



## The Importance of the Customer Experience in a Down Economy

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Eighteen international contributors were asked to independently address a critical issue facing businesses today: *The Importance of the Customer Experience in a Down Economy*. Each contribution offers unique expert insights, observations and advice yet, when looked at as a whole reveal five seminal themes that will help business leaders succeed in these difficult times:

- What customers are experiencing, why it matters and what to do about it
- Leadership and strategy in troubled times
- Economics that justify a customer-focused strategy
- Delivering more with less
- Employees: stressed but so essential

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Lauree Vallery

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We are involved in a worldwide economic crisis and a prolonged recession looms in our future. Business as usual is not a viable option; companies must take action. But action to what end? Coping or Thriving?

The Chinese term *wei gee* expresses the dual nature of a crisis. One aspect is danger, the other is opportunity. Businesses can either react to the danger or seize the opportunity. The reactive approach of hunkering down to ride out the storm, has a focus on efficiency and conservation of resources. Yet, as Jan Hofmeyr states, *“Businesses are under pressure in recessions because their customers are under pressure.”*

There are two compelling reasons why customers cannot be left out of the equation:

- Customers are experiencing anxiety, stress and uncertainty and this dramatically alters what they value, what they find meaningful and how they make purchase decisions. They have a reduced sense of control over their lives.
- Customers have gained equal footing with businesses, are now, some say, have the upper hand when it comes to business transactions. Social media, an open, cooperative conversation, enables people to share insights and opportunities and help each other make decisions and make sense. This has enhanced the customer’s position. Businesses must now deliver what customers value or be forced to compete on price and convenience.

An important starting point is the concept of *the customer experience*. Proponents argue that it is the pre-eminent competitive differentiator, an essential component in building sustainable and profitable relationships with customers. What is the customer experience?

Jim Barnes provides an extremely valuable framework that distinguishes between four aspects of the customer experience: Processes, People, Performance and Possibilities. All too often, initiatives designed to enhance the customer experience are narrowly focused on one of the four and miss out on the opportunity to fully engage customers. Or the tacit definition of the customer experience is vague and does not lead to clear and actionable steps. In addition to defining the underlying premise of each aspect, Jim illustrates how each is impacted by current economic conditions, and how that can lead to actions that will lead to competitive differentiation.

Lauree Vallery reports on just completed research on how customers and businesses view the recession. The main conclusion: *“There is an alarming lack of alignment between customer emotional expectations and corporate action plans that can only result in frustration and growing distrust by customers.”* This sets an important tone from which to view the papers in this publication.

### **What Customers are Experiencing, Why it Matters and What to Do About It**

A number of authors look at how current economic uncertainty is impacting customers emotionally, psychologically and in their buying behavior. These insights provide a critical foundation for defining actions that businesses can take to align themselves with what customers now value and find meaningful.

Jeanne Bliss emphatically states that *“NOW is the time to seek out the intangible opportunities to soothe the savaged consumer soul,”* and prescribes eight ways businesses can refocus their resources and energies. John and Bill Todor present a psycho-economic view of how customers are responding to financial turmoil. They describe two mutually exclusive mindsets: one that is focused on price, the other that seeks to regain a sense of control and to optimize experiential value.

John Turnbull makes a case that the emotional aspect of the customer experience is both a motivator for customers and a source of competitive differentiation for the business. Yet, most businesses focus on the functional or rational aspects of the customer experience. Turnbull makes the distinction clear and actionable.

When consumer confidence drops it affects customer trust and the openness to entertain a company's value proposition. Shari Swan presents an interesting metaphor that turns the concept of the value proposition on its head. The metaphor is *"50 Feet From Me."* *The gist is, "as simple as it is human: brands that survive through the economic turbulence will be the brands that enter the consumer's personal and intimate space."* This is where the customer experience takes place. Marco Bevolo compliments Swan's approach by describing what's involved in "People-centric Ambient Design." His case study focuses on high-end healthcare but he makes it clear that the principles are applicable to most other businesses. His main point, *"for those offering 'true' premium value designed around people, this consumption crisis might actually turn out as an element of competitive advantage."*

Eliminate "dumb contacts" is Bill Price's mantra. He emphasizes that stress in customers makes them more likely to switch allegiances from companies that exacerbate it. Stressed employees increase the likelihood that this will happen. Price's advice: identify and eliminate "dumb contacts," customer interactions that add no value to either party.

### **Leadership and Strategy in Troubled Times**

Few have been confronted with the management challenges brought on by the current economic meltdown. Several authors offer thought provoking and sage advice on navigating these unknown waters.

Jim Lucas discusses seven manageable business paradoxes that confront all businesses but are especially challenging in troubled times. Follow Lucas's advice and you will *"learn how to convert stress into positive energy, confusion into an opportunity to learn, and insecurity into a challenge to grow."*

Graham Hill asks, *"Are you planning to beat the recession?"* Then, presents "Six Rules for Recessionaires" that will help business get beyond coping and promote thriving. Hill's insights are based on understanding a value equation approach that helps determine which customers are of most value and how they create profits for the company. Armed with this information a business can determine which activities to invest in, which ones to maintain, and which to cut back.

When economic conditions sour, a popular adage is, "Hang onto your existing customers, especially your best customers." Loyalty schemes, retention strategies, defining customer value and what customers' value are often poorly spelled out, and this can lead to mixed results. Merlin Stone brings his academic rigor and business experience to bear on the issues and offers wisdom, insights and advice about how to sustain relationships with higher-value customers.

Rory Sutherland provides a primer on behavior economics—the science that delineates what customers really value and what they will pay for. This is particularly relevant when budgets are tight. The principles enable you to *“create a lot of perceived value at not much cost. And the obverse? It’s perfectly possible to spend a fortune without creating value.”*

### **Economics that Justify a Customer-focused Strategy**

Once you are convinced that a focus on the customer experience in a down economy makes sound strategic sense, there is still the task of convincing the people who control the purse strings.

Bob Thompson shares insights from CustomerThink’s 2008 research on customer-centric champions. While Thompson argues that there is good evidence that a focus on the customer experience improves profitability, he also points out that most companies have tremendous room for improvement. He spells out three strategies *“to make customer experiences relevant while delivering a solid benefit to the enterprise.”*

With each new piece of depressing economic news, proponents of cost-cutting and “efficiency” are gaining momentum and according to Colin Shaw, it is often at the expense customer. His advice is to increase your commitment to the customer experience and he gives two important reasons. One, customer experience initiatives can save money and increase revenues. Two, it will lead to greater competitive differentiation from competitors who take the conservative cost-cutting approach.

### **How to Deliver More with Less**

Companies will have to figure how to allocate increasingly scarce resources. Sampson Lee, Jan Hofmeyr and Lynn Hunsaker weigh in on how to deliver more for less.

Lee emphasizes that conventional cost-cutting most often undermines customer satisfaction, brand loyalty and sales. He makes a case for an alternative—a focus on effectiveness. He provides three principles that will lead to more effective customer experiences. As his examples illustrate, these principles can reduce spending and contribute to competitive differentiation.

Jan Hofmeyr isn’t afraid to face the reality: *“People spend less in recessions.”* This means companies must control their spending as well. Hofmeyr offers four practical tips on how to accomplish this without losing customers. At the heart of these tips is the premise that *“the more committed a service provider’s customers are, the better positioned that business should be to survive a downturn.”*

Lynn Hunsaker believes significant improvements in customer relationships can be made on a shoestring. Drawing on her experience as a corporate executive Lynn spots seemingly hidden opportunities to “*better align offerings and ways-of-doing-business in ways that matter to customers and are hard for competitors to copy.*” In her paper she shares six of these hidden opportunities.

### **Reducing Employee Stress and Sharpening Their Focus**

Jim Barnes is blunt and emphatic when it comes to employees, stating that, “*Employees are quite simply, the custodians of the customer experience. This is why the Human Resources departments should arguably be the most influential player in a firm’s customer experience strategy.*”

A number of the authors point out that employees are also experiencing the recession, and this has dire consequences. They face rising prices and dramatically declining personal finances. They worry about lay-offs and are often confronted with a more demanding workload. Employee stress is important because it has a direct and negative impact on the customer experience.

Jenny Belser and Naras Eechambadi’s paper, *The Way to Your Customer’s Heart is Through Your Employees*, lays out the issues. Employees are a prime source for insight into improving the customer experience, but they must feel secure. Employees need recognition and reassurance. Belser and Eechambadi encourage business leaders to take the right steps to ensure these issues are addressed. As they point out, it will take time and resources, but will pay big dividends.

According to Graham Hill, “*The recession is probably going to be with us until 2010, so it makes sense to do a proper due diligence before setting out to beat the recession.*” Our advice is to take this perspective into consideration as you read this publication.

Please feel free to share this publication with colleagues and clients.

John I. Todor and William D. Todor, Editors