the gap between what you envision and desire to achieve, and the reality from the customer's point of view, as you listen to the customer's voice, analyze what you hear, and improve accordingly....and commit to this as a process of continuous improvement and innovation.



Brand

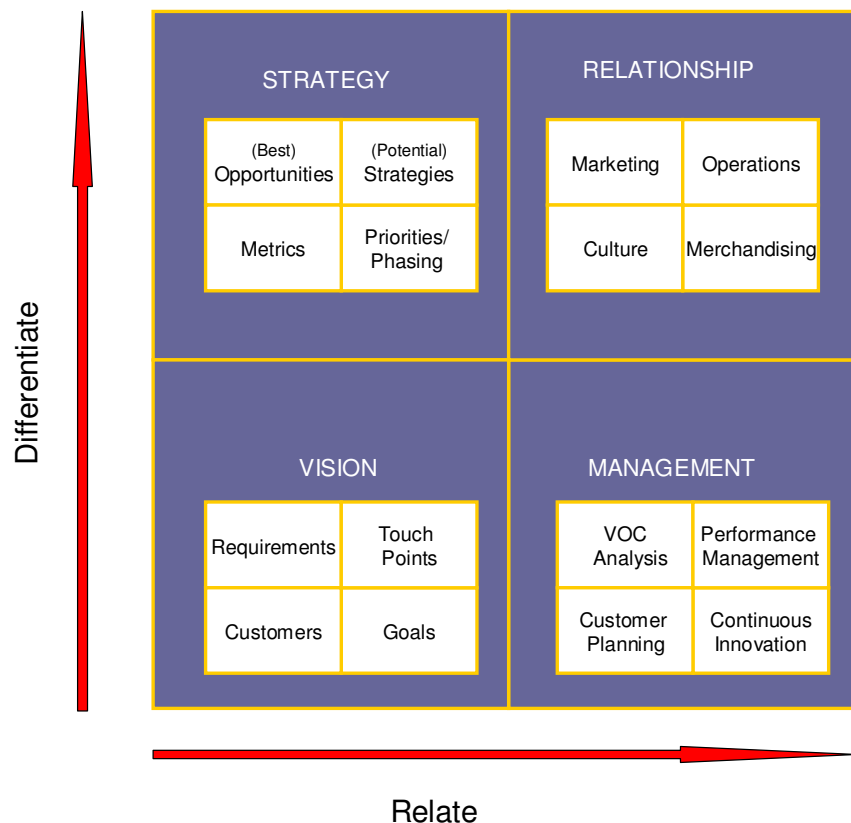
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Customer Experience

Building Blocks of the Exceptional Customer Experience

In the web version of this paper, you will be able to click on any of the blocks below to see a listing of articles with additional information, and in some cases a listing of resources that are available, pertinent to each area.



The Artful Science of Customer Experience has four major building blocks: Vision, Strategy, Relationship, and Management of the Customer Experience. Each of these is in turn also comprised of four building blocks which, though different in each of the four quadrants, follow a similar general pattern in beginning with foundation-setting (planning, definition, etc.), and moving through to analysis, to action, and finally to integration.

Defining YOUR VISION

...Your organization's vision of itself as a purposeful whole, inclusive of customers, employees, business partners, and shareholders; how they interact; what constitutes excellence for the whole; and what you'll set out to achieve.

1. CUSTOMERS: Develop a clear definition of who your customers *are*, including especially your *best* customers (however you define “best”)

While customer knowledge is essential and foundational, you can begin by leveraging *the information you already have*. And you can build gradually toward increasingly robust, more and more actionable segment definitions or customer “personas.”

An example from Customer Insight Group: One leading specialty retailer of premium pet food, supplies and services segments its customers not only by value, but also by their customer's motivations, attitudes, pet's life-stage, previous purchase behavior and brand preference. This information is then used to deliver meaningful and compelling customer messages. As an example, the store has experienced 15% response rates when it sends versioned postcards to consumers that have just purchased a companion animal—fish, snake, bird or reptile. These postcards are versioned by animal category and deliver personalized product offerings and tips for caring for their new companion.

For more, read...

- o *Customer Knowledge as the Wellspring of Innovation, Examples from Nine West, Home Depot and Others* (Customer Insight Group)

The following capsule case study from Experian illustrates how enhancing and integrating data sources can provide a powerful “single version of the facts” concerning who customers actually are, and how to interact with them most effectively, which is still missing in many organizations. In this example a marketing database integrates information across channels, and over time, and enables a strong, personalized and consistent set of interactions with the customer. It tells the story of a large specialty retailer of high-quality women's apparel, accessories and footwear with annual revenues exceeding \$340 million, which markets its products via catalogs, retail stores and a Web site. The company targets women ages 35 to 55 with household income of more than \$50,000 and who hold nontraditional jobs. With an integrated database to enable its customer relationship and customer experience strategies, this company succeeded in boosting revenues and transforming into a premier national brand.

For more, read...

- o *Specialty Retailer Leverages Data to Boost Revenues and Build Brand* (Experian)

2. CRITICAL CUSTOMER REQUIREMENTS: Identify what you must deliver in order to satisfy your customer, and to be exceptional in your customer's eye.

Identify the *critical* components of the customer experience, which you must deliver if your customer is to be satisfied and, in fact, *delighted*. Understand your brand heritage, what this says about your historical relationship with your customers, and what this might say about how to be exceptional in your customers' eyes in the future. Focus, in particular, on the customers you determine are “the best” (*however you define this*).

Listen for your customer's voice...direct feedback, yes, but also and often even more importantly to the “unspoken voice” that you can hear in patterns you observe in their interactions with you, in market trends, your transaction data, etc. By “reading” your transaction data, in combination with whatever market, industry, and customer/consumer research you have, you can begin to distill a set of critical requirements (inclusive of expressed needs, but even more importantly, unexpressed needs, which you can infer from your

customers' lifestyles, behavior, your market and customer research, etc.) that you can use to tune, and ultimately to drive, Marketing, Merchandising, Operations, and Technology/Infrastructure. A crisp read on critical requirements (in effect the ingredients of your "promise" to your customer) is essential if you're to track performance in an objective way.

For more, read...

- *Customer Database Development and Data Quality* (Experian)

As you frame your Customer Experience Vision, you may also wish to conduct benchmarking, both internally and externally, to identify how your performance levels in given areas compare with company or industry averages, and to pinpoint factors that tend to correlate with the results *you* desire given *your* customers.

3. TOUCH POINT ASSESSMENT: Set a performance baseline by sizing up processes at all of the touch points with your customer.

To deliver and sustain the Exceptional Customer Experience (however *you* define it, based upon a deep understanding of your brand heritage and your customers), you must assess not only this or that particular initiative or program, but also the underlying processes that will allow you to meet your customers' requirements and expectations consistently across the company. You'll need to review carefully your existing processes, and determine how to bring them into line with your business goals.

Key questions to be answered:

- Where and how do you interact with your customers today? (stores, web, catalogue, kiosks, customer service areas, etc.)
- Which of these touch points are the most important in influencing your customers' behavior? In building customer delight?
- Which of these touch points (or specific processes there) are supportive of your goals, and which require improvement?
- Where are you currently collecting data that might be disseminated, with advantage, throughout the organization?
- Where could you collect data in a more structured and systematic way so that it can be utilized more effectively to enrich customer insight?

4. GOAL-Setting:

Equipped with a good understanding of who customers are, what resonates best with them, and how you interact with them today, you can set realistic goals for future performance to customer needs and expectations. Importantly, since your customer knowledge has been geared as much to what lies beneath the surface, what is unsaid and not obvious, and what can thus potentially be a harbinger of the future, your realistic goals may also be a path to breakthrough advantage.

Your overall goal takes the form of a customer promise, which is broad enough to be understood and adopted by everyone in the organization, yet specific enough to serve as a meaningful guideline for Merchandising, Marketing, Customer Relationship Management, Visual Merchandising, Store Operations, Customer Service, the Web — all functions of the organization that touch the customer. From your overall goal you can then derive the *specific and measurable goals* that will drive activities company-wide.

Grounding Your STRATEGY in the Facts

...analyze to determine cause and effect relationships, and differentiation

1. Customer METRICS and STANDARDS

How well, and how consistently, do you deliver the experience that your customers require today? Measure the win, or the miss, *from your customer's point of view*. Determine the customer standard to meet, and evaluate the success of new programs from the vantage point of the customer's actual experience and response. To get a truly objective picture of how well you're succeeding, amplify your internal measures of success with measures of how your customer perceives your performance. For most companies, existing internal success measures will need to be enhanced to include not only traditional financial measures (e.g., comp store sales, conversion rates, etc.) but also metrics that facilitate management from a customer-centric perspective (customer acquisition and retention rates, lifetime customer value, customer segment performance, customer response, performance to your customer plan, etc.).

For more, read...

- *Best Practices for Customer Behavior Measurement* (Brickstream)

2. Best OPPORTUNITIES

Find what differentiates groups of customers, what differentiates great vs. mediocre performance, and what differentiates your company from the competition...in the mind of your customer.

You can examine your data and conduct experiments to determine what factors correlate with your established goals (e.g., customer satisfaction ratings, customer retention, higher sales or profits per customer, customer value, etc.). What image do your stores, your customer services, your web site, your catalogue portray to customers, and how does this impact sales? Is your image cohesive and highly differentiated, or is it diffuse? Are merchandise adjacencies optimized for the way your customer likes to shop? Do certain styles, "looks," or price points appeal more to certain customer segments? Do certain customers shop more frequently at certain times of the day, year, or month? Which customers respond best to which types of in-store events, promotions, or communications? The answers to questions such as these may very well reside, undiscovered, right within the data you have at hand.

3. Potential STRATEGIES

Armed with a clear understanding of what correlates with the desired customer behavior, you can develop programs specifically geared to drawing a specific emerging customer segment into the stores, celebrate "best" customers for their relationship with you, invite selected customers to give input on a potential new line of products, etc. Importantly, you can forecast and rank different programs for their anticipated impact on bottom line results.

4. PRIORITIES AND PHASING

Rate potential projects not only for their impact on customer delight, but also for the business value side of the equation: implementation ease or difficulty, size of opportunity, resource requirements, organizational impact, etc.

Don't try to do it all at once.

Once you have established customer and project priorities, in consideration of both customer delight and business impact, you can undertake *measured, incremental progress*, with the intent to deliver the Exceptional

Customer Experience, as *you* uniquely define it, in an increasingly effective and efficient way over time. The key is to clearly define projects with relatively small, manageable time frames, and with specific, measurable objectives that connect directly to the overall Customer Experience goals you've set. You now have the best of both worlds: a Customer Experience Strategy founded solidly on the facts about who customers are and what they require, and the ability to deliver this strategy in incremental fashion, and reap tangible, measurable benefits as you go.

Determine technology and infrastructure priorities based on impact on customer delight and customer value.

The beauty of a measured, systematic, process-oriented, customer-focused (internal and external customers) approach to implementing *The Exceptional Customer Experience* is that you don't need to "boil the ocean." You don't need to take it on all at once. It's a matter of articulating your Vision, clearly and specifically, and going about implementing it methodically over time. Each step of the way you can target, and understand whether you're in fact achieving, measurable advantages.

Technology and other infrastructure investments are put to the same scrutiny as Marketing/Relationship, Merchandising, and Operational programs and improvements. The litmus test is the same: what is the impact on customer delight and customer value?

Even beyond the vitally important basic retail technologies of Point-of-Sale, Merchandising Systems, etc., the range of current technology to enable *The Exceptional Customer Experience* is vast, including self checkout, Personal Digital Assistants (PDAs) for staff members, Personal Shopping Assistants (PSAs), special media displays, kiosks (escorted or not), electronic shelf labels, wireless applications, RFID, and more.

For more, read...

- *Integrating Technology to Enhance the Customer Experience* (LakeWest Group)

Enhancing CUSTOMER RELATIONSHIPS by Improving ORGANIZATION AND PROCESSES

CONTINUOUS IMPROVEMENT: Continuously improve processes.

When you decide to pursue *The Artful Science of Customer Experience*, you adopt a *process* view of the challenge of improving the customer experience. Becoming, or remaining, exceptional in your customer's eye means continuously improving the processes that deliver the customer experience. Processes at the various touch points where you connect with your customer...sales associate procedures, point-of-sale, customer service, returns, your web site, etc. - all need regular review and maintenance to ensure that the measurable performance targets you've set are being attained and, if not, what corrective actions should be taken to bring customer (and shareholder) delight to where you decide it must be.

A program of continuous improvement, with customer delight and value as the uppermost goals, brings an additional huge advantage, one that is crucial in the tight operating environment of retailing: through the concept of "waste" (i.e., "that which is non relevant, or even damaging, to customer satisfaction and delight"), it provides a way to *reconcile strategic customer experience goals with goals for cost containment or reduction*.

1. CUSTOMER-INSPIRED CULTURE: Articulate your brand/customer promise, and ensure that it is adopted by the organization and used to drive concerted action across the company.

Customer insight – wedded to the customer promise and adopted by the organization – is the wellspring of innovation in retailing. Build an environment where creative and intuitive ideas are encouraged, and can originate anywhere, and where these ideas can be rapidly tested and validated for effectiveness.

An example from Profitivity: In 2000, Wet Seal, Inc. chose to shift the culture in their 550 stores to become customer service and sales focused instead of being what some thought might be “overly task-oriented” given their vision for the customer experience. They implemented a program specifically geared to changing the company culture, and they experienced significant sales gains even while other retailers saw a downturn. Pleased with the program’s results, they rolled it out as well to their Arden B. division. Understanding the importance of continuously refreshing and renewing to stay in tune with their customers, they updated the programs in 2003, and experienced an additional sales increase of 12 %.

For more, read...

- *Creating a Customer-Centric Culture at Wet Seal and Arden B (and More!)* (Profitivity)

2. MARKETING: Build relationships with customers based on who they are, and how you value the relationship

CRM and Loyalty strategies and programs play an important role in delivering the Exceptional Customer Experience. They engender the emotional connection that is central to the experience, and can serve to boost customer retention and acquisition, marketing ROI, and customer value. Importantly, a data-driven, measurement-based, cross-disciplinary Customer Experience initiative can help integrate Marketing-oriented loyalty and relationship programs more fully with the totality of the organization, including most especially Merchandising and Store Operations. With CRM and Loyalty viewed within the broader context of the customer experience, you can improve the quality of CRM and Loyalty programs *by measuring their success in delivering critical components of the Customer Experience*; strengthening programs demonstrated to be effective in increasing customer delight, and eliminating those that fail to do so; and, in doing this, *managing CRM and Loyalty programs to tangible measures of bottom line performance*.

For more, read...

- *Best Practices for Loyalty* (COLLOQUY Magazine)

Relationship is two-way. You can glean inspiration from your customers progressively over time. Focus groups, advisory groups composed of key customers, on-line surveys – there are myriad ways to hear your customer’s voice on an ongoing basis, and to use the voice of the customer as a vehicle for keeping your merchandise assortments relevant, fresh, and exciting. Customer dialogue, in addition to boosting merchandise quality (as defined from your customer’s point of view!) will also tend to build your customer’s fervor for your company, and help to transform your customers into advocates. Customer dialogue is the most direct way of knowing that you’re *Exceptional in Your Customer’s Eye*. Help centers, web sites, your own on-line community, advisory groups – there are many great ways to establish ongoing dialogue with your customers.

3. OPERATIONS: Improve operational processes for greatest impact on customer delight, while containing or even reducing costs by eliminating programs that are wasteful from a customer perspective.

In order to deliver *The Exceptional Customer Experience*, you must translate your customer experience vision and strategies into managed processes in all operational areas that touch the customer – from the store-level, to the web, to delivery and returns. Ultimately, all these operational elements must work in harmony to create *The Exceptional Customer Experience*. Marketing serves as a catalyst for customer relationships, deepening and sustaining these relationships across channels, and inspiring customer dialogue which, in turn, generates more actionable information. Marketing’s messages resonate with your unique customers, and are consistent with your branding and positioning. Your store assortments reflect the wants and aspirations of your customers. Sales associates are knowledgeable, empathetic, and responsive to your customers. Your web site, catalogue, kiosks, etc. all project the same image; so that wherever your customer interacts with you they’re satisfied, and they’re frequently delighted, and they’re inspired to visit and buy more frequently. All the while, thanks to effective and efficient business processes and a flexible and integrated systems base, you’re able to

capture customers' transactions and direct feedback in such a way that it can be analyzed for advantage of both your customers and your stakeholders.

This idyllic scenario can't happen overnight. However, envisioning how your organization and your customers fit together as a harmonious, working whole is an important first step. As you define the network of relationships that characterize your relationship with your customers (and this task, itself, can be done progressively, over time), you can define and carefully scope individual projects, with measurable short- and medium-term benefits, that will together, over time, yield both a high quality, customer-focused organization and delighted customers. All the while, you continue to listen to the voice of the customer, and adjust. This is the essence of continuous improvement of the Customer Experience.

"Improvements" can include either revisions to existing processes, or the design and implementation of new programs. In both cases, the customer is the compass. Based on a clear understanding of customers and their requirements, you can revise processes that are the biggest sources of customer *dissatisfaction*; you can filter out existing and proposed programs that do nothing to delight either your customers or, ultimately, your shareholders; and you can identify the new programs that will yield the greatest benefit in customer delight.

The following article gives additional insight into the topic of process improvement to enhance the Customer Experience:

o *Improving Store-Level Operations to Delight Your Customers* (Yacobian)

Kronos gives us more insight into how one important dimension of the customer experience, customer service levels, can be improved while containing or even lowering costs. The company suggests these basic principles:

- Leverage the increased amounts and granularity of information available from other systems to plan your labor demands
- Integrate the information systems that plan, schedule and measure labor
- Balance the needs of the business with the preferences of your workforce

For more, read...

o *Workforce Management in the Customer-Focused Organization* (Kronos)

4. CUSTOMER-INSPIRED MERCHANDISING: Improve product development, merchandise planning, and store assortments by listening and responding to the Voice of the Customer.

An important aspect of the customer experience is clearly the merchandise and the services that you offer. From your transaction data, focus groups, online research – there are many wonderful potential sources – you can distill out the Value Proposition, the Product Attributes, and the Product Characteristics that will delight your customers, and use these as both a filter and a standard-to-meet in evaluating, and developing new, merchandise opportunities. Knowing how customer desires vary by store or store format, and by region, etc., you can also tune assortments to respond exceptionally well to the specific customer groupings you serve.

For more, read...

- o *Customer Demand Insight* (Oracle Retail)
- o *Connecting Customer Insight and Merchandising* (Ogden)

Customer-Centric Retail MANAGEMENT

At this point, your company has moved a long way toward becoming customer-centric, and enhancing the customer experience (of end-customers, employees, supply chain partners, shareholders) is quite simply “the way we do business.” Now the key challenge is not to become statically wed to a new model and, instead, to listen and respond continuously to customer feedback and to internal customer-oriented indicators (*e.g.*, repeat purchase rates, customer acquisition rates, sales and profitability by target customer segment, *etc.*).

1. CUSTOMER PLANNING: Plan and monitor performance by meaningful customer segment.

In a retail company that is truly customer-focused, and where enhancement of the Customer Experience is the overarching company goal, Customer Planning takes a place beside Merchandise Planning and Financial Planning as a core process that steers going-forward activities. Customer Planning requires well-defined customer segments or personas. These can be at a quite high level, at the outset. Ultimately, Customer Planning can be very detailed and involve planning ranges of products to be provided within very specific grouping of customers, and mapping them to available demographic and psychographic projections. At this point, the retail model transforms from one where maximum product is “pushed” out to a mass market to one where a broader range of product is “pulled” by customers. (This does not imply, necessarily, one-to-one Marketing or Merchandising, since the definition of “customer” – narrow, to differentiate many unique groups of customer, or broad - is a strategic decision of each company.)

2. Voice of the Customer (VOC) ANALYSIS: Collect and analyze customer feedback on a continuous basis

How can you continuously stay in touch with what your customers expect and require of you, whether or not they articulate it, and how they’re responding to your Marketing, Merchandising, and Operational programs? There are many different techniques – focus groups, in-store intercepts, web-based surveys, telephone surveys, new technology for capturing feedback in the store on an ongoing basis, and more. Each technique has its strengths and weaknesses. An excellent source of the Voice of the Customer is the data that is continuously being generated as a by-product of day-to-day customer interactions, including, but not confined to, purchase transactions. This information becomes even more meaningful when third-party data is appended to transaction records, and when market research and other sources of customer insight are analyzed in an integrated fashion to bring the individual customer, and groups of customers who share characteristics and behaviors, into clear view.

For more, read

- *Tuning In To the Customer’s Voice: Hearing the Spoken and Unspoken Messages* (The NPD Group and Ogden)

3. PERFORMANCE MANAGEMENT: Manage, and inspire organizational performance, to measures of customer delight and customer value.

When “putting the customer first” is more than a slogan, when its meaning has been probed, illuminated, and transformed into tangible and measurable form through business processes, and clearly-defined responsibilities and goals by individual and organizational entity, you can now *manage systematically* over time toward increasingly exceptional performance in the eyes of your end-customers, shareholders, employees and business partners. Individual, departmental, and divisional activities are all aligned, and work in concert to further the overarching mission of the company as a whole. Decision-making and accountability reside at the level where customer interaction occurs. This in turn transforms retail’s age-old issue of “executing well to the store level” into an opportunity to empower employees, raise skill levels, improve training programs, and ultimately measure and reward performance to the gold standards of customer delight and customer value.

4. CONTINUOUS INNOVATION: Innovate continuously, by using the Voice of the Customer as an ongoing source of inspiration for new opportunities.

Change is the only constant, as many have said. The retailing model that puts the customer first, and ranks customer experience as the ultimate standard for performance, is one that faces up to the reality of constant change: change in market conditions, demographics and psychographics, customer requirements, employee needs, company ownership, geographic span, store formats, and more. In *The Artful Science of Customer Experience*, customers become an inspiration for new ideas. Merchandising, Marketing, Store Ops and all functions in the multi-channel organization – once provided with a holistic view of the customer as a human being with a lifestyle, attitudes, and preferences – can become more proactive and less reactive. Customer insight can be used to better *anticipate* and *influence* customer needs, rather than merely to analyze and react to them. Merchandising and operational decisions can be tied to leading indicators of customer desire and aspiration, rather than to metrics that focus management attention disproportionately on past performance.

A company posture flexible enough to respond effectively and efficiently in the face of constant change can't happen without the right infrastructure. You'll need the technological, logistical and other supporting infrastructure to integrate, crisply present, and manage to advantage vast amounts of data; move merchandise rapidly and cost effectively in response to customer demand; and support the customer-oriented planning and the management of performance that is characteristic of the customer-centric retail company.

And once you think you have it all down, think again. It's time to reinvent yourself all over again. With your ear to the customer's voice, and with a flexible, customer-centric organization, innovation is now a way of life.

Begin with Your Vision

Complex? Simple? Like most things under the sun, it's both. It's complex in that there are indeed many dots to be connected. It's simple, though, when you think of it this way:

It all starts with a Vision of a whole: an organizational unity that has meaning and purpose, and within which customers, employees, business partners, and shareholders – all the various stakeholder groups – have a voice, a meaningful role, and an opportunity to win. In such an environment, the various parties are more likely to feel empowered, to be fulfilled, to go beyond the necessary to delight the customer, to understand that management needs their input and action to deliver on the Customer Promise, and to be motivated to do just that.

Once you have a sense of the whole, you can use your data to examine the details and discover the facts: what truly differentiates various customer groups; your “best” customers from the others; the most effective techniques; the most efficient processes; and ultimately your company and your brand from the competition.

In a sense, then, the “art” is in seeing and inspiring company-wide attention to the whole; the “science” lies in using data analysis, measurement, and continuous improvement to make your brand and customer promise equate to a truly delightful ongoing customer experience.

It's also simple because you can leverage *today* what you already have, and you have a great deal, including:

- Your heritage (the reason customers came to know and love you in the first place) is there waiting to be rediscovered and perhaps revitalized, and applied in new ways to delight your customers anew
- Your customers, a small number of whom may hold the key to your breakthrough success (the ones who are delighted today, and return again and again)

Winning through Delight: The Artful Science of Customer Experience

- Your employees who may be capable of extraordinary things when imbued with your Vision, and empowered to put the customer first
- Your supply chain partners, who also stand hugely to benefit when processes across the supply chain are synchronized to delight the customer
- Your merchandise – where it has been a win, and where it has not – which can be leveraged to create dialogue with your customer to guide assortments that generate more profitable sales
- Your systems, which can be linked and synchronized in accordance with, and in support of, your Vision
- Your existing data resources
- A community of industry suppliers who recognize the importance and the challenges of “Winning through Delight.”

...and much more.

NRF Associate Member Advisory Council (AMAC)

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Retailers depend on NCR store automation solutions, consulting and support services to enhance operations, drive incremental revenue, expedite return on investment and increase their agility to compete. www.ncr.com

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Manugistics provides leading demand and supply chain management solutions to key Retail segments including: Grocery, Convenience, and Drug Stores; Food Service companies, Specialty Retail (Hard and Soft Lines), Discount Retail, and Apparel Manufacturers/Stores. www.manugistics.com

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Oracle Retail, the leading provider of Retail Profit Optimization solutions, designs software solutions for retailers whose priority is getting the highest return possible on their inventory investments. With over 20 years of experience providing analytically driven decision support exclusively to retailers, Oracle Retail provides its customers with insight into future customer demand and suggested business actions across the classes of inventory management, pricing and promotions that lead to peak profitability. www.oracle.com/profitlogic/index.htmlprofitlogic.com

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From the inception of this project, AMAC also welcomed the participation of additional companies and individuals from across the industry. The following joined in enthusiastically to lend insight, expertise, suggested best practice and capsule case study content, editorial assistance, and visuals.

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Brickstream offers innovative products for clients who desire to improve their customers' experience, and in turn, dramatically improve their bottom line. Brickstream was formed in 2000 and formally launched its products in January of 2002. The patented technology behind its products has been developed over the last decade.

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COLLOQUY Magazine

The COLLOQUY Group comprises a collection of resources devoted to the global loyalty marketing industry. The flagship resources are the COLLOQUY Strategic Consulting Group, a global loyalty consulting practice, COLLOQUY®, a magazine serving the loyalty marketing industry since 1990, COLLOQUY.com, a comprehensive loyalty web site, and COLLOQUY's research and educational divisions. www.colloquy.com
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Customer Insight Group

Customer Insight Group is a Denver-based strategic marketing company that uses customer information to help its clients build successful and profitable long-term relationships with each and every customer. It provides marketing strategy, customer research, data analysis, program development, implementation and refinement of customer-centric programs including: loyalty, retention, and new customer acquisition.

www.customerinsightgroup.com .

Experian

With approximately 30 years of experience and more than 30,000 clients in North America, Experian helps organizations reach new clients and build, nurture and maximize lasting customer relationships. Experian also provides U.S. consumers with tools and services to help them understand, manage and protect their personal credit profiles. www.experian.com

LakeWest Group

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