Customer Experience Management in Retailing

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Survival of fittest & fastest is the mantra of today's business game. To compete successfully in this business era, the retailer must focus on the customer's buying experience. To manage a customer's experience, retailers should understand what "customer experience" actually means. Customer Experience Management is a strategy that focuses the operations and processes of a business around the needs of the individual customer. It represents a strategy that results in a win–win value exchange between the retailer and its customers. The goal of customer experience management is to move customers from satisfied to loyal and then from loyal to advocate. This paper focuses on the role of macro factors in the retail environment and how they can shape customer experiences and behaviors. Several ways (e.g., Brand, Price, Promotion, Supply Chain Management, Location, Advertising, Packaging & labeling, Service Mix, and Atmosphere) to deliver a superior customer experience are identified which should result in higher customer satisfaction, more frequent shopping visits, larger wallet shares, and higher profits.

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Introduction

Just when companies are becoming comfortable with the idea of Customer Relationship Management (CRM), a new term has emerged: *Customer Experience Management* (CEM). The two are similar in many ways, not least in that they are both difficult to define. Neither can be identified with a unique product or a specific technology; rather, they both comprise a group of applications, technologies and analytics that orbit around a central premise. The premises of CRM and CEM are quite different, however, and are best understood when compared side by side.

The idea at the center of CRM can be stated in the following way: *Every time a company and a customer interact, the company learns something about the customer*. By capturing, sharing, analyzing and acting upon this information, companies can better manage individual customer profitability. Customer Experience Management's premise is almost the mirror image. It says that every time a company and a customer interact, the *customer* learns something about the *company*. Depending upon what is learned from each experience, customers may alter their behavior in ways that affect their individual profitability. Thus, by managing these experiences, companies can orchestrate more profitable relationships with their customers.

In a sense, this is a classic nature vs. nurture argument. CRM uses profiling, micro-segmentation and predictive analyses to identify each customer's figurative genetic structure. CRM thus uncovers the preferences and propensities of customers so that they can be nudged towards optimal profitability. Customer Experience Management, on the other hand, looks at the environment. It gathers and analyzes information about the dynamics of interactions between companies and customers. This information is feed back to the company in a self-calibrating system that (in theory) makes optimal use of every opportunity to influence customer behavior.

Obviously these are overlapping approaches, and both have merit if designed and applied intelligently. Up until now the spotlight has predominantly been on CRM, in part because it is technologically impressive (as well as astonishingly expensive). Unfortunately, CRM has not been nearly as effective as promised; according to some estimates, from 50% to 70% of CRM initiatives fail to achieve their goals.

As CRM is more widely used, its weaknesses become more apparent. Analysts have become fond of noting that there is no R in CRM (some go so far as to say there is no C, either). The idea of a "relationship" with customers seems hollow: CRM is very good at receiving, but not very good at giving. It asks customers to provide access and information without telling them what they will get in return. It pigeonholes customers based on past actions without informing them how to build a more advantageous profile. It prompts customers to become more valuable to the company without promising greater value *from* the company.

Furthermore, while CRM is fairly effective at measuring its own successes, it does not provide much information about its failures. It can record when customers respond positively to its automated prompting and prodding, but it doesn't give much insight when customers do not respond in the predicted way. CRM is thus unable to determine whether failures are the result of faulty assumptions, incorrect information or poor execution. It is also unable to tell how these "failed" interactions affect the customer relationship; it treats all failures as neutral, when in fact the fabric of the relationship may have been weakened or undermined by a poorly executed service encounter.

CEM's strengths lie in precisely the areas where CRM is weak. By focusing on the *experiences* of customers and how those experiences affect behavior, CEM examines both the quality of the company's execution and the efficiency of the result. It aligns customer needs with the company's ability to fulfill those needs, leading to business relationships that are mutually beneficial and that both parties — company and customer — are motivated to improve.

Examples of CEM

* **"Best New Airline of the Year Award 2005" – Kingfisher airlines**

Given by Centre for Asia Pacific Aviation for its significant innovation and outstanding customer experience.

For the first time in the Indian skies, Kingfisher Airlines offers world-class in-flight entertainment with personal video screens for every seat. There's a wide selection of 5 video channels and 10 audio channels available on- board. Also on offer are extra-wide seats and spacious legroom, delicious gourmet meals, international-class cabin crew and a whole host of comforts and delights. Kingfisher Airlines also facilitates doorstep delivery of tickets on guest request.

* **Blue Dart Express Limited, South Asia's largest integrated air express, courier and logistics company**

Their focus was on providing customers with quality service and an enhanced customer experience, they continued to upgrade and expand their infrastructure, by adding new facilities in Lucknow, Mumbai, Pune, Ahmedabad, Meerut and Jaipur, and moving to a new, state-of-the- art warehouse facility in Delhi.

* **Pizza hut**

It recognises frequent callers and the context of their call enabling the customer to be routed to the agent who can best fulfill their requirements, whether its a new order, changes to an existing order or a status inquiry on an existing order.

Pizza Hut operators can access up-to-date information on its outlets in the catchment area, enabling them to select the Pizza Hut store that can fulfill the customer order quickest, thereby meeting its commitment to deliver hot pizza quickly.

Conceptual Background

The overview of literature on aspects of customer experience. The research area of customer experience was done by Berry, Carbone, and Haeckel (2002); Sousa and Voss (2006); Gentile, Spiller, and Noci (2007), Meyer and Schwager (2007); Naylor et al. (2008). The research on customer experience drivers are done by brand (Chartrand, and Fitzsimons (2008); Ofir and Simonson (2007); Keller and Lehmann (2003); Lee and Rhee (2008); Gauri, Trivedi, and Grewal (2008)), price (Ofir et al. (2008); Kopalle et al. (2009); Bronnenberg and Wathieu (1996); Wedel and Zhang (2004); Dorotic, Verhoef, and Bijmolt (2008); Gauri, Sudhir and Talukdar (2008); Noble and Phillips (2004)), promotion Ailawadi et al. (2009); Van Heerde and Neslin (2008); Gijsbrechts, Campo, and Goossens (2003); Chiou-Wei and Inman (2008); Lwin, Stanaland, and Miyazaki (2008)), supply chain management (Garg et al. (2005); Dant et al. (2009); Burkle and Posselt (2009), Xu and Kim (2008), Neslin et al. (2006); Patricio, Fisk, and Falcao e Cunha (2008); Sousa and Voss (2006); Verhoef, Neslin and Vroomen (2007)), location (Durvasula, Sharma, and Andrews (2002); Ghosh and Craig (2001); Gauri, Trivedi, and Grewal (2008); Xu and Kim (2008)), advertising (Chaudhuri & Buck (2005); Petty & Cacioppo (2003); Janoschka (2004); Fisher, Gainer, and Bristor (1997); Goff et al. (1997)), advertising (Koirala (2005); Kotler and Armstrong (2005); Young (2003); Jugger (1999); Luo (2005); Wakefield and Baker (1998); White and Dahl (2006)), packaging & labeling (Oliver (2001); Parasuraman, Zeithaml, and Berry (2004); Baker et al. (2002); Beatty et al. (1996); Folkes and Patrick (2003); Meuter et al. (2005); Van Dolen, Dabholkar, and de Ruyter (2007); Weijters et al. (2007)), service mix (Baron, Harris and Harris (2001); Kozinets et al (2002); Schmitt (1999); Baker et al. (2002)), atmosphere (; Kaltcheva and Weitz (2006); Wakefield and Baker (1998)).

Major Factors Influencing Consumer Buying Decision Process

On the consumer front, many people's savings have evaporated in the year 2008, primarily because of the precipitous decline in stock prices, suffering real estate markets, and increasing unemployment. Consumers thus take greater care in what they buy, where they buy, and how much they will pay. Although hardly a sufficient silver lining, researchers now have the opportunity to examine more thoroughly many of the issues discussed in the remainder of this introduction in a new light. How do consumers react differently to brand, price, promotions, supply chain management, location, advertising, packaging, labeling, service mix & atmosphere in an economic crisis? Can retailers take certain actions to increase patronage, both before and during a shopping experience? Does consumer cherry picking change when consumers face more difficult economic trade-offs? Will consumers continue to embrace more expensive and higher quality private-label merchandise? How should retailers alter their assortments? Should they continue to experiment with new categories that previously appeared only in stores with different retail formats? Will price elasticities for substitute and complementary purchases differ during economic downturns? What innovative strategies might multi- channel and online retailers use to gain greater shares of wallet? And how might retailers adjust their global sourcing strategies and the way they work with and develop relationships with their global vendors? These questions and many more depend on the major economic issues that confront consumers and the retailers they serve.

Figure 1: Macro Factors Influencing Consumer Buying Decision Process

Macro Factors	Need Recognition	Information Search	Evaluation	Purchase	Post Purchase
Brand	●	●	●	●	

Price	●	●	●	●	
Promotion			●		
Supply Chain		●	●	●	
Management		●	●	●	●
Location	●	●	●		
Advertising			●	●	
Packaging & labeling		●	●	●	●
				●	
Service Mix					
Atmosphere					

The Brand Experience

The customer comes to a retailing environment with perceptions about two types of brands: the retail brand (e.g., Victoria's Secret, Starbucks, Wal-Mart, Macy's, Best Buy) and the manufacturer or service brand that is sold in the retail stores (e.g., Verizon, Ralph Lauren, Tide, Dell, private label brand). Here, the discussion is about the retail brand customer experience, although the ideas put forth below could be investigated in relation to the manufacturer or service brand as well.

Background

Customers' brand perceptions may influence their customer experience. Recent research has begun to investigate new aspects of this relationship. Specifically, Fitzsimons, Chartrand, and Fitzsimons (2008) found that the type of brand and consumers' perceptions of the brand can influence their behavior. For example, consumers primed to think of Apple behave more creatively than consumers primed to think of IBM. In addition, Ofir and Simonson (2007) found that customer expectations (when stated prior to a service encounter) have a significant effect on post purchase evaluations of the shopping experience and the firm. This suggests that customer brand perceptions (of the retailer), when primed prior to shopping experience, might significantly influence the customer's experience. It is also important to consider the reinforcing effects of the customer's experience and the brand *over time*. Prior research suggests that customer experience has a significant influence on the customer's overall perception of the brand. In addition, Keller and Lehmann (2003) propose that the customer mindset (e.g., awareness, associations, attitude, attachment and activity) is the key driver of brand performance (e.g., price premiums, price elasticities, market share, expansion success).

Research Discussion

There is much yet to learn about the influence of brand perceptions on the customer's retail experience. There may be asymmetric effects of brand perceptions on customer experience. Consumers whose first impression of a brand is negative can be influenced by providing them with non-comparative information, whereas consumers with positive first impressions of a brand are influenced more by comparative information. This suggests an area that is ripe for future research—namely, understanding how a customer's initial perceptions of a retail brand may influence distinct elements of the customer's subsequent experiences with the brand, and how those experiences in turn may influence brand perceptions in the future. In addition, positive customer brand perceptions may influence customer experiences differently than negative customer brand perceptions. As such, future research could also investigate the extent to which strong (positive or negative) brand perceptions may have a significant effect on the customer's experience. In addition to the direct effects of customer brand perceptions on customer experience, future research could examine the extent to which customer brand perceptions may act as a moderator in influencing the effects of other determinants of customer experience. For example, might brand perceptions (either retail or manufacturer) moderate the effects of social environment, self-service technology, or price on customer experience?

The Price Experience

A lot rides on how a retailer sets its prices. The three other P's create value for the seller; the fourth P of price captures value. In addition, this is the only P that earns revenue for the retailer. When retailers price a product or service too high, consumers view it as a poor value and will not buy. A price set too low may signal low quality, poor performance, or other negative attributes about the product or service. Although setting the "right" price is clearly an important retailing task, it is often treated as an afterthought, partly because it remains the least understood and therefore most difficult to manage task.

Background

Recent research demonstrates that a consumer's store price image likely results from a numerosity heuristic, such that the greater the number of low priced products at a store, the lower is the price image among knowledgeable consumers (Ofir et al. 2008). Kopalle et al. (2009) concentrate on the interaction between pricing and competitive effects in retailing, noting the difficulty of research into category and store level prices, because retailers stock thousands of items, most of which are irrelevant to any given consumer. Furthermore, because different consumers buy different market baskets, a category or store that one customer perceives as high priced may seem low priced to another. Research suggests that retailers therefore should carry some high-priced merchandise to extract rents from loyal customers and some low-priced merchandise to attract new ones, but more work is needed in this area. Moreover, the emergence of discount stores carrying fashion products and luxury brands can affect pricing in traditional retail chains (Kopalle et al. 2009).

Previous pricing research regarding private labels versus national brands suggests asymmetric sales effects, such that higher price/higher quality brands steal sales from lower price/lower quality brands when the higher tier reduces its price (Blattberg and Wisniewski 1989). In various examinations of the different features of the private label/national brand and price/sales interactions, asymmetric effects predominate (Allenby and Rossi 1991; Bronnenberg and Wathieu 1996; Pauwels and Srinivasan 2004; Sethuraman and Srinivasan 2002; Wedel and Zhang 2004). These studies again focus on grocery and drugstore formats, in which private-label prices generally are significantly lower than those of national brands. Further research should investigate the pricing aspects of private labels versus national brands using premium private labels (Kumar and Steenkamp 2007) and durable and fashion goods.

Research Discussion

A popular pricing strategy adopts loss leaders, items priced at or below the retailer's cost. The preponderance of loss leader activity in retail stores believes the gaps in our knowledge about its impact on traffic, sales, and profits. Although store traffic increases and sales generally increase for items used as loss leaders, these loss leaders may not influence the sales of other, non-promoted items, and their impact on profitability is questionable. A more definitive under- standing of how loss leaders affect the sales of non-promoted items and profitability would be very useful.

Research on online and multi channel pricing takes a prominent place in modern academic journals, yet limited study addresses online pricing strategies. Much of this limited research focuses on customer reactions to different pricing strategies and shipping fees, the role of infomediaries, advertising revenues, channel interactions, and personalized pricing schedules. Yet some of the issues described herein and examined in brick-and-mortar store settings would be useful pursuits in the virtual and multichannel world. For example, how might online strategies differ from in-store strate- gies for similar merchandise and services? Should they differ across channels? Do consumers behave differently online? What competitive behavior effects exist?

The Promotion Experience

Consumer promotions also take several forms, including price promotions, loss leaders, and in-store displays. Meta analyses show that the immediate increase in sales of a promoted item is substantial. However, brand switching as a result of consumer promotions is closer to 30–45 percent, far less than previous estimates of approximately 80 percent. A consumer promotion, such as a loss leader, on one item should increase sales of other items and overall profits, yet empirical research in this area is mixed. Consumer "cherry picking" for special prices has a relatively minor impact on retailer profits; they also conclude that not all promotions have a positive revenue impact for retailers though. Rather, the profit impact is decidedly mixed.

Background

Literature on integrated marketing communications is vast, but research pertaining to retailing is very specific. Ailawadi et al. (2009) logically organize this body of research into manufacturer promotion decisions, as it relates to retailers, and retailer promotion, the manufacturer primarily is interested in using promotions to enhance the performance of its brands, whereas the retailer is interested in enhancing their own performance (Van Heerde and Neslin 2008). Significant research on trade promotions centers on the extent of the monetary savings passed on to consumers. Some controversy surrounds the impact of pass-through trade promotions; specifically, does a trade promotion from one manufacturer in a given period influence the promotion of another manufacturer's brand in the same period (e.g., Moorthy 2005)? The accounting records pertaining to trade promotions remain inadequate for deriving a definite answer (Parvatiyar et al. 2005). Ailawadi et al. (2009) therefore suggest further research should exam- ine how different types of trade promotions get funded, passed through, and perform. A plethora of research investigates the impact of different types of promotions on sales and profits, including the composition of flyers (Gijsbrechts, Campo, and Goossens 2003).

Research Discussion

Although most retail promotions emphasize price, studies often consider them in isolation. Yet price promotion coordination is a key driver of retailer profitability. Retailers and researchers alike need more information about the impact of coordinating price promotions within and across categories and across retail formats within a chain, such as Wal-Mart and Neighborhood Markets. The National brands should be promoted more than private-label brands, because the national brands attract customers' attention and attract them to the store. Yet retailers promote private-label merchandise, because they generally earn higher margins on private labels.

Although the customer knows much about the sales bump caused by consumer promotions, they have a poorer understanding of the profit impact. Retailers' increased emphasis on private-label merchandise demands more work investigating the effectiveness of private-label promotions. It also seems important to identify win–win promotions for manufacturers and retailers. Because many purchase decisions take place in brick and mortar stores and as new methods for reaching consumers in stores emerge, more research should assess the effectiveness of in-store promotions to customers.

The Supply Chain Management Experience

Most of the researchers centers on what happens at the front-end of the retail store, supply chain management occurs at the back end. For decades, retail supply chain and logistics issues seemed somehow less important than other activities such as promotion, pricing, or customer service. But this erroneous perception no longer exists. Supply chain issues, from both the more managerial partnering side and the more technical operations side, have proven important sources of competitive advantage for many retailers, particularly low-cost providers such as Wal-Mart and Zara.

Background

Ganesan et al. (2009) examine several important supply chain issues, including global sourcing practices, multichannel routes to market, and relationship-based innovation. These authors note that with private-label merchandise, as opposed to national brands, the burden of ensuring that merchandise production adopts corporate socially responsible (CSR) policies, as well as quality and safety control issues, rest with the retailer. And most of this sourcing is done globally today. Academic research at the nexus of global sourcing and CSR is somewhat sparse (e.g., Wagner, Lutz and Weitz 2008); more research might examine the circumstances in which customers will pay more for merchandise produced in a socially responsible manner, particularly during economic downturns. Ganesan et al. (2009) also examine several issues for hierarchical multichannel relationships, in which both manufacturers and retailers sell through multiple channels to consumers. As hierarchical multichannel relationships develop, conflict can occur between the channel members, which must compete with one another. Retailers can respond to this competitive situation by taking direct action, such as refusing to sell products that the supplier sells directly (Schoenbachler and Gordan 2002), or looking for alternative ways to service customers (Vinhas and Anderson 2005). A more positive approach would pursue a channel structure with mutual benefits, such as profit sharing (Neslin et al. 2006; Yan 2008). Ganesan et al. (2009) there- fore suggest that further research should attempt to increase our understanding of how hierarchical multichannel structures affect the participants' relationships, their relative power, and their performance.

Research Discussion

Most recent retailing innovation initiatives seem to come from sustainability initiatives designed to improve the environment, healthcare, diversity, and sourcing. It investigates how relationships between retailers and their suppliers may facilitate product or process innovations. Specifically, when supply chain partners exchange information, the relationship grows stronger, and the likelihood that valuable and important information gets exchanged increases. However, the strength of relational ties may play a more important role for process than for product innovations. When retailers have supply chain partners with diverse, rather than complementary, capabilities and resources, they are more likely to innovate, because the information acquired from these varied sources differs. Finally, asymmetrical dependence between the retailer and its supply chain partners should negatively affect innovations, because the weaker party guards against exploitation, while the stronger party tends to exploit opportunities without worrying about negative partner perceptions.

The Location Experience

Retailing academics and practitioners seem always to emphasize "location, location, location" as the key to success. An important research advance could consider the role of travel time on consumers' choices of retail formats and the related retailing implications because consumers value their time, researchers should investigate what it might take, in terms of price savings and deals, to attract consumers to a factory outlet store (normally located some distance away) rather than a similar store in a conveniently located mall. The location decision likely has major ramifications for price, promotion, and merchandising decisions.

Background

Durvasula, Sharma, and Andrews (2002) recommend STORELOC, a store location model that incorporates managerial judgment data in addition to consumer data. Because key managers participate in the process, their buy into the outputs of the location model increase, namely, the identification of the best retail sites for expansion. The key store attributes and their relationships with relative competitive strength can be estimated using varied methods in this model, including conjoint or logit analysis. Another interesting location problem involves understanding how to expand a franchisor distribution system optimally, because in some cases, that which is best for the franchisor may be at odds with the preferences of the individual franchisees. Ghosh and Craig (2001) develop FRANSYS, a franchise distribution system location model, to address this kind of problem. Another important issue related to locating franchises concerns the choice between multi unit franchisees (MUF) versus single unit franchisees (SUF) since the modal franchisee in the US is no longer the stereotypic mom and pop single unit operator, but a mini chain operator (Garg et al. 2005; Kaufmann and Dant 1996). Some recent evidence suggests that even though MUF may be preferred by franchisors for reasons of rapid system growth, system-wide adaptation to competition, minimization of horizontal free-riding, and the strategic delegation of price or quantity choices to franchisees, it is the SUF that characterize their dyadic relationships with their franchisors as more rela- tional and cooperative as compared to their MUF counterparts (Dant et al. 2009).

Research Discussion

The age of these models clearly shows, however, the need for more research into location issues. With the greater availability of excellent geographical information systems (GIS), rich data are easily accessible. For example, GIS data supplemented with appropriate panel consumption data could enable empirical tests of a host of location models. More recent research highlights the role of two key location factors: proximity to customers (measured in travel time) and proximity to other stores or agglomeration. For example, grocery stores appear to benefit from agglomeration with discount stores, but Wal-Mart discount stores suffer reductions in revenues when they agglomerate with grocery stores. Prior research recognizes several different retail formats, according to pricing (e.g., everyday low price vs. high/low promotions), merchandise (wide vs. narrow) and Internet presence (bricks, clicks, or bricks and clicks). Insights from this area of inquiry suggest that bricks still hold an advantage over clicks and are likely to dominate in certain categories, such as high end apparel and jewelry. Research also shows that consumers may use the different retail formats for different stages of the consumer decision process, such that the online store might be a great way to compare alternatives, but brick-and-mortar stores seem more suitable for purchases. A systematic understanding of the role of these different formats in the consumer decision process and how retailers can best optimize their multiple channels would be a fruitful area of inquiry.

The Advertising Experience

Exponential growth in Internet hosts and personal computer adoption has led to dramatic increases in online activity. During the growth process, marketers recognized that the Internet was a medium for reaching millions of potential customers. Since then, marketers have adapted value based advertising strategies to the Internet.

Background

Traditional consumer behavior literature would suggest that intense product information is vital for high involvement product web sites, while entertainment content may be fit for low involvement product sites (Chaudhuri & Buck, 2005; Petty & Cacioppo, 2003). Additionally, the primary reason for distinguishing between high and low product involvement is that habit, intuition and convenience sometimes guide the actions of consumers rather than rational considerations (Lamb, 1996). There are various types of online advertising, including "emails, newsletters, screensavers, e-sponsoring, asynchronous and synchronous chat groups, infomercials, online games, and web sites" (Janoschka, 2004). Similar to other types of advertisements, web ads are paid or unpaid form of communication aim at informing the existence of a product or service and/or persuading consumers to take actions. And Janoschka (2004) found one major difference is that web ads are hyperlinks in nature, which enable activation by their users. They not only contain promotional messages on themselves which tries to attract consumers' attention, but also embedded with hyperlinks and then point to a much greater information pool, such as the corporation's website.

Research Discussion

The global online advertising industry has witnessed the rapid emergence of social networking sites and is growing rapidly despite the economic slowdown. The growth of this industry is being driven by increasing internet users, rising awareness and growing broadband subscription rate and ecommerce, which is playing a key role in this industry. In coming years online Ad spending is expected to overtake the TV advertising market.

The industry is divided into various segments but mainly three segments (search, display and classifieds) represent the whole industry. Rich media is a new segment recently entered in the online Ad industry, caters to a small portion of the market whereas search, display and classifieds serves almost 80% of the online Ad industry. There are various revenue models, out of which pay-per-impression and pay-per click are the most common among others.

In terms of online Ad spending by geography, UK, Netherlands and the pan-European sector lead the market but in terms of internet Ad budget allocation France, Germany, Spain and Italy have a strong presence. United States is the most developed market for the advertising industry. In Canada, internet advertising accounted for almost one third of total advertising market.

The areas for future research are discussed here. The thirty-three items suggested by the fourteen academicians may be grouped into types of ads, types of appeals, larger effects on society, advertiser concerns, and legal concerns. Types of ads include ads for legal vices (e.g., ads for tobacco or alcoholic beverages), ads for sex-related products (e.g., condom ads or ads for abortion services), and ads for health care and professional services (e.g., ads for personal care and hygiene products or ads for professional legal services). Types of appeals include the use of questionable appeals (e.g., fear or negative appeals) and stereotypical appeals (e.g., sexual or racial stereotyping). Larger effects on society include value formation (e.g., molding society's material wants) and media content (e.g., the information content of ads). Advertiser concerns include ad agency concerns (e.g., self-regulation or the ethical codes of ad agencies) and the voice/tone of the ad (e.g., corporate advocacy or comparative ads). Finally, legal concerns include the use of deception, advertising to children, and public service announcements (e.g., anti-drug or anti-cigarette ads).

The Packaging & Labeling Experience

Packaging plays a major role when products are purchased. After all, it is the first thing seen before making purchase choices and it is widely regarded that over 50 per cent of purchasing decisions are made at the shelf, or point of purchase. Therefore, packaging which creates differentiation and identity in the relatively homogenous consumer packaged goods industry is therefore highly important.

Background

As a fifth 'p' of marketing, packaging refers to the activities of designing and producing the container or wrapper for a product. It may be primary, secondary, and shipping to perform the objectives as containment, protection, identification, communication, promotion and product differentiation. Good packaging also provide information based on truth, it must be economical, attractive, convenient, protective and transparent (Koirala, 2005). A label is a simple tag attached to a product or an elaborated designed graphic that is the part of the package. It identifies, grade, scribe and promote the product by providing the information to the buyer. It may be brand labels, grade labels and descriptive labels (Kotler and Armstrong 2005). It is vitally important that when researching package design that it is measured in the context within which it is usually found (Young, 2003). *"The 'right' packaging solution is different for each brand. What is important is that it works when placed next to the competition on the shelf"* (Jugger, 1999).

Research Discussion

Packaging has a better reach than advertising does, and can set a brand apart from its competitors. It promotes and reinforces the purchase decision not only at the point of purchase, but also every time the product is used. Packaging in different serving sizes can extend a product into new target markets or help to overcome cost barriers. Packaging can even drive the brand choice (especially in the context of children's products). As the market becomes more competitive and shelf space is at a premium, products need to be able to stand out from the crowd and packaging needs to provide more than just functional benefits and information. Under time pressure and in low involvement purchases, less time is spent looking at the detail and information provided on packaging – this is especially true in the FMCG category. Research into packaging has found that different packaging cues impact how a product is perceived. Often the packaging is perceived to be part of the product and it can be difficult for consumers to separate the two (the concept of gestalt). Aspects such as packaging colour, typography, illustrations and graphics can influence how a product is perceived. Labeling should not be unnecessarily confusing or misleading in order to hide the poor nutritional/ingredient profile of certain products. The decrease in consumer confidence in food safety is not a result of the number of recalls, but instead the high-profile, long-lasting nature of the safety incidents. Packaging is integral to boosting perceptions of safety and will therefore be an important part of more concerted efforts to regain consumer trust going forward.

The Service Mix Experience

Customer service is the ability of an organization to constantly and consistently give the customer what they want and need.

Background

Customer satisfaction is a key consequence of service quality and can determine the long-term success of a service organization (Parasuraman, Zeithaml, and Berry 2004). In general, customer satisfaction is affected by customer expectation or anticipation prior to receiving a service and can be approximated by the following equation: Customer Satisfaction = Perception of Performance – Expectations (Oliver 2000). When translated to services, a distinction between service quality and customer satisfaction needs to be made (Parasuraman, Zeithaml, and Berry 2004). Furthermore, one must differentiate between service expectations and service perceptions.

While service expectations are a combination of a customer's predictions about what is likely to happen during a service transaction as well as the wants and desires of that customer, service perceptions can be defined as a customer's global judgments or attitudes, which relate to the superiority of a service (Oliver 2001; Parasuraman, Zeithaml, and Berry 2004).

Research discussion

A lot of companies are so preoccupied with day-to-day operations, but if they don't have customers for life we're going to go out of business. Many service organizations, such as hotels, retail stores, and airlines, invest substantially in their physical plant to provide a superior service experience. However, little is known about how to design a service-scape to enhance the consumption experience. For example, it may be unsurprising to learn that research has shown that pleasant music, compared with less pleasant music, is associated with longer consumption times, shorter time perceptions, less negative emotional reactions to waiting, more favorable attitudes toward the physical environment, more positive attitudes toward service providers, and more favorable customer assessments, purchase intentions, and behavior.

The Atmosphere Experience

Consumer spending behavior can be significantly influenced by the store atmosphere and the customer mood. Customers require a store layout that maximizes the number of products seen within the context of a customers' need for the product. Customers who experience a form of personal control, whether in orienting themselves to the store section they need to go to or in finding the products they want, generally feel good about the store. Good feelings lead to more purchases, especially if products are presented within a display that shows the potential usefulness of the product for them.

Background

Store atmospherics have been at the centre of numerous discussions recently as a means of creating a pleasurable consumption experience; engaging and luring customers, with hopes that they will increase their likelihood to purchase, revisit and recommend to others (Baron, Harris and Harris 2001; Kozinets et al 2002; Schmitt 1999). Sharma and Stafford (2000) suggest that customers have a higher need to affiliate with salespeople working in nicer retail environments or ‘prestige ambience environments’– which should lead to an increase in the perceived level of credibility for the salesperson, and subsequently a higher likelihood to purchase. However, the 'prestige' and 'discount' ambience stores have been hard to define in the literature, with most researchers testing atmospherics in isolation, and not at a holistic perspective (Turley and Milliman, 2000).

Research Discussion

The future research should examine retail store environments where customer-salesperson relationships may exist to increase understanding in this area. Furthermore, customer service quality measures typically given when examining low sales interaction stores should be compiled in conjunction with relationship selling and other measures that influence the customer experience to understand if relationship selling is necessary in these retail settings. Store atmospherics did have a significant impact on customer expectations of the retail salesperson, but in behaviour only. A higher perceived store ambience resulted in higher expectations of a retail salesperson's behaviour, but a higher store atmosphere did not result in higher expectations of a retail salesperson's credibility. Store atmospherics manipulate customer's expectations of the retail salesperson behaviour, subsequently affecting customer satisfaction if the retail salesperson does not match expectations. Future research will be directed into the exploration of characteristics of the salesperson and store atmospherics to determine the optimal blend for certain store environments.

10 Best Practices to make the Successful CEM

1. Successful deployment requires the active and continuing involvement of leadership

Execution is the hardest part of creating a customer experience because in order to deploy successfully they have to mobilize employees at all levels and align competing agendas, functions and executives. This is not an easy task. Perhaps that is why that so many of the exemplars of Customer Experience tend to be organizations led by passionate founders or CEOs that see it as a primary source of differentiation. Think of Starbucks, Amazon, Southwest Airlines or Virgin and inevitably you quickly think of Howard Schultz, Jeff Bezos, Herb Kelleher and Richard Branson. CEM can work just as successfully and achieve startling results in large mature corporates too, but the need for leadership is even greater.

2. Ensuring cross-functional ownership is vital

If the CEO or President recognizes that it will take more than rhetoric to make a difference, the next common mistake is asking the Marketing VP, HR Director or Customer Service Executive to "fix the problem." The brand and the customer experience must be owned collectively by the senior management team. Each function has its particular part to play, but to be successful these three functions must operate as what we refer to as a "Triad" to optimise resources, efforts and budgets to create an organization-wide strategy for delivering the brand.

3. Focusing on the most strategically important customers

The starting point for the work is collecting customer data to inform the definition of a promise and design the new experience. The most frequent client response to this suggestion is "We already have lots of customer data and research so you don't need to bother." In reality whilst organizations undertake customer research and collect mountains of data, relatively few know who their most profitable (not largest) customers are. The fact is that a few customers will typically represent the significant proportion of the profit and these are the ones to focus improvement efforts on.

4. Finding out what these customers truly value

Knowing who are the most profitable customers is all very well, but if they do not know what these customers *value* and the three or four most important attributes which drive their intention to repurchase, cannot influence their behaviour. Without the answers to these questions they may have data, but they do not have insight. A key component of a branded customer experience is being differentiated in a way that is valuable to target customers. A key component of a branded customer experience is being differentiated in a way that is valuable to target customers.

5. Being clear about what we stand for

In 2001, UK-based bank Barclays aired a television advertisement called "Big Idea." It was a beautifully crafted ad featuring Anthony Hopkins as a big shot businessman with a big house, a big car and a big meeting to attend. The tagline was, "A big world needs a big bank." The ad received a bronze award at that year's British Television Advertising Awards, but customers replied with a less than enthusiastic, "big deal!" The ad simply reinforced common customer preconceptions about large banks that they don't care about the average person and are interested only in making as much money as they can.

In the Polish market, 55 percent of executives feel that they have "defined a brand promise that differentiates us in the eyes of their target customers" but only 35 percent "have mapped their customer touchline to determine the key points of contact their customers have with us and how their promise should be delivered at each." This omission is quite common in their experience and takes us on to our next point. Making a promise to the customers is one thing, delivering it quite another.

6. Delivering the promise at every touch point

This is particularly true in today's economy. With the pressure on sales and costs they have to make sure that every effort is made delivering those things that customers value rather than things that they don't. This means having an intimate understanding of the customer experience and being intentional about designing it to deliver value at the key touch-points.

7. Providing branded training to ensure that employees understand the brand story

Many organizations provide customer service training yet few are differentiated in the service they provide. The reason is that "vanilla" training creates "vanilla" service. This is not to say that all generic service training is bad. In fact there are some very good off-the-shelf programmes that really help to improve customer-facing skills and make service more consistent.

A key ingredient of successful branded training is to build executives into the process so that they have an active role in cascading the message. Leaders have been trained as champions of customer experience and are leading its implementation.

8. Designing CEM before installing CRM systems

At the peak of CRM hype, expenditure on CRM systems was estimated to have increased from $20 billion in 2001 to $46 billion in 2004. Yet one survey by Gartner research estimated that 55 percent of CRM systems drove customers away and diluted earnings. This is because most CRM systems are installed without any thought about how they will be used to add value for the customer. These powerful systems allow companies to collect knowledge about the customer that can be used to offer them products and services tuned to their particular needs and preferences. However, for many customers the acronym CRM stands for "Constantly Receiving Mail-shots" since many organizations (and banks are the worst) use them as a blunt instrument to stalk, rather than woo, the customer through junk mail. Some software providers are now designing their products to support the customer experience and build CEM functionality into their call-centre products so that the agent is provided with all the information, tools and measures necessary to deliver the desired experience.

9. Measuring the customer experience

Peter Drucker's maxim that "what gets measured gets managed" is still true today. Yet most organisations focus exclusively on end-results measures. Market share, profitability and EPS growth are all vital measures of business performance but they are all lagging indicators—the result of differentiation, customer loyalty and brand preference. The answer is to move up-stream and measure and manage those activities that deliver the required customer experience and drive customer advocacy. Market share, profitability and EPS growth are all vital measures of business performance but they are all lagging indicators.

Yet over 51 percent of the executives the organization surveyed reported that their organization did not have a scorecard to measure the customer experience. The mean score for the statement "We have a scorecard of indicators that provide leaders with objective and timely feedback on how well we are delivering against our promise" was the lowest achieved in the survey scoring at just 4.6 on their ten-point scale.

10. Aligning the organization with the customer experience

One of the lowest scoring items in the organization survey was "Leaders measure and monitor the quality of the customer experience." As many respondents disagreed with this statement as agreed with it. This poor result was reinforced by the fact that only 47 percent of respondents agreed with the statement "Our leaders reward employees who put customers first." The fact is that unless there is a link between the desired business results, the customer experience necessary to achieve it and appropriate measurement and rewards then it is unlikely to happen.

Conclusion

Customer Experience Management is not, however, simply an old idea in a new wrapper. In recent years a number of fundamental changes have occurred in the business environment that have led to the emergence of Customer Experience Management as both a strategic discipline and a fast-growing industry, complete with a wide array of tools and solution sets. The changes have been fueled by technological advancements, which have expanded the range of services available to customers, and simultaneously led to escalating customer expectations. The result is that there are now more services and products available than at any time in the past, yet customer satisfaction are on a downward slide. Customer Experience Management can help reverse that slide by providing efficient business tools that make the interactions between companies and customers more rewarding for both parties.

Hope this article provide a broad-based overview of the various domains (e.g., Brand, Price, Promotion, Supply Chain Management, Location, Advertising, Packaging & labeling, Service Mix and Atmosphere) of the retail customer experience and in turn provide a research catalyst for a plethora of important retailing issues. Keeping customers in the next few years will be even more important than making a sale. Shoppers are getting used to those 50–75 percent off sale signs, and that is bad news for merchants who worry they will also have to quickly slash prices on merchandise to attract customers. Retailers will have to engage their customers every day to create the long-term loyal advocates necessary to compete in these challenging times. The most important thing is to be able to identify ways to hold on to profitable customers. 10 Best Practices to make the Successful CEM have shown in this article to provide a great customer experience for retail shoppers.

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