

# DESIGNING CX

**Forget Everything You Know About Bricks and Clicks  
(It's Wrong, or Soon Will Be)**

**The Four Core Competencies of CX:  
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# Forget Everything You Know About Bricks and Clicks (It's Wrong, or Soon Will Be)

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For some time, many senior executives have focused on providing superior customer experiences through innovative combinations of 'bricks' and 'clicks'. They tell us their goal is to provide a CX that is better than (or at least on a par with) their leading competitors. It's a laudable target, even if it has eluded most for decades. But what they don't realize is that they may be chasing the wrong benchmarks. The next big CX breakthrough is more likely to come from outside their walls and digital channels than from within them.

Examples abound of new entrants that revolutionize the CX standard in an industry, disrupting the competitive status quo, and quickly capturing market share. An outsider, a Silicon Valley startup named Uber, used an app to create a revolutionary CX in the taxi industry which well-established players are still struggling to match. A computer maker, Apple, used mobile checkouts, in-store experts (the Genius bar), and onsite seminars to reinvent the CX in consumer electronics retailing. Two software executives created Netflix's mail and

later, streaming services for movies, sounding the death knell of the video rental store CX.

These examples show why company leaders must look beyond their industry's borders in search of new CX models. To do this, they must focus more on the outcomes their customers are seeking and less on how they and their current competitors are delivering those outcomes.

## **The Currency of CX is Outcomes**

Today, companies more than ever need to consider the outcomes that customers desire in dealing with them. The many new experiential options enabled by digital technologies and social media are causing customers to question the outcomes that their current suppliers provide.

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By outcomes, we mean the customers' goal or desired result in doing business with you. For example, a customer outcome might be to simplify a complex task. It's one reason why Quicken Loan's Rocket Mortgage, which can finance a home purchase in less than 10 minutes,<sup>4</sup> has taken off. (Rocket Mortgage accounted for \$7 billion of the \$96 billion in home loans that Quicken funded in 2016, which would make it one of the 30 largest mortgage companies in the U.S.)<sup>5</sup> Another

<sup>4</sup> Time.com, You Can Now Be Approved for a Mortgage in 8 Minutes, December 1, 2015, accessed May 2, 2017, <http://time.com/money/4129146/quicken-loans-8-minute-mortgage/>

<sup>5</sup> PRNewswire.com, Fueled by Rocket Mortgage, Detroit-Based Quicken Loans Achieves Record-Breaking Year, March 7, 2017, accessed on May 16, 2017, <http://www.prnewswire.com/news-releases/fueled-by-rocket-mortgage-detroit-based-quicken-loans-achieves-record-breaking-year-300419416.html> Accessed May 2, 2017.

outcome is the need to receive a product or service with less hassle—a reason why millions of us now use Uber and Lyft rather than stand in long taxi lines or jockey for position to flag down cabs on busy corners. Other outcomes might include a less contentious shopping experience (think CarMax in buying used autos) or fast, easy installation of new purchases (e.g., Best Buy's Geek Squad). Such outcomes are always a value to the end customer, and at the moment of need.

The burgeoning number of financial technology startups is a notable manifestation of this trend. In retail banking, customers are abandoning neighborhood banks for internet-based banks. In commercial banking, customers are questioning the value of relationship managers. Across consumer, corporate, and institutional banking sectors, customers are asking, "Is my financial provider getting me the results I need or is there a better way to achieve them?"

Companies need to think about CX from a customer outcome-based perspective, and then look at the best practices of companies outside their industry to reinvent how they deliver those outcomes. Some executives, including Joe Foley, chief marketing officer of Unum Group, an insurance company with \$11 billion in annual revenue, are already doing this. "Today, customers set their expectations based upon interaction (and consumption of products and services) with lots of other companies in any given industry," Foley told *Forbes* in 2015.<sup>6</sup> "It's really set by what they've come to expect across the universal spectrum of customer service in their personal lives."<sup>7</sup>

Understanding the outcomes that customers desire is not always a straightforward task. But fundamentals—basic truths about customer outcomes—exist across the spectrum of CX possibilities that can help executives define the outcomes that matter most to their company's customers.

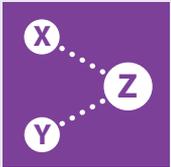
<sup>6</sup> Forbes, Look Outside Your Industry -- Top CMOs Share New Ways To Connect With Customers, March 9, 2015, accessed May 2, 2017, <https://www.forbes.com/sites/robertreiss/2015/03/09/look-outside-your-industry-top-cmos-share-new-ways-to-connect-with-customers/#52aa77863b44>

<sup>7</sup> Forbes, Look Outside Your Industry -- Top CMOs Share New Ways To Connect With Customers, March 9, 2015, accessed May 2, 2017, <https://www.forbes.com/sites/robertreiss/2015/03/09/look-outside-your-industry-top-cmos-share-new-ways-to-connect-with-customers/#52aa77863b44>

## Four CX Truths

There are four truths about delivering superlative CX that apply to every industry today and for the foreseeable future.

### 1. Not all customers want the same experience, but all might want a similar outcome.



The outcomes customers desire are shaped by their distinctive wants. For instance, Ryanair and Singapore Airlines are both in the business of flying customers from point A to B. But the outcomes their customers desire are very different. What Ryanair's customers want is a low fare, while customers of Singapore Airlines (with its premium service model) desire something very different. Both airlines are successfully transporting their customers but delivering a different CX to their customers. The lesson? Different CXs are required for different customer segments.

### 2. Customers want to acquire products and services as efficiently as possible.



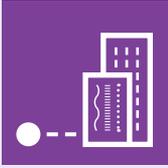
This is why Amazon has built vast warehouses across the U.S., and why it is now seeking to make the order-to-delivery process even more efficient by using delivery drones and taking orders via its AI assistant Echo. "In our retail business, we know that customers want low prices, and I know that's going to be true 10 years from now. They want fast delivery; they want vast selection," says CEO Jeff Bezos.<sup>8</sup>

This truth also explains why many retailers are struggling to get bricks-and-clicks right. The 'bricks' part of the experience continues to be far too inefficient. Many consumers now order items online and pick them up in a store. Yet, as a TCS 2016 survey revealed, they are often left disappointed by long lines and ill-informed store personnel.<sup>9</sup>

<sup>8</sup> Youtube.com, 2012 re:Invent Day 2: Fireside Chat with Jeff Bezos & Werner Vogels - Amazon Web Services, November 29, 2012, accessed May 16, 2017, <https://youtu.be/O4MtQGRllUa>

<sup>9</sup> Aashish Chandra, "Transforming Shoppers Into Engaged Collaborators" 2016 TCS/RIS News Shopper Insight 360 Study, July 1, 2016.

### 3. Customers will only do business with 'bricks' companies that offer a unique, value-laden CX.



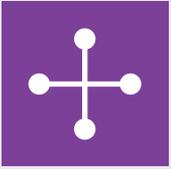
If physical stores are to remain viable in the digital era, two conditions must be met: The CX they offer must be one that can't be done as well (or at all) online, and it must provide compelling value to customers. If either condition is unmet, customers will skip 'bricks' and gravitate to companies that deliver the best online

CX. Additionally, the bricks must be part of an overall customer value proposition, one in which there is synergy between the bricks and the clicks. Apple excels in this model.

This truth has many retail banks worried. They know that the experience of their physical branches is not compelling enough to stop online-only banks from siphoning off customers. But there are lessons from other industries that can be instructive. Apple, for example, built a \$28 billion a year retail business, in part by offering an experience that wasn't available from online consumer electronics retailers, including repairing its products on premises via its Genius Bars. Apple's online site provides customers with first-level chatting and problem solving that they can easily escalate to making an appointment with the Genius Bar in an Apple store, while having the online interactions available to the Genius Bar technician when they arrive. Outdoors gear retailer REI erected rock-climbing walls in its stores, and Barnes & Noble holds live readings and concerts, in addition to providing access to Starbucks shops in its bookstores, creating an intimate, high-touch, wraparound CX.

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## 4. Customers expect the CX to improve continuously.



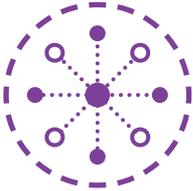
Today, after customers do business with a company, they expect that it will a) recognize them and know their history of transactions, and b) provide value-added insights, support, new offerings based on this recognition, and a timeline of interactions.

Again, Amazon provides a benchmark. “Amazon owns the richest data set on how consumers consume, how sellers sell, and (among the richest) how (software developers) develop,” explains market research firm CB Insights. “This, in turn, allows Amazon to optimize its online shopping experience, its logistics network, and development environment (and even its voice AI), which all, in turn, make Amazon’s offerings even richer.”<sup>10</sup>

<sup>10</sup> CBInsights.com, Amazon Strategy Teardown: Building New Business Pillars In AI, Next-Gen Logistics, And Enterprise Cloud Apps, April 17, 2017, accessed on May 16, 2017, <https://www.cbinsights.com/blog/amazon-strategy-teardown/>

## First Steps in CX Enhancement

Once you understand these fundamental CX truths, and the outcomes your customers are seeking when they do business with your company, we advise taking these steps:

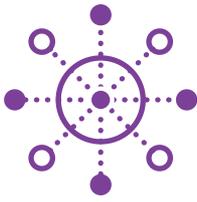


**Recognize where CX fits within the overall company offering and basis of competition within your specific industry, and ensure your management is aligned.** If CX is not a competitive differentiator for your company, following the best practices within your industry may suffice. But if CX is critical to your company' success, you must ensure that your whole management team is united in the quest to deliver it. If the CEO says CX is a strategic priority, but the head of customer service only cares about maximizing the number of calls the contact center's reps can handle per day, your company will not be able to deliver on its CX promises. One of the biggest CX obstacles we see in established companies is a lack of alignment among management layers. Digital firms like Amazon and upstarts like Uber often have an advantage here: Their management has always focused on CX and understands that their unique CX model is how they differentiate.

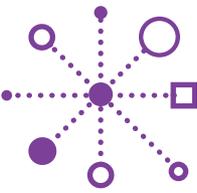


**Focus not just on the experience you want customers to have with your offerings, but also the feeling you wish to create about those offerings.**

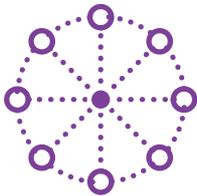
Retailers like Starbucks are masters in branding such images. Financial services firms are just beginning to experiment with it.



**Look outside your sector for companies that provide great customer experiences.** Carnival Cruise Lines looked to a theme park, Walt Disney World, to revamp its CX, and hired a Disney World executive who had led a \$1 billion theme park experience initiative. Now, reach out further: if your company is B2B, look at B2C companies, and vice versa.



**Determine how CX affects key business metrics.** You won't know if your CX efforts are successful unless you know how they affect revenue, customer retention, cost-to-serve, reputation, and other key performance metrics. Only then can you establish a baseline for CX measurement and improvement—for instance, how faster time-to-resolution in customer service impacts cost-to-serve and repeat purchases.



**Manage CX holistically.** The best CX providers understand that their entire portfolio of activities—including products, pricing, and promotion—affects the customer experience. Moreover, CX is not only determined by your customer-facing operations (stores, websites, and call centers), but also by everything that goes on behind them. That's why the performance objectives in functions throughout the organization must include, and be aligned with, CX excellence.



**Monitor CX hot spots.** Monitor the areas of your business that offer the most positive and negative CX, and whenever they flash red, identify and resolve problems quickly. In stores, for example, checkout lines are a CX hot spot; in theme parks or sports stadiums, the waiting lines for restrooms are a common hot spot.



**Maintain a laser-like focus on influencers and other high-profile customers.** These days, customer feedback can burnish or tarnish a brand at digital speed. It is critical to track social media and understand its impact on existing and potential customers. Identify and cultivate influential customers who promote your company. And when your company receives a nasty-gram or email, know who sent it, the size of the sender's audience, and the sender's propensity to share negative experiences before responding.

## Look Out for CX Excellence

The race to deliver more compelling and innovative customer experiences is on in both 'bricks' and 'clicks' companies, and the firms that offer both. By looking beyond their competitors and their own industries for breakthrough ideas, leaders can help their companies become frontrunners in the CX race.

These winners will move quickly, iterating the CX rapidly, seeking continuous innovation and improvement to navigate markets, testing technologies, and exceeding customer expectations that are changing so quickly that there is no finish line.

The bottom line: Leave behind what traditionally has been thought in providing a good customer experience and figure out the differentiating business outcomes and corresponding time value you want to provide your customers. Move as fast as possible to address and iterate these because speed is of the essence in the CX race, and your customers are staying ahead of you.