Using IoT Technologies to Completely Rethink the Customer Experience:

Interview with Ric Merrifield

Ric Merrifield is a thought leader and an independent consultant who has worked at companies such as Microsoft and Accenture over the last 20 years in studying the impact of digital technologies on the customer experience and the IT architectures of major companies. His landmark 2008 *Harvard Business Review* article ("The Next Revolution in Productivity")[70] was a manifesto on how service-oriented architectures were beginning to change the rules of digital competition. Based in Seattle, Merrifield has published four articles in the *Harvard Business Review* in all, as well as a book (*Rethink: A Business Manifesto for Cutting Costs and Boosting Innovation*; Pearson FT Press, 2009). His most recent writings are about how companies are using the Internet of Things technologies to reengineer customer experience. In 2016, Merrifield delivered a TEDx[71] talk about how technology will help improve the quality of life.

TCS: *How consequential do you feel the Internet of Things (IoT) will be on the ways companies design customer experiences? Is IoT bigger than CRM in this regard? Is it bigger than smartphones?*

Ric Merrifield: I was heavily involved in CRM in the early days, back in the late 1990's when you had to explain what customer relationship management meant. At the time, it was a revolutionary way for companies, especially their salespeople, to keep track of customers. But even today, CRM remains very transactional in the sense that you track prospects, you get an order, and you support them after the sale.

[70] Harvard Business Review, The Next Revolution in Productivity, June 2008, accessed May 17, 2017, https://hbr.org/2008/06/the-next-revolution-in-productivity

[71] Youtube, What Technology Can Teach Us About Ourselves | Ric Merrifield | TEDxSanJuanIsland, February 02, 2017, accessed May 17, 2017, https://www.youtube.com/watch?v=fYdA7IPfEKA

With CRM, you collect data about customers at episodic touch-points—the times that your salespeople, marketing department, or call center interacted with them. The reason is that they allow your company to get a much more extensive understanding of the end-to-end experience that the *customer* has with your product—not just your experience with them in your marketing, sales, and service transactions.

You have richer context in terms of not only why they buy or don't buy, but how happy they are throughout the course of using your product or service. When they become unhappy with your offering, you can respond to that long before they stop using it. And as you collect all of this data, it helps you to be smarter when you sell to the next customer. CRM systems to date really haven't gathered this type of information.

I think IoT-enabled customer experience management is going to be much bigger thanCRM—especially experiences that are enabled by IoT technologies such as digital bracelets and wireless sensors.

As the repository of information grows, and companies get clearer about their customers' motivations for purchase and how they're using the products, customer experience management will be much bigger than CRM.

TCS: *Over the last 10 years, you've consulted with Starbucks, Walt Disney World, Nordstrom, and other companies on their customer experience initiatives. Knowing that you can only say so much about them, what larger lessons have you drawn from them for all companies that are managing, or planning to launch major customer experience initiatives—often a part of what many companies today are calling their 'digital transformation'?*

Merrifield: If you have information about their past experiences, you can infer their preferences from those experiences. For example, are they focused on price or speed of service or whether they're looking for a certain product or service that they can't get anywhere else? Those insights will help you make better suggestions now that they're on your premises again.

Once you detect that a customer has walked onto your premises (whether it's a restaurant, store, theme park, bank branch, or other location), if you have historical information about their past experiences with your firm, what should you offer to them now?

The message to a price-focused Starbucks customer might be, "Hey, you can save $.50 on your vanilla latte today." Or if you're the customer looking for something different, it might be "Hey, we have a new pumpkin scone that you might like to try with your vanilla latte."

All to say, you don't always have to lower your price in delivering a personalized message to a customer to increase the value that they get from you. That is a key learning from customer experience data: It's not always about giving people discounts or better deals; it's about figuring out what they like and want so that the message resonates with them and you can both waste less time on messages that aren't going to make sense for them. When you make an experience exclusive, or in some way personalize it, certain customers will even pay more.

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Until now, there used to be a lot of guess work about this. When somebody walked in your store, your store clerks had to look at them and judge—Is this person here to spend money or just walk around and kill time? Do they want to grab a pair of bargain shoes and get out of here or do they want to have someone cater to them, walk all the different aisles and show them what's new? Ten people who just walked in your door may have very different goals. And unless you recognized the customer from a prior visit, you had no clue about what he or she was there for now.

Now, with customer experience management data, a department store should know the second you walk in that you bought a belt online last week from their site. They might figure you're looking to buy a pair of slacks or shoes to go with it.

By the way, the best retail organizations are paying great attention to group behaviors at different days of the week and times of the day. At 9:00 AM, they may get a very different mix of customers than what they get at lunch or at 3:00 PM or 6:00 PM. And many of these retailers are putting products and displays on wheels so they can move them around at different times of day to appeal to different customers and customer behavior.

TCS: *Many customer experience initiatives are monumental projects. Disney spent an estimated $1 billion on its initiative at Walt Disney World. Other companies are spending in the hundreds of millions on their digital transformation initiatives. Does this mean a large company always needs to spend a huge amount to get something tangible in return for some IoT-enabled customer experience initiative?*

Merrifield: Not at all. What doesn't always make headlines is that Starbucks and Disney both started with *very* practical business objectives and relatively modest goals for what they initially wanted to accomplish.

Disney and Starbucks had a couple of known problems that they wanted to solve. The customer experience problem Disney solved at Disney World was that people didn't know that there are more days' worth of things to do at Disney World than a typical visit would cover. So it ultimately started as an education project. It created a 'My Disney Experience' portal to help people learn why they should stay longer. And the key to that was removing the obstacles to making them wait in lines. So the Magic Band, a digital bracelet, became an enabling technology that allowed people to redeem the entitlements that they had created through the My Disney Experience portal. It was never about increasing demand—getting more people to go visit the park. It was always about extending the duration of the stay of people planning to go.

Starbucks' goal of improving the store experience was similar: reducing long lines. It realized that sometimes the line is very long. But either way, many people don't want to wait in line. The company wanted to allow customers to place an order and set their expectation about when it's going to be ready so that the cup of coffee doesn't get cold. Whether they're coming in for speed of service or a price or a Starbucks product they can't get anywhere else, Starbucks didn't want them to wait in line to be served.

It turned out, and it's no secret now, that Starbucks unlocked billions of dollars of revenue a year by using digital technologies to shorten the lines—that it has a class of customer who it wasn't serving well: those people who saw the long line of cars waiting to go through the drive through and then decided to go somewhere else, or a long line in the store, and walked back out again. It was a much bigger problem than Starbucks initially realized.

That is a really sound place to start. If you know you've got a problem or an opportunity to serve more customers than you're serving today, or there's an education gap where they don't know something about your products and services, then that is a great place to start.

You've got to start with a practical business case that will deliver value. But for most organizations, investing hundreds of millions or billions of dollars isn't going to be the right place to start unless there is clear business value.

What value do you provide to customers that will keep them coming back for more?

TCS: *So even if it starts small, what kinds of barriers should companies expect to face in making a meaningful improvement in its customer experience?*
Merrifield: One is a lack of expertise internally for doing much of this work. A team of technology people who have become great at managing servers, networks, help desks, and so on may see the technologies of customer experience as one more new technology they can learn and master.

It's not so easy. Things like customer experience journey mapping are hard and different from what most people in companies do on a day-to-day basis. It may look easy, but it's not. Starbucks did most of its work in house. That won't be the right decision for all companies.

Having people who have done this before, who understand why it's hard, know how to not only define the scope but also how to develop the technology and test it, roll it out, and sustain it—those are all pretty hard things to do. Stringing them all together successfully is *really* hard.

But it all needs to begin with a sound business case. Copycatting someone else is risky. Your business case must answer this question: What value do you provide to customers that will keep them coming back for more?

TCS: *What about the role of top management in these initiatives. Are they that important to success?*
Merrifield: Yes, and for more reasons than you might realize. To set the right tone, the CEO usually needs to be involved, and not just because a company may have to write a big cheque. Customer experience initiatives such as the ones I've been involved in can collapse under their own weight of popularity. By this, I mean people will want to take credit and be involved—and it may turn out that they shouldn't be involved because it takes fresh thinking and can threaten people's empires. Some very powerful people may therefore get their feelings hurt.

And the CEO is just going to have to step in and say, "This is how we're going to deliver value in the future." Politics can kill these initiatives. Companies will need oversight and governance of these initiatives as they surface the politics of the organization.

It's why customer experience transformations are better done by a stand-alone team (as Disney World did), or by a separate entity such as a joint venture. In either case, they need to report to the CEO or head of the business. Making it a stand-alone project will speed it up and reduce the risk of counterproductive slowdowns that happen when it's a functionally focused initiative run by people as a side job.