



cutting through complexity™

COMMUNICATIONS & MEDIA

# Seven steps to better customer experience management

Improving customer management  
to drive profitable growth

[kpmg.com](https://www.kpmg.com)



# Introduction

It costs many times more to acquire a new customer than retain an existing one. However, not all customers are created equal. Some require more attention than others, some need guidance from time to time, and some simply do not wish to be disturbed. By gaining insights on needs, preferences, and behavior, customer journeys can be optimized at critical touch points. Consistently delivering positive experiences establishes relationships. Strong relationships help build loyalty **and** drive growth.

Customer experience management (CEM) focuses on creating differentiated experiences at touch points that customers choose to interact with the company. Focusing on CEM as a strategy helps service delivery capabilities align and adapt to behavioral shifts of the target audience. Benefits realized go well beyond improvements in customer satisfaction and churn. Loyal customers buy more and share experiences with friends and family.

They also help generate incremental sales through recommendations on social and professional networks.

In today's business climate, rapid innovation and fierce competition makes it harder for telecommunications companies to outpace rivals on a product basis alone. With new features quickly copied and introduced to market, the quality of the customer experience becomes paramount as it



is an intangible that can be imitated but not commoditized. In some instances, the quality of experience can even help justify premium pricing.

Managing customer experience can be a tall order. Every touch point, from advertising campaigns to post-purchase support, can affect customer perception and loyalty. To influence those interactions, organizations often need to go through a significant transformation of their own, adapting their systems, processes, and infrastructure to put the customer at the center. The effort is worth the investment. Positive customer experience can build its own momentum, creating an 'ecosystem of goodwill' that costs relatively little to maintain, but can deliver a loyal fan base that generates tangible bottom-line returns.

This paper offers seven ideas to help companies in the communications and media industry drive growth and profitability using customer experience as a service differentiator.

#### *Why managing customer experience is hard to do*

Although many departments and functions have systems to track customer data, and measure customer satisfaction, few organizations have a holistic, enterprise-wide view of customer experience. Voice of the Customer programs can determine Net Promoter scores but are typically not action oriented. Business intelligence tools provide insights on the dynamic nature of customer behavior but not without IT support and interpretation from

statisticians. Responsibility for the end-to-end customer journey is distributed across multiple business functions, often times causing messaging and service delivery consistency to be a challenge.

The issue is becoming more acute as data about customers accumulates throughout the customer life cycle. In addition, as companies grow, whether organically or through acquisition, new systems, applications, and processes are often only partially integrated with legacy infrastructure, leading to data fragmentation, inconsistent taxonomies, and inaccurate reporting. Ownership for the customer experience tends to be fragmented, nestled within product organizations, marketing departments, and sales groups, often with little cohesion among them.

Until now, the solution has been to spend heavily on sales and customer analytics. But this, too, can cause problems. Many marketing initiatives are evaluated on a one-off basis. The net impact is multiple teams reporting results on the same campaign, or worse, perceived improvements are artificial, driven by changes in metric calculations.

Given its importance, communications and media companies are keen to rethink strategy, assign leadership, and define governance for customer experience management, not only to gain a better understanding of customer needs and buying behaviors but to translate the insights into better, more tailored, service.

**“Positive customer experience can build its own momentum, creating an ‘ecosystem of goodwill’ that costs relatively little to maintain, but can deliver a loyal fan base and tangible bottom-line returns.”**

# Seven steps to better customer experience management

Based on our experience with clients in the communications and media sector, there are seven key steps that organizations can take to improve their ability to capture, analyze, and respond to customer data and improve the customer experience.

## Step 1:

### Understand the needs, wants, and preferences of your target audience

Preference research, consisting of both qualitative and quantitative studies, can help organizations gain insights on customer shopping, pricing, product usage, and service support preferences. This critical first step is not about creating a new segmentation scheme.

Instead, the focus is on gaining insights on (1) how prospects hear about new products; (2) the factors that influence who, what, and where they shop; (3) onboarding needs and expectations; (4) how they like to get help when issues arise; and (5) perceived value at specific price points given new technologies and market trends.

The last point suggests that while a customer may pay premium prices for certain service features, they bargain shop for others. So knowing where key customers place their priorities is essential to positioning in a meaningful way. For example, while the convenience of one bill and savings related to consolidating voice, video, and Internet service still drive purchase decisions, the value of the bundle is fast diminishing as more households switch to wireless or third-party VoIP providers for voice.

#### Key points to consider

- Has the needs and preferences of your target audience changed over time?
- What are the growth categories in your industry? What share of growth does your company capture?
- Other than price, how do you differentiate your products and services?
- How well aligned is your product and service road map with market trends?
- How successful are your renewal, up-sell, and cross-sell campaigns?



## Step 2:

### Establish economic frameworks to understand and prioritize impact of marketing, sales, and service decisions

Comprehensive economic frameworks drive everything from market opportunity assessments, product pricing/cost analysis, marketing spend, channel mix, support strategy, and customer policies, among others. With focus on customer experience management, tradeoffs are required at each touch point. The challenge is to balance cost to acquire and cost to serve against customer tenure and profitability.

In mature markets, companies are constantly implementing differentiated strategies and tactics. At one telecommunications firm, the marketing budget was cut by about 40 percent. However, there was no relief on the target sales numbers. Rather than betting big on a new marketing campaign to increase yield on existing tactics, big-ticket expenditures, such as golf sponsorships and TV advertising, were cut. But the team realized that much deeper changes were needed to hit their numbers at the reduced budget level. After much debate between Marketing, Sales, and Product, the company dramatically reshaped its marketing footprint, pulling out of underperforming areas and going from a nationwide presence to locations in just 10 key markets. They then allocated budget based on market size, sales momentum, supplier strength, and other criteria. At the same time, they revamped their indirect channel programs and moved from a residual payout to pay-for-performance model.

New product focus shifted to growth categories only. Highly targeted acquisition and up-sell/cross-sell campaigns followed.

Over the next 12 months, the company not only cut marketing expenditures by more than 40 percent, but also, churn improved, average revenue per customer increased, and it actually boosted sales by 10 percent, thanks to greater performance discipline.

#### Key points to consider

- How do you decide which markets to enter, grow, harvest, and exit?
- How well do you understand performance within your distributed sale model?
- How do you determine which products and services represent growth categories?
- How much pricing volatility is there in the current product and service portfolio?
- What is the cost to serve customers using current online and offline support tactics?



## Step 3:

### Track customer behavior, distill patterns, and adapt to accommodate shifts

International Data Corporation (IDC) estimates that 5 gigabytes of data exists for every person on the planet. The need to make sense of that information, and turn data into actionable insights, is the business intelligence challenge. The traditional way of analyzing data involved pulling information using database query tools, and then running regression analysis to understand propensities. If someone bought diapers every two weeks for the last two years, the predictive model would suggest that he or she will likely do so again. The problem is that customer behavior is not linear. And although predictive analytics has evolved significantly, many propensity models are still largely developed by reverse engineering outcomes like purchase and churn events to identify leading indicators. While useful, predictive analysis lacks the ability to identify emerging trends that are driven by different leading indicators quickly. The task is limited by the time required to run a new regression model focused on tracing events that lead to the new outcome.

Behavioral analysis has surfaced in recent years as the approach that fills this void. It enables organizations to spot and sort new patterns by association. Think of association as answers to questions that may not have been asked yet. So in contrast to reverse engineering

an outcome, behavior analytics allows you to identify and start understanding key drivers behind emerging trends sooner so you can anticipate, align, and adapt quicker to accommodate behavior shifts.

Corporate decision makers can quickly uncover behavioral patterns across any aspect of customer interaction and act on these timely insights to increase customer acquisition, retention, up-sells, cross-sells, and Web monetization. Specific applications include market basket and loyalty analysis, merchandising and marketing optimization, and online analytics.

#### Key points to consider

- Are current propensity models able to identify emerging trends that represent growth opportunities?
- Beyond seasonality and regional factors, what is driving changes in purchase patterns?
- How does in-store behavior affect online purchase decisions? What is the connection between an abandoned online shopping basket and subsequent purchases, either in-store or online?
- What are the best ways to target your most profitable customers? Are you reaching your most profitable customer segments?
- What are your most and least profitable campaigns? Should you spend your budget online or buy print ads or airtime? How quickly does campaign effectiveness erode over time?



How does in-store behavior affect online purchase decisions?

## Step 4:

### Develop lead nurturing and customer management plans for target audiences

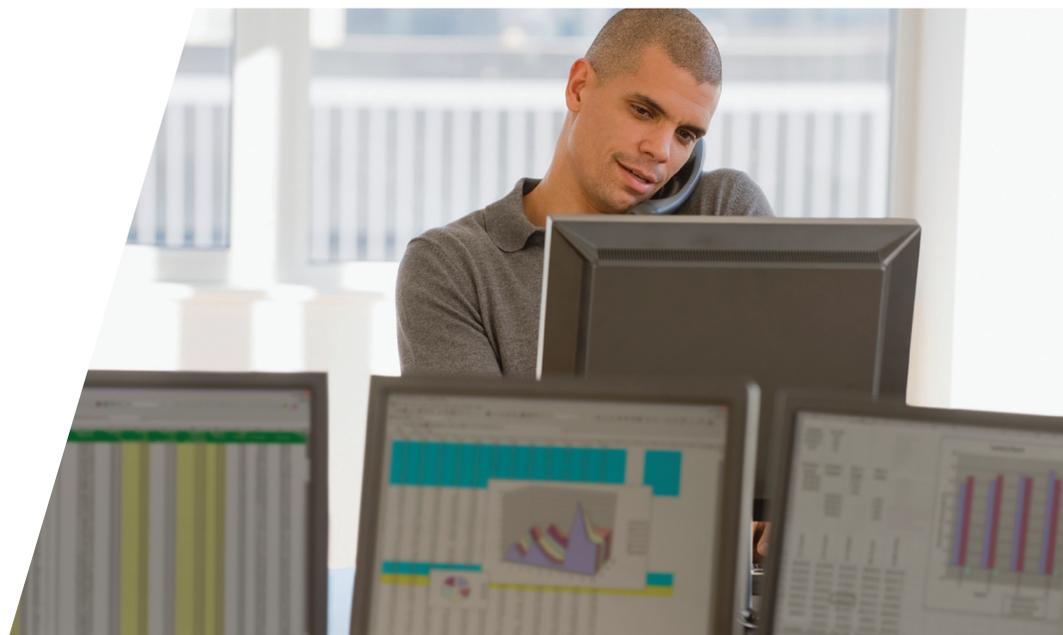
Every interaction informs the next interaction. Over time the information yields actionable insights for sales and service engagement. Strong lead nurturing and customer management programs are built around insights about interests/needs and preferred contact preferences. For instance, downloading a white paper or podcast on a new product or service might indicate that a prospect is looking for preliminary insight, but is not yet ready to buy. The company can respond to those inputs by directing additional related material toward the consumer over the coming weeks and months. A request for a free trial or demo, on the other hand, might signal a greater degree of interest, one that might merit a sales call or other more personal communication.

It's important to define a structured plan for different stages of lead generation. If a prospect says "no" today, the lead should not be disposed of. Information picked up in that interaction can still form the basis for subsequent contact. Even cold leads need their respective decision pathways. For instance, the prospect may still be under contract or may be waiting for prices to go down. That information is then compiled into the lead nurturing plan to be acted upon later as the prospect's needs change.

Similarly, customer management plans can be developed to address events that occur during the service and customer life cycle. Event triggers and responses can be tiered by segment, risk, and value. A customer who spends \$5 per month, for instance, will trigger certain responses, such as sound bytes and e-mail notifications, while a customer who spends triple that amount may receive a dedicated customer service number and a single point of contact for issue resolution. Knowing the average lead time and the typical progression of trigger events can help product and marketing managers gauge the effectiveness of current campaign strategy and refine accordingly.

#### Key points to consider

- How are past customer and prospect lists managed and leveraged by sales acquisition programs? How effective are your win-back campaigns?
- How many times a year does your company communicate with the customer? How many times a year does your company market to a prospect?
- What is the optimal contact strategy for renewing and up/cross-selling customers?
- What are your customers, most preferred communications channels?
- What are the most critical touch points in your sales and service life cycle?



## Step 5:

### Develop a customer-centric information architecture

Gaining a single view of the customer is critical, yet hard to obtain, particularly since many large organizations tend to have information about the customer distributed across multiple systems. The problem is complicated by the fact that information captured about the customer typically only describes the responsible party on the account. The account may be a household where there are multiple family members or a business where there are multiple employees. For some distributed businesses, headquarters may be the responsible party for the account. Designing and deploying a customer-centric information architecture involves understanding the entity type, creating the entity relationship structure, linking events to the structure, and then populating the entity structure with relevant data over time.

Another compelling reason to create a customer-centric information architecture is because customer-facing applications demand it. Design and development of customer applications is not the same as design of applications that run the business. In many ways, what we're really talking about here is the shift of your organization's information systems from a product-centric focus to a customer-centric focus. For most communications and media companies, the move to a customer-centric information environment

will be gradual. While the path generally starts with call center and Web initiatives, the journey eventually touches customer databases and data warehouses, knowledge bases, search technologies, mobile applications, online portals, online communities and social media, marketing campaign management, customer service systems, product and service configurators, simulations and visualizations, as well as manufacturing, inventory, billing, shipping and delivery, and replenishment of the supply chain, even in-vehicle and handheld systems. None of these areas remains untouched.

Application design and development is not a sequential process. Neither is the shift to a customer-centric information architecture. The change process is recursive and iterative. Many activities can take place in parallel. Just about all of them will be done many times, over and over again.

The problem is complicated by the fact that information captured about the customer typically describes the responsible party on the account.

#### Key points to consider

- How quickly can new information about a customer disseminate through your enterprise?
- Was your information architecture designed for products and systems, or customers?
- How does your information architecture account for relationship hierarchy?
- How do you categorize customer data? By life cycle events, interactions, or products?
- Are your marketing and customer databases integrated? If so, what is the unique identifier?



## Step 6:

### Deploy workflow-based tools to marketing, sales, and service stakeholder groups

Today's multichannel environment creates many more sources of potential customer interaction. Social and commercial networks, for instance, offer important clues into the potential for up-selling, switching providers, and increasing revenue. Eliciting this information requires that companies develop the ability to monitor customer behavior by channel and integrate that information across the organization.

Workflow tools provide a way for sales, marketing, and support functions to perform key tasks more collaboratively and transparently. These technologies can ease bottlenecks, reduce paperwork, and improve communication between and among departments. The real-time nature of these systems allows information, such as a new lead, to be flagged and qualified. Once vetted, that lead, and the entire customer record, including notes, can be fed to the sales team. Similarly, negative customer satisfaction feedback can trigger workflows. Depending on the issue, response may be an automated e-mail or an outbound call by a service quality agent.

Better connectivity and transparency can also create better reporting tools, such as dashboards, and easier monitoring, through enhanced performance measurement capabilities. For companies wrestling with legacy architectures and fragmented databases, SaaS and cloud computing can be a way to leapfrog over to a more integrated data and workflow management platform.

#### Key points to consider

- How well coordinated are handoffs between marketing, sales, and service functions?
- How well does your company manage customer escalations? How long does it typically take to resolve? How many are not resolved?
- How are lead nurturing and customer management plans monitored?
- What tools are in place to facilitate workflow across business functions?
- How much visibility and control do customers have on service issues through online portals?

Social and commercial networks, for instance, offer important clues into the potential for up-selling, switching providers, and increasing revenue.



## Step 7:

### Create a customer experience map to optimize touch points

The customer experience map charts the journey from first contact with a product or company through the relationship life cycle. The goal is to align process, policy, technology, and organization with needs and preferences of the target audience. A map can help define functional requirements to support the launch of a new product or service. It can also help identify gaps in existing processes.

It's important to note that a customer experience map is not a workflow diagram. Although process flows are underlying components, they are used primarily to assess strength of existing capabilities and to identify dependencies between business functions.

Strength is tested with customer use cases that represent jeopardy path scenarios. For instance, one use case for a VoIP phone service provider tests how well the current process addresses prospects who do not have broadband at home and/or a data plan on their mobile device. In this same example, a dependency on the VoIP provider's broadband service partner might be weak if that partner's broadband footprint is limited. All this to address a simple question: "Can I get your service?"

Organizations often develop multiple experience maps covering customer-facing touch point categories, such as shopping, onboarding, bill payment, and service support. A prospective customer might be in the market for a new smartphone, for instance. To acquaint herself with current offerings, she might start with Internet browsing, then head to a retail outlet to compare products and talk one-on-one with a sales representative. With that information, the customer might then return home, consult with a few friends, and shop online for the best deal. Using customer experience maps, organizations can design and coordinate experiences across each touch point to deliver consistent messaging and calls to action.

#### Key points to consider

- Who owns customer experience within your company? If ownership is shared, who drives customer experience tradeoff decisions?
- As business processes are defined, what customer experience factors are incorporated into the planning? Are they included in go-to-market gate requirements?

- What percentage of work flows ends up on jeopardy paths?
- How do you measure the effectiveness of customer experience delivery?
- Can your company drive growth using customer experience as a differentiator?

The quality of the customer experience has a direct bearing on sales, profit, and overall market position. For many companies, improving it will involve changes in how data is captured, shared, and leveraged and will require structural improvements in how staff across functions work together. While defining and refining the customer experience is an ongoing process, there is growing urgency to act. The communications and media companies that lead in this area can have a significant competitive advantage over slower-acting peers.



For more information on customer experience management initiatives, please contact any of the following individuals:

**Tony Castellanos**

Partner  
U.S. Communications & Media Sector Leader  
KPMG LLP  
212-954-6840  
acastellanos@kpmg.com

**Miriam Hernandez-Kakol**

Principal  
Communications & Media  
KPMG LLP  
973-912-6227  
mhernandezkakol@kpmg.com

**David Huang**

Senior Manager  
Communications & Media  
KPMG LLP  
973-912-6576  
davidhuang@kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2011 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International. 23183NSS