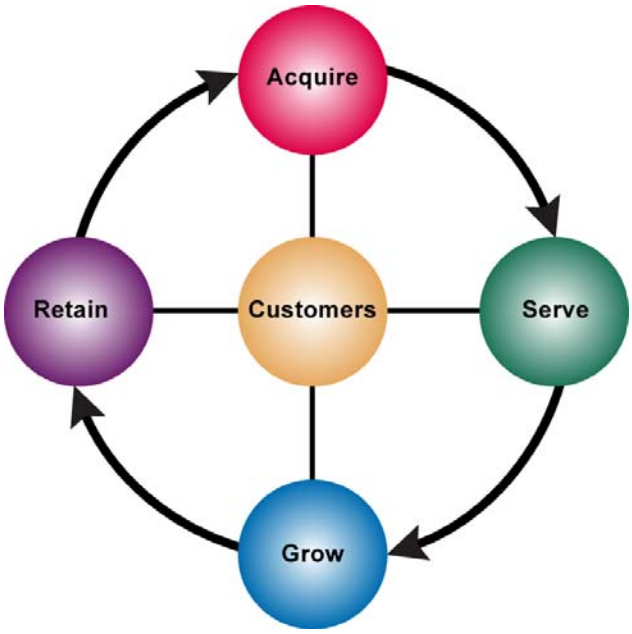
Get Better Business Results…

…From the Four Stages of Your Customer Lifecycle



Stage 2 ● Service

A white paper from

Customer Lifecycle, LLC

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Identify Unique Needs and Opportunities at Each Lifecycle Stage

Each stage in the customer lifecycle—acquisition, service, growth, retention—has its own unique customer needs, attitudes and behaviors. This creates the opportunity to identify and measure competitive performance requirements and metrics for both a particular stage and its relationship to the entire lifecycle.

In the first paper in this series, we examined factors driving acquisition of a profitable customer base:

- How to identify the ideal customer;
- Customer segmentation;
- Customer profitability objectives;
- Customer lifetime value;
- Generating profitable leads;
- Low-cost acquisition of customers; and
- Effective onboarding to reduce churn.

With this information an organization can develop both a targeted customer acquisition and retention strategy and up-selling programs; furthermore, it can also leverage the desired communications channels in order to improve lifetime customer value.

However, acquiring the right customers is just the first step in building and maintaining lasting customer retention, customer loyalty, and improved business results. How well you meet customer needs with service that meets or exceeds their expectations determines whether the targeted customers you have secured will remain satisfied and loyal or will leave due to dissatisfaction with what you are providing.

This paper on Service is the second in a series of four papers that will discuss how to get the best business results from each stage of the customer lifecycle.

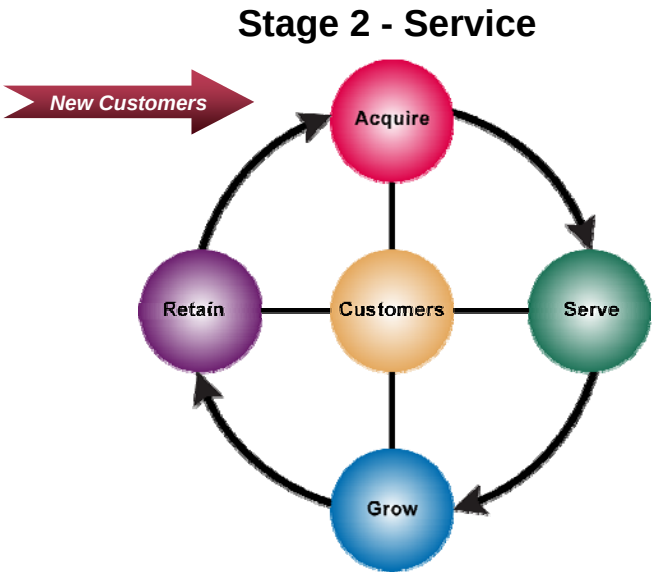

Fig. 1 – The Customer Lifecycle

Service is Not What You Think It Is

It is well-documented and generally understood by most companies that high levels of customer service are necessary for high levels of customer attraction, loyalty, retention, and profitability—and even business survival.

Many surveys show that existing and prospective customers will defect to competitors if companies deliver poor service or do not deliver on their service promise. An Accenture consumer survey of more than 1000 US consumers reported that 46% of respondents indicated they quit doing business with a company in at least one industry category in the past year as a result of poor service. And the literature is full of similar reports. Given the importance of superior customer service as both a competitive differentiator and a profit driver, many organizations continue to fail in delivering a superior or even an acceptable customer experience.

Service Is What the Customer Thinks It Is

In many cases, service delivery is poor because the service provider doesn't understand that superior service is what the customer thinks it is, not what the company thinks it should be. Good service exists in the expectations and requirements of the customer, and the company providing it needs to thoroughly understand the drivers of customer attitudes and behaviors.

In *Acquisition*, the first paper in this series, we pointed out that defining an ideal customer in a target market, either a company or an individual, is the first step in developing a successful acquisition and service strategy. It is necessary to reduce the definition to one single type of prospect that best fits a company's core competencies, its product and service value proposition, and its culture. By spending time researching the ideal customer, acquisition and service strategy will be much more effective.

Clarity on an ideal customer in a target market makes it possible to achieve each of these objectives:

- Focus marketing efforts to attract the best prospects;
- Invest marketing dollars efficiently to acquire ideal customers;
- Establish expertise in a target market or niche; and
- Create differentiation in a fragmented market.

High-performance businesses not only develop a corporate strategic intent for what they want to achieve in the marketplace but also a well-defined customer relationship intent regarding the types of customers they want to acquire and retain. It's critical that the customer relationship intent is used as a key factor that goes into setting and delivering service levels.

Successful companies also understand that providing a service delivery experience that creates loyalty and retention requires the entire organization to understand what customers demand in a service experience. They incorporate the voice of the customer into every aspect of the company's daily operation.

Superior Customer Service is a Process

Developing an effective customer service process involves establishing a clear customer-focused line of sight through the entire organization and identifying customer requirements for performance at every touch point the customer has with the company.

Not all customers have the same expectations and criteria for superior service delivery. Consequently, it is useful to segment the customer base thereby enabling organizations to identify the unique requirements of various purchasers at each touch point and also to develop service delivery standards for each function based on meeting and exceeding the needs of each segment. Furthermore, segmentation makes it possible to optimize both service delivery and service profitability by delivering neither more nor less than what will be experienced as superior service by customers in a particular segment.

The chart below outlines a typical customer touch point service process and functional touch point optimization as developed by Dr. Jim Heisler from the Illinois Institute of Technology. Figure 2 depicts the relationship between key touch points and their relationship to loyalty and business outcomes.

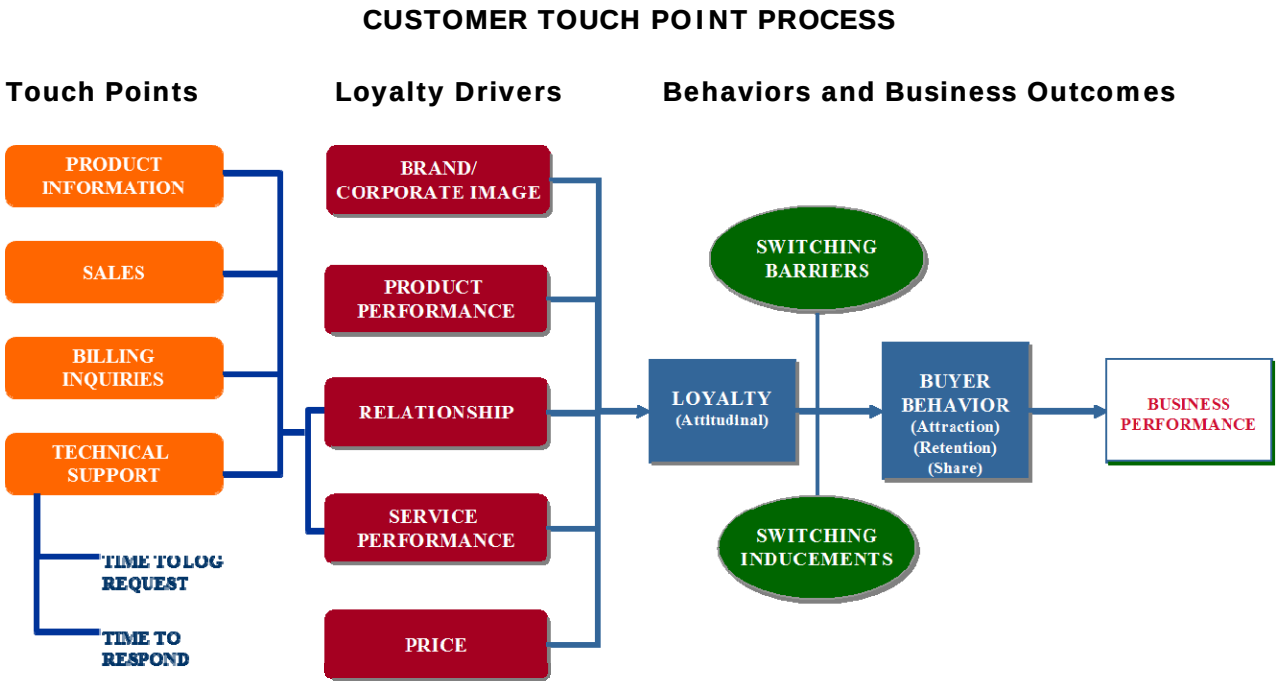

Fig. 2 – Customer Touch Point Process

Figures 3 and 4 demonstrate how segmentation makes it possible to create distinct service levels for each segment and optimize cost. Figure 3 represents providing a uniform level of service at each functional touch point, and Figure 4 reflects the service requirements for one customer group.

Figure 3 below depicts delivering the same level of service to all customers at all functional touch points. There are no cost efficiencies based on unique needs of each customer segment.

Current Customer Touch Point Delivery

	Product Information	Sales	Billing Inquiries	Tech Support
In Person	☑	☑	☑	☑
Phone Rep	☑	☑	☑	☑
IVR	☑	☑	☑	☑
Web	☑	☑	☑	☑
Mail/Fax	☑	☑	☑	☑

Fig. 3 – Current Customer Touch Point Delivery

In Figure 4 the service levels and deliverables are adjusted to reflect the requirements of Segment A. Significant cost savings are achieved by virtue of tailoring the service to the specific needs of a particular segment.

Optimal Customer Touch Point Delivery -- Segment A

	Product Information	Sales	Billing Inquiries	Tech Support
In Person				
Phone Rep		☑	☑	
IVR				
Web	☑	☑		☑
Mail/Fax	☑			

Fig. 4 – Optimal Customer Touch Point Delivery
Segment A

Customer touch points provide ongoing opportunities to increase (or decrease) customer loyalty. The objective of the segmentation process is to create a cost-effective protocol on how to deliver a superior customer experience across each key customer touch point, and across each customer segment.

Successful outcomes of the segmentation process include, but are not limited to, the following:

- Better alignment between customer experiences and customer requirements,
- More effective resource allocation, and
- Reduce service delivery costs by eliminating elements that do not add value to customers' experiences

The process has proven highly succesful in improving overall customer perceptions of service quality, increasing satisfaction and loyalty, and delivering substantial cost efficiencies to the companies that have implemented it.

The Total Customer Experience

A Fortune 50 technology company has the stated objective of gaining customer loyalty by providing products, services, and solutions of the highest quality and the greatest possible value to their customers to gain and hold their respect and loyalty.

In order to accomplish this objective, the company implemented a global initiative called the Total Customer Experience. This is a multi-level measurement system that measures customer perceptions of service and performance of every product at every stage of the product life cycle. The program is designed to provide four levels of information from the strategic to the granular process level. Figure 5 below outlines the four measurement levels.

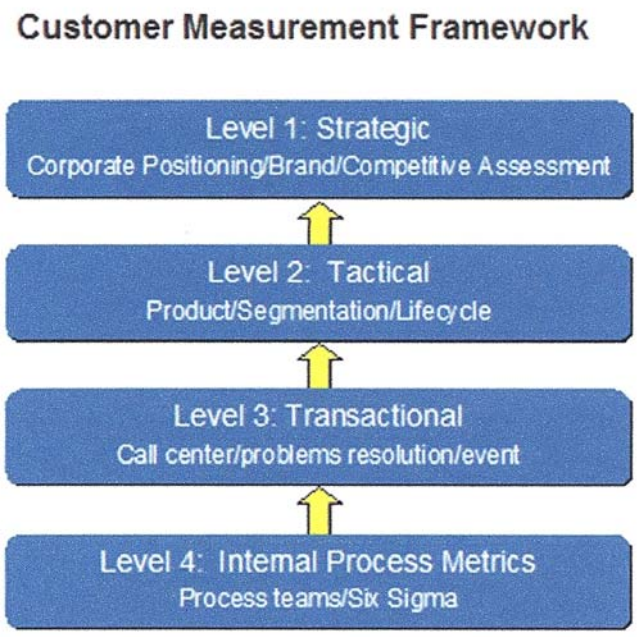

Fig. 5 – Total Customer Experience Measurement Levels

This structured approach to identifying and acting on the service and product issues driving customer attitudes and behaviors provides this company with the linked information necessary to create a customer-driven line-of-sight through the organization.

Figure 6 below identifies the areas of the process in more detail.

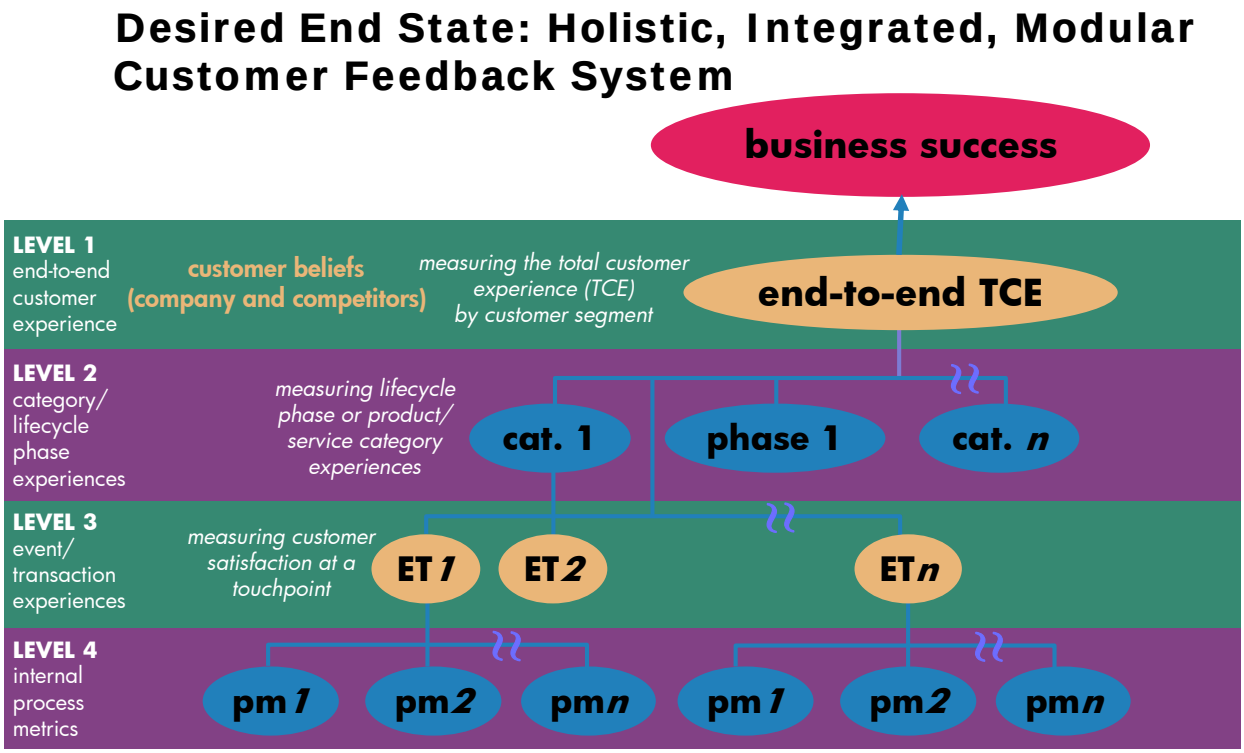

Fig. 6 – TCE Multi-Level Measurement System

Total Customer Experience (TCE) is the customer's overall impression of this technology company, based on interactions and experiences with the organization's people, products, services, and solutions. Its linked metrics provide a powerful way to tie service performance to other elements of the Total Customer Experience and develop a customer service experience that is perceived as superior by the particular segment and realized as cost-effective by the company.

Superior Service Helps Drive Profitability

The relationship between service and profitability was demonstrated in *The Service Profit Chain – How Leading Companies Link Profit and Growth to Loyalty, Satisfaction and Value* by James L. Heskett, W. Earl Sasser, and Leonard Schlesinger from Harvard University. In their book they prove there is a direct link between superior service experiences, customer loyalty, and profit and growth.

The links in this chain are as follows: Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal, and productive employees. Employee satisfaction, in turn, results primarily from high-quality support services

and policies that enable employees to deliver results to customers. Links in the chain are illustrated in Figure 7 below.

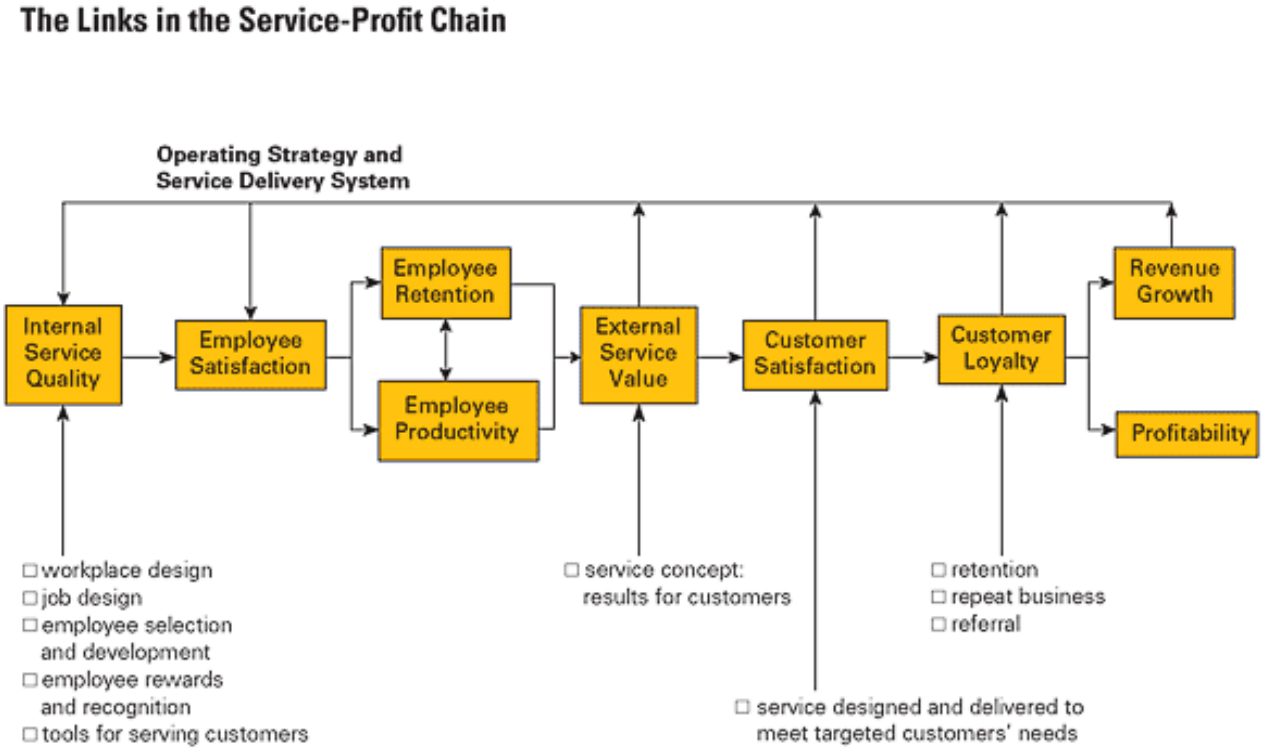

Fig. 7 – Links in the Service-Profit Chain

The service profit chain has a fairly straightforward cause/effect order, which contributes directly to revenue. The service profit chain is as follows:

Level 1: Employee Support and Enabling Policies
At the top of the chain is the idea of services, reward programs, policies, etc. that benefit the employee and lead to a stronger workplace.

Level 2: Employee Satisfaction
Employee satisfaction is believed to directly relate to the employee support and rewards offered by the company.

Level 3: Productive Employees
The higher employee satisfaction is within the company, the more likely the employees are going to deliver results that go above and beyond those with low productivity scores.

Level 4: Service Value
The next step down the chain is the idea that productive, happy employees will also deliver products and services that will bring value to the customers. In other words, whether it is in the quality of the product or the friendliness of the service, satisfied employees will be more valuable to the customer.

Level 5: Customer Satisfaction
Because the company is offering value, the customers are far more satisfied with the company, leading to high customer satisfaction scores.

Level 6: Customer Loyalty
Satisfied customers are going to be those that keep coming back, because they grow loyal to the company, its products, and its employees.

Level 7: Profit/Revenue
Finally, the last step in the chain, the loyal and satisfied customers will lead to company profits.

Every part of the chain is important. So if employees are satisfied but not productive, then it will not lead to value, which will not lead to satisfaction and so on. There is also a direct relationship within the chain—each level leads to the next level, with each step pre-determined.

Service is Key

The evidence is clear that superior customer service is a key driver of successful business growth and profitability. Customer Lifecycle, LLC understands the important relationship of service to other stages of the customer lifecycle, and we work with our clients to use the voice of the customer to frame the development and successful deployment of metrics for the service phase. We leverage the service factor throughout the entire customer lifecycle to create a superior total customer experience and improved business results for our clients.

The full customer lifecycle consists of Acquiring, Serving, Growing, and Retaining profitable customers. The first article in this 4-part series discussed customer acquisition. Future articles will discuss approaches to Growing and Retaining the customers that best fit your business model and value proposition and how to get the best business outcomes at each stage.

For more information on how Customer Lifecycle can work with you to improve your marketplace performance, contact one of our principals or visit our website at www.customerlifecycle.us where case studies highlighting the benefits of our approach can be found.