



Are you Experimenting at Your Customer's Expense?

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Experimentation is both the lifeblood and bane of our existence. Through experimentation we have Penicillin and Post-it Notes, but also infomercials. Loyalty & customer centricity are both relatively new concepts. Models, best practices, and effective measures are only just beginning to emerge. Adapting these and creating new ones is one of the most important jobs of customer-facing leaders. Doing so requires experimentation and testing, coupled with close supervision and continuous refinement.


Yet sometimes experiments go awry, as in the introduction of New Coke, the more recent Gap logo change, or pricing policies that an airline announces and retreats from because other carriers refuse to follow. Failed experiments can irrevocably sever customer relationships, cut off revenue, or slash profitability.

How can those of us in the customer care industry continue to blaze an aggressively innovative path while minimizing negative consequences of such experimentation? The following are recommendations Chief Customer Officers (CCOs) – the most accomplished professionals in our field -- use to drive profitable customer behavior for their companies. I will explain each one individually:

- Avoid rookie experiments
- Become a student of best practices – especially from other industries
- Learn from voices of experience
- Test, test, test—especially with your best customers!
- Focus on what truly matters to customers
- Act fast and improve later
- Embrace failures

Avoid Rookie Experiments

In elementary school chemistry, we experimented with mixing common household substances and observed their reactions as part of the scientific method of discovery. Do we need to start at this basic level today if we're trying to discover the next generation submicron semiconductor fabrication technology? No, we have plenty of textbooks and websites that tell us the outcome of these experiments—we can leapfrog these experiments and move on.



By the same token, we don't need to experiment to know that empowering front-line employees saves customer relationships and revenue.

Recommendation: *Learn from other's mistakes and move on*

Become a Student of Best Practices—Especially from Other Industries

There are too many subject matter experts in various fields for anyone to have to resort to basic experimentation. Identify the experts who have track records for solid approaches that deliver stellar results. Adapt their best practices to meet your needs.

Better yet, become a student of best practices from other industries. Tammy McLeod, the CCO of Arizona Public Service and 2010 Chief Customer Officer of the Year, prides herself in learning best practices from other industries and adapting them to her own. By attending conferences and learning from Chief Customer Officers outside her industry, she finds ideas and inspiration that nobody else in her industry has discovered.

Recommendation: *Look outside your industry for best practices that you can adapt to your business segment.*

Learn from Voices of Experience


When faced with a problem, senior-level executives often don't have time for exhaustive due diligence to find all the possible solutions and comprehensively evaluate each one. The most efficient executives quickly query their networks to find others who have been in this situation before, how they solved it, and what land mines to avoid.

Strengthen your network. Join an industry association, peer group, or other collection of like-minded individuals. Yet, choose with care. As one CCO put it, "I'm already mentoring too many people and speaking at too many conferences. I need to find someone from whom I can learn." It is great to share your knowledge with others, but you also need people from whom *you* can learn.

Recommendation: *Fill your network with people who have experienced similar challenges, and possess the wisdom to help you adapt their learning to yours.*

Test, Test, Test—Especially with Your Best Customers!

Beyond basic science, experiments become the means to prove hypotheses and the means by which innovation is shown the light of day. Some decisions can be easily tested because their impact is minor. Jay Steinfeld, CEO of Blinds.com, tests every



marketing campaign extensively. On a big board, his marketing team shows the results of their marketing campaigns for all to see. Some are marked with a smiley face indicating success, and others are marked with a frown. With every campaign, they learn more about what makes their customers happier and what makes them more willing to spend.

Other experiments are not so simple. When you have exhausted best practices and peers who've traveled the path before you, you need to carefully test reactions to the changes you are proposing. And what safer place to test than those customers who are already the most loyal, forgiving and in a position to offer valuable feedback?

This doesn't mean rolling out massive changes to your most precious customer base. It simply means asking for their opinions and impressions, and giving them a chance to weigh in on your planned course of action before it affects them. This can be done via executive advisory boards, focus groups, personal interactions, surveys, etc. The point is to obtain feedback from the people who have the greatest vested interest in your success and are going to be the most candid and helpful in their feedback.

Recommendation: *Develop and leverage personal relationships so you can test your biggest issues with your best customers.*


Focus on What Truly Matters to Customers

Steve Del Bosco, CCO of ViaRail of Canada, told the story of engineers spending approximately \$6M to reduce by 12 minutes rail travel time between Montreal and Ottawa. When Del Bosco returned from the maiden voyage, he found that it took him 20 minutes to get through the manual payment lanes as he paid for and exited the parking lot. Adding credit card lanes cost \$50K and improved the customer experience significantly more than the far more expensive efforts to save on travel time.

Recommendation: *Focus on improving and experimenting in those areas that promise the greatest impact on customers, while also tracking your own costs to implement and manage.*

Act Fast and Improve Later

Quick decisions based on reasonable rules of thumb provide clarity to customers. This is far better than ignoring customer issues until perfect data are obtained. Jeb Dasteel, SVP and CCO of Oracle, illustrates the value of this approach. "We wanted to select a group of C-level executives from our customer base to come in and speak with our executive team three to four times per year. If we had perfect data, would we have selected the same customers and had the same conversations? Absolutely not. In fact,



we're slowly removing customers from the program that were obvious errors and bringing in new ones that better meet our needs. It is less a matter of making the perfect decision than recognizing that it will never be perfect and taking a stab at a problem with reasonable rules of thumb and changing course over time as new data are available."

Recommendation: *Make quick decisions knowing that an improvement process is in place.*

Embrace Failures

The willingness to act fast and improve later can only occur in a culture where failure is viewed as a learning experience. Dasteel said that, to some extent, the really interesting breakthroughs come as a result of experimentation and sometimes even failure. He rewards people for experimenting whether they succeed or fail. He acknowledges that there is a risk of failure, but he encourages taking calculated risks as long as Oracle's and customers' best interests are clearly established, and then learning from the results.

Jay Steinfeld of Blinds.com celebrates failures and successes with equal enthusiasm. In weekly meetings, he highlights and applauds people's efforts, even if they ended in failure.

Dasteel challenges each of his employees to boldly push forward and take calculated risks every day. These calculated risks examine the net effect of actions on customer lifetime value, factoring in attrition, cannibalization, network effect (positive or negative), etc., without falling into paralysis.

Recommendation: *You often learn more from your failures than from your successes. Celebrate qualified failures with the same enthusiasm as successes.*

Conclusion

Experimentation and even failure can yield some of the greatest advances, yet dragging customers through needless mistakes and experiments can damage even the best customer relationships. Following these key recommendations from chief customer officers can help you shorten the time to success with your innovative programs as you avoid the mistakes of others and experiment in ways that truly, positively enhance customer and company value while enriching the customer experience.