The customer of the future: co-creating value

Dr Emma K. Macdonald & Professor Hugh Wilson

Emma.Macdonald@cranfield.ac.uk       Hugh.Wilson@cranfield.ac.uk

Directors Conference April 2013
What senior non-marketers think of marketers

Stories & Myths
- Mud doesn’t stick
- Golden child
- Quick promotion
- High cost

Symbols
- Cars
- Terminology
- Lunch

Rituals
- Planning
- Off site meetings

Paradigm
- Expensive
- Unaccountable
- Slippery

Power Structures
- Research withheld
- Take credit for others’ work

Control Systems
- Soft measurement
- For self
- Travel

Organisational Structure
- Lack of structure
- Always in meetings
I’m organised therefore I think…

Products ➔ Profits
Experience quality → Profits
Service quality

Caring, individualized attention the firm provides its customers

Physical facilities, equipment, and appearance of personnel

Ability to perform required service dependably and accurately

Willingness to help customers and provide prompt service

Knowledge and courtesy of employees and their ability to inspire trust & confidence

Tangibility

Empathy

Assurance

Reliability

Responsiveness

Product quality

Service

Product
Customer experience: beyond service

- Relationship - repeated interactions
- Brand image/communication
- Tangibility
- Emotion
- Assurance
- Reliability
- Responsiveness
- Usage processes
- Peer-to-peer
- Product

Experience
Service
Product
## The most important experience factors

<table>
<thead>
<tr>
<th>B2B</th>
<th>B2C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Extent of Personal Contact</td>
<td>1. Helpfulness</td>
</tr>
<tr>
<td>2. Flexibility</td>
<td>2. Value for Time</td>
</tr>
<tr>
<td>4. Pro-activity in Eliciting Customer’s Objectives</td>
<td>4. Promise Fulfilment</td>
</tr>
<tr>
<td>5. Pro-activity in Checking that Everything is OK</td>
<td>5. Problem Solving</td>
</tr>
<tr>
<td>6. Promise Fulfilment</td>
<td>6. Personalisation</td>
</tr>
<tr>
<td>7. Knowledge</td>
<td>7. Competence</td>
</tr>
<tr>
<td></td>
<td>8. Accessibility</td>
</tr>
</tbody>
</table>

Source: Lemke, Clark & Wilson (2011)  
Journal of the Academy of Marketing Science
Understanding value-in-use
Embedded value vs. value-in-use

**Embedded value:** Performances against product/service attributes for which the customer is prepared to pay

**Value-in-use**
A customer’s outcome, purpose, or objective that is served directly through the product/service/experience consumption

---

**USE PROCESS**

<table>
<thead>
<tr>
<th>Goal 1</th>
<th>Goal 2</th>
<th>Goal 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>
London Symphony Orchestra

Experience surround
- Travel ease

Service
- Food & drink
- Post concert bar
- Concert quality
- Performer engagement
- Chances to mingle
- People like me

Product

Value-in-use
- Good night out with friends
- Soul-food
- Vicarious pride
- A sense of belonging
A factory automation supplier

Experience surround

Service

Product

Capital utilisation

Risk management

Management time

Someone to blame

Value-in-use

Output

USE PROCESS

- Treat onsite supplier staff as part of team
- Jointly design predictive maintenance procedures
- Ensure stores processes are followed

Source: Macdonald, Wilson, Martinez and Toosi (2011)
Journal of Industrial Marketing Management
Researching experience and value-in-use
The trouble with insight

RESEARCH APPROACH

Quantitative & Qualitative

Quantitative

- Brand tracker survey
- Satisfaction tracker survey
- Transactional data
- Clickstream data
- Market mix modelling

Qualitative

- Mystery shopping

Partial

Holistic

- Real-time experience tracking
- Ethnography
- Netnography

VIEW OF THE CUSTOMER JOURNEY
Better Customer Insight—in Real Time

A new tool radically improves marketing research.
by Emma K. Macdonald, Hugh N. Wilson, and Umut Konuş

Using Mobile Phones to Capture Customer Experiences
by Emma Macdonald, Hugh Wilson, and Umut Konuş  |  8:30 AM May 5, 2011
Comments (85)

This post is part of Creating a Customer-Centered Organization.

How well do you know your customers?

We're guessing not as well as you would like to ... and not as well as you'll need to in the future.
Real-time experience tracking

START OF MONTH

SURVEY

- Awareness
- Knowledge
- Perception
- Usage

THROUGHSOUT MONTH

FOUR-CHARACTER FEEDBACK

Brand
A. Roku
B. Denon
C. Apple
D. ecomgear
E. Belkin

Touchpoint
A. TV
B. In store
C. Mailing leaflet
D. Online
E. Friend’s house
F. Conversation (20+ categories)

Positivity
On a scale from 1 to 5 (5 is very positive)
“How did it make you feel?”

Persuasiveness
On a scale from 1 to 5
“How much more likely are you to choose the brand next time?”

DIARY

Respondent inputs qualitative comments about each touchpoint

END OF MONTH

SURVEY

- Awareness
- Knowledge
- Perception
- Usage
Drivers of behaviour

• Seeing an LG TV in a friend’s house makes it three times as likely you will buy an LG
How feelings influence behaviour

**TOUCHPOINT PERFORMANCE OF TWO COMPETING UK CELL-PHONE-NETWORK PROVIDERS**

**Brand B** invests a lot online, where ads can immediately steer the customer toward purchase on the website or through its call center.

**Brand A** needs to improve its service levels, which are leading to an excess of negative buzz.

---

**IMPACT ON LIKELIHOOD OF PURCHASE**

- **VERY POSITIVE**
  - **Website**
  - **Conversation**
  - **Television ad**
  - **Online ad**
- **VERY NEGATIVE**
  - **Conversation**

---

**FEELINGS ABOUT THE TOUCHPOINT**

- **VERY NEGATIVE**
- **NEUTRAL**
- **VERY POSITIVE**
Case study: Value-in-use

- Excitement of new and rare foods
- Value for money
- For reasons of self-esteem and social recognition
- Fulfil ethical, altruistic or patriotic motives
- For a ‘treat’ or for delicious, ready-made food
- Ease of access
- Shopping experience

“I like your style Waitrose – “essential” choco pops indeed. #nomnom”

“Would just like to say that the Waitrose Formby staff are so pleasant. Shopping in Waitrose is never a chore, it’s a pleasure”
Case study: Supermarkets
Case study: Value-in-use

- Decreased sales performance
- Increased sales performance
- Experience
- Self-Esteem
- Excitement
Thinking of your insight processes, to what extent do you agree with these statements? Please score out of 7, where 7 = ‘strongly agree’ and 1 = ‘strongly disagree’.

<table>
<thead>
<tr>
<th>Question (Q)</th>
<th>Statement</th>
<th>Score 1-7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td><em>We are successful in evaluating customer experience quality across all stages of the customer journey.</em></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td><em>Our insight includes a holistic view of the customer experience – including usage, service, channels, peer to peer, WOM, etc.</em></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td><em>We capture our customers’ emotional evaluations in real time at the touchpoint encounter.</em></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td><em>We understand and measure our customers’ dimensions of perceived value-in-use.</em></td>
<td></td>
</tr>
</tbody>
</table>

**Total:**

**Insight score - Divide total by 4:**
Great conversations:
Talking about value-in-use

Emma Macdonald
Hugh Wilson
The system we grew up in

Marketer → Agency → Media → Retailers

Direct mail, Email, Telemarketing, Competitors

Customer/Prospect
The system we live in today
What do great conversations look like?

1. Personal
Listening at Tesco

Value Oven Chips, 2.7 kg

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthy</td>
<td>0</td>
</tr>
<tr>
<td>Prepacked (+) / Loose (-)</td>
<td>0</td>
</tr>
<tr>
<td>Big Box (+) / Small Box (-)</td>
<td>1</td>
</tr>
<tr>
<td>Fresh (+) / Longlife (-)</td>
<td>-1</td>
</tr>
<tr>
<td>Convenience</td>
<td>0</td>
</tr>
<tr>
<td>Cooking from Scratch</td>
<td>0</td>
</tr>
<tr>
<td>Branded (+)/Own Label (-)</td>
<td>-1</td>
</tr>
<tr>
<td>Kids</td>
<td>0</td>
</tr>
<tr>
<td>Value</td>
<td>1</td>
</tr>
<tr>
<td>Finest</td>
<td>0</td>
</tr>
<tr>
<td>Foreign</td>
<td>0</td>
</tr>
<tr>
<td>Green</td>
<td>0</td>
</tr>
<tr>
<td>High (+)/ Low (-) Price</td>
<td>-1</td>
</tr>
<tr>
<td>Vegetarian</td>
<td>0</td>
</tr>
<tr>
<td>Meat</td>
<td>0</td>
</tr>
<tr>
<td>Adventurous</td>
<td>0</td>
</tr>
<tr>
<td>Traditional</td>
<td>0</td>
</tr>
<tr>
<td>Low Calorie (+) / High Cal (-)</td>
<td>-1</td>
</tr>
</tbody>
</table>

Source: dunnhumby
Six lifestyle segments

- **Price Sensitive**: 15%
- **Traditional**: 11%
- **Mainstream**: 26%
- **Healthy**: 9%
- **Convenience**: 22%
- **Finer Foods**: 17%

Source: dunnhumby
What do great conversations look like?

1. Personal

2. Dynamic
**ACCOUNT**
- Full name: Mrs A Parker
- Account nr: GEN9301020243
- MPN: 07715177156
- Postcode: WR6 6PH
- Account type: Consumer

**CONTRACT**
- Average bill: NaN
- Invoice latest bill: 8.26
- Tenure: 62.0
- Current tariff: Leisure time 600 R/T
- Bolt-ons: 
- Last bill date: 02-11-2004

**LOYALTIES**
- Reward taken: 4
- First prog. award: 

**USAGE**
- VOICE: |
- SMS: |
- MMS: |

**PROPOSITION**
According to our records, it doesn’t look like you’ve ever downloaded one of our ringtones. Were you aware that the first ringtone you download from O2 is free if you’ve not downloaded one before? Personalise your mobile by downloading your own ringtone. O2 has more than 3000 ringtones, so whatever you’re into - chart, dance, rock, pop, sport, tv and films - there’s bound to be something to your taste.

**BENEFITS**
You can tailor your phone to suit you; There are more than 3000 ringtones to choose from.

**HOW IT WORKS**
You can download from the website www.o2.co.uk; You can send a text from your handset (if you know the code for the ringtone you wish to purchase); You can download through O2 Active.

**PRICING**

- Accepted & added
- Offer declined
- Maybe later
What do great conversations look like?

1. Personal

2. Dynamic

3. Authentic
Which product would you offer?

<table>
<thead>
<tr>
<th></th>
<th>Product A</th>
<th>Product B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Margin</strong></td>
<td>£10</td>
<td>£50</td>
</tr>
<tr>
<td><strong>Propensity to purchase</strong></td>
<td>70%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Expected profit</strong></td>
<td>£7</td>
<td>£10</td>
</tr>
</tbody>
</table>
What do great conversations look like?

1. Personal
2. Dynamic
3. Authentic
4. Inclusive
YOU SAW THEM IN THE BIG GAME, NOW SEE THEM AGAIN HERE.

CONGRATULATIONS TO ALL OUR CRASH WINNERS!

WINNER

WINNER

WINNER

WINNER

WINNER

WINNER

WINNER
How sales people operate in live sales meetings

Product Closers

Experts

Consultants

Storytellers

Mechanists

Talking

Brochures

Deal Makers

Socialisers

Source: Dr Iain Davies, Prof Lynette Ryals, Cranfield
### Exercise – Great conversations

Thinking of your customers, to what extent do you agree with these statements? Please score out of 7, where 7 = ‘strongly agree’ and 1 = ‘strongly disagree’.

<table>
<thead>
<tr>
<th>Q1</th>
<th>Customer value orientation: How we treat a customer is informed by an understanding of their long-term value to us</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>Personalisation: Everything we say or write to customers is based on individual-level customer insight</td>
</tr>
<tr>
<td>Q3</td>
<td>Authenticity: We put our customers’ interests first when making sales or service propositions to them</td>
</tr>
<tr>
<td>Q4</td>
<td>Dynamic interaction: What we say or write to customers depends on what the customer has said to us within the same dialogue</td>
</tr>
<tr>
<td>Q5</td>
<td>Customisation: We tailor our products and services to customers on the basis of individual customer insight</td>
</tr>
</tbody>
</table>

**Total:**

**Interaction score - Divide total by 5:**
The customer of the future: co-creating value

Dr Emma K. Macdonald & Professor Hugh Wilson

Emma.Macdonald@cranfield.ac.uk  Hugh.Wilson@cranfield.ac.uk