

Understanding customer experience and value

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Air Transportation Management, M.Sc. Program

Airline Marketing

Module 3-4

27th January 2014

Customer experience and value:

1. How do we find out about what **value our customers require**?
2. How do we **create value** with our customers?

Marketing plans:

3. How do we **plan** our value propositions?

About me: Dr Emma K. Macdonald

Cranfield School of Management

- Senior Lecturer in Marketing
- Research Director,
Cranfield Customer Management Forum
- Academic Lead,
Knowledge Transfer Partnership



My path to academia and Cranfield

2008: Joined the Marketing group of Cranfield School of Management

2004: PhD at University of NSW, Sydney.

Prior to that had a “real job” :

- Marketing Manager at Legion Interactive; blueskyfrog.com, Cable&Wireless Optus
- Researcher for clients incl. Colgate Palmolive; Roche Pharma; SC Johnson Wax

My research interests

Business-to-consumer

Business-to-business

Consumer savvy
(profiling tool)

What does value mean to the multiple users of a complex solution?

The multichannel consumer
(Segmentation)

Consumer & customer experience, value and insight

How is insight used within a customer organisation?

Real time customer experience
(a new method)

Customer experience management in practice

Avoiding commoditisation: the role of value

A value-based model of marketing

Marketing is a process for:

- Defining markets and within these markets understanding customer needs
- Identifying customer groups (segments) with shared needs
- Coordinating value propositions to meet these needs
- Bringing the 'voice of the customer' into the business
- Monitoring the value actually delivered, i.e. insight

Why the fuss about customer perceptions of value?

Trends in marketing

- Changing role of marketing - less centralized
- Products are commoditised. A shift to a focus on 'servitization' instead of product features
- Focus on customer experience and co-creation
- A shift from **inside-out** view to **outside-in** view
- Value creation in the customer's space (not at our 'factory gate')

Servitization

Manufacturers shift to “servitized” business models through integrated goods-services offerings

Risks of bankruptcy increase (Neely 2008)

Value assessment becomes more difficult



Customer experience: a journey

Arriving at the port:

- Long drive single lane road
- Queue for up to two hours
- No disabled toilets
- No area for kids to play

On board: (1.5 hour journey)



- Helpful staff
- Beauty salon
- Kids movie theatre

Important experience factors

B2B

1. Extent of Personal Contact
2. Flexibility
3. Implicit Understanding of Customer Needs
4. Pro-activity in Eliciting Customer's Objectives
5. Pro-activity in Checking that Everything is OK
6. Promise Fulfilment
7. Knowledge

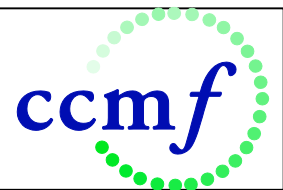
B2C

1. Helpfulness
2. Value for Time
3. Customer Recognition
4. Promise Fulfilment
5. Problem Solving
6. Personalisation
7. Competence
8. Accessibility

Source:

“What makes a great customer experience?”

Cranfield Customer Management Forum



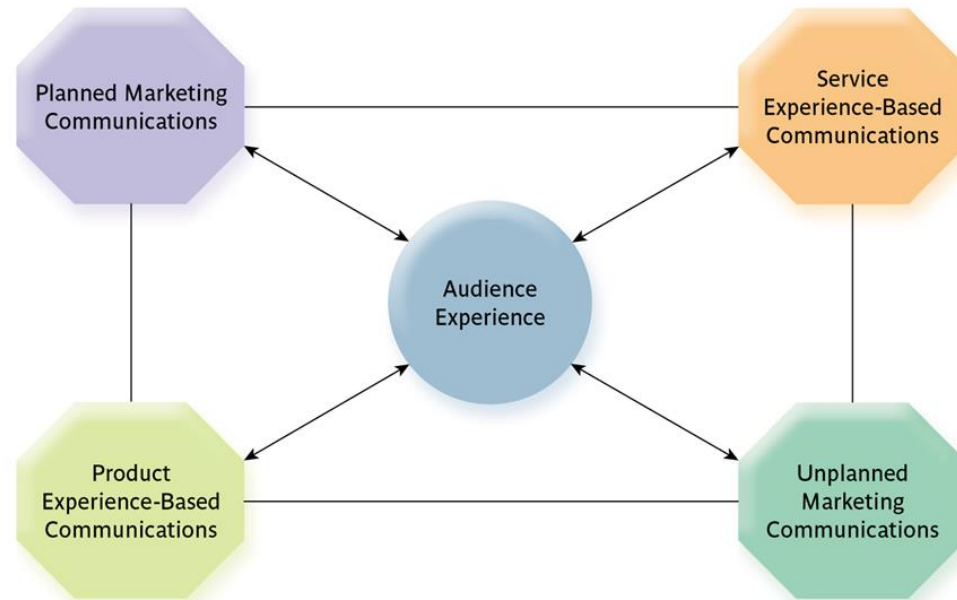


Customer experience: Apple Mac

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The Genius Bar

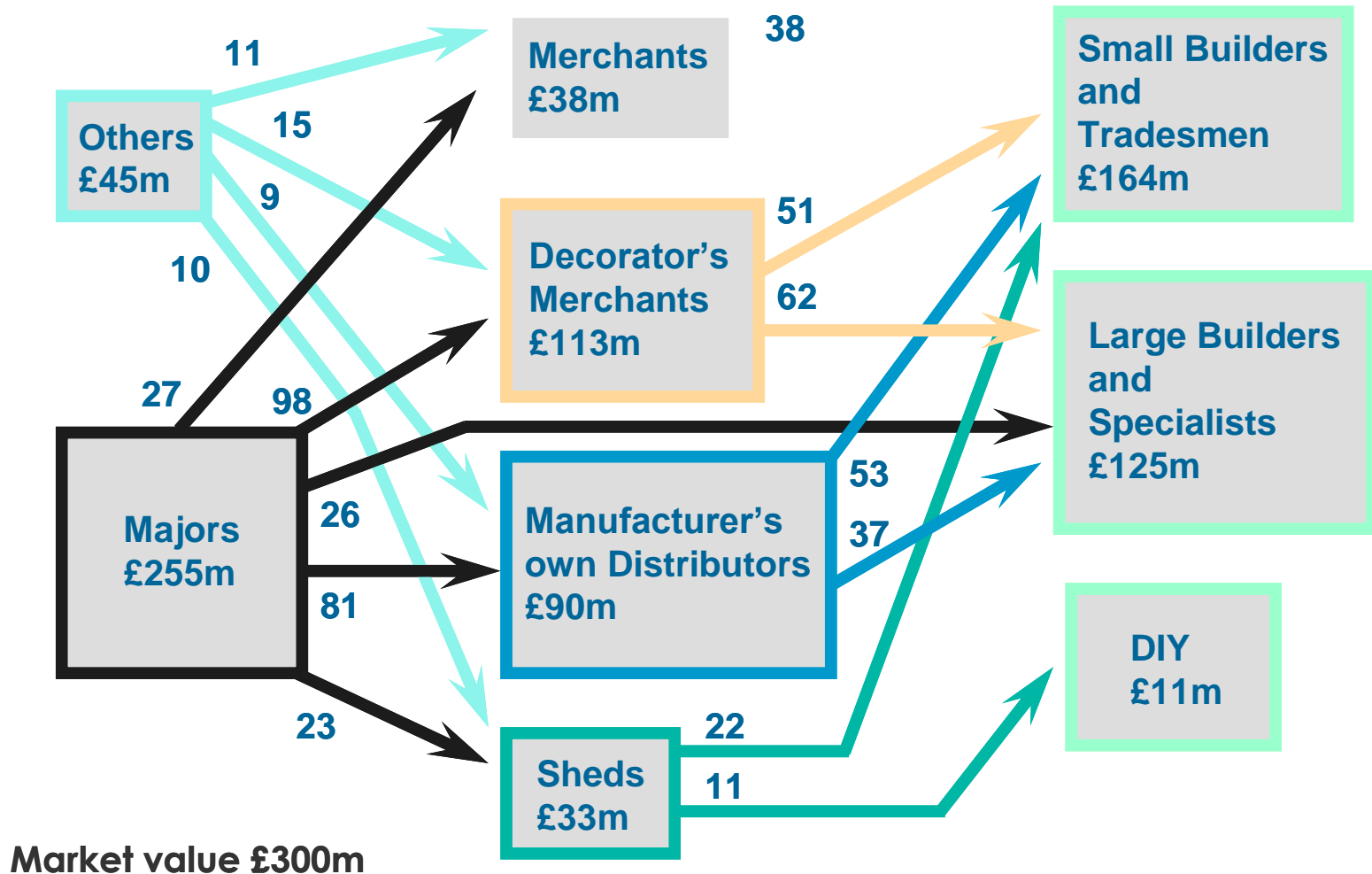


BLOGS

MacLifer
MacInTouch
The Apple core
Apple Matters
The Mind of Dr Mac
MyMacProduct
Unofficial Apple weblog

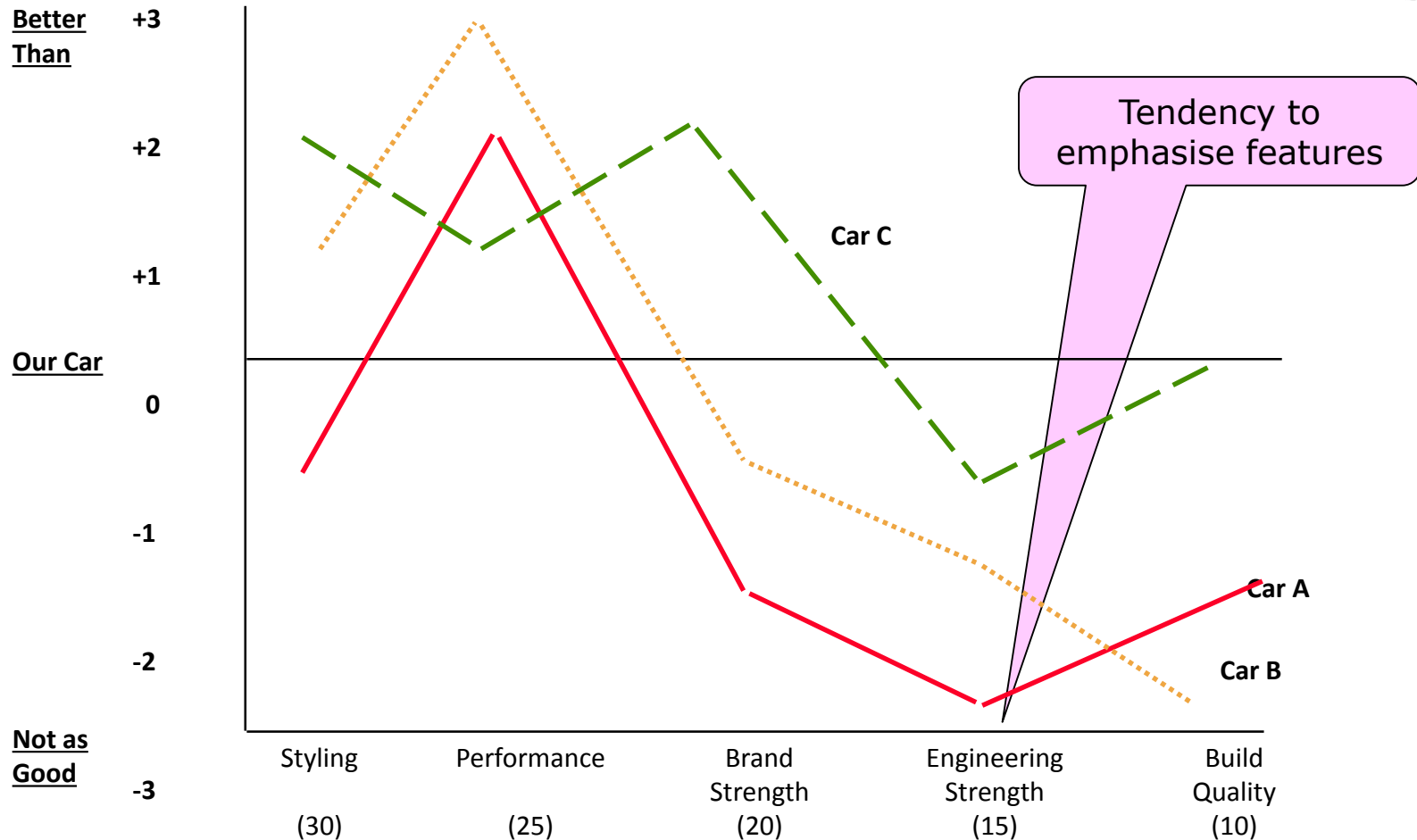
Who is your customer?

Market Map – Internal Wall Coverings

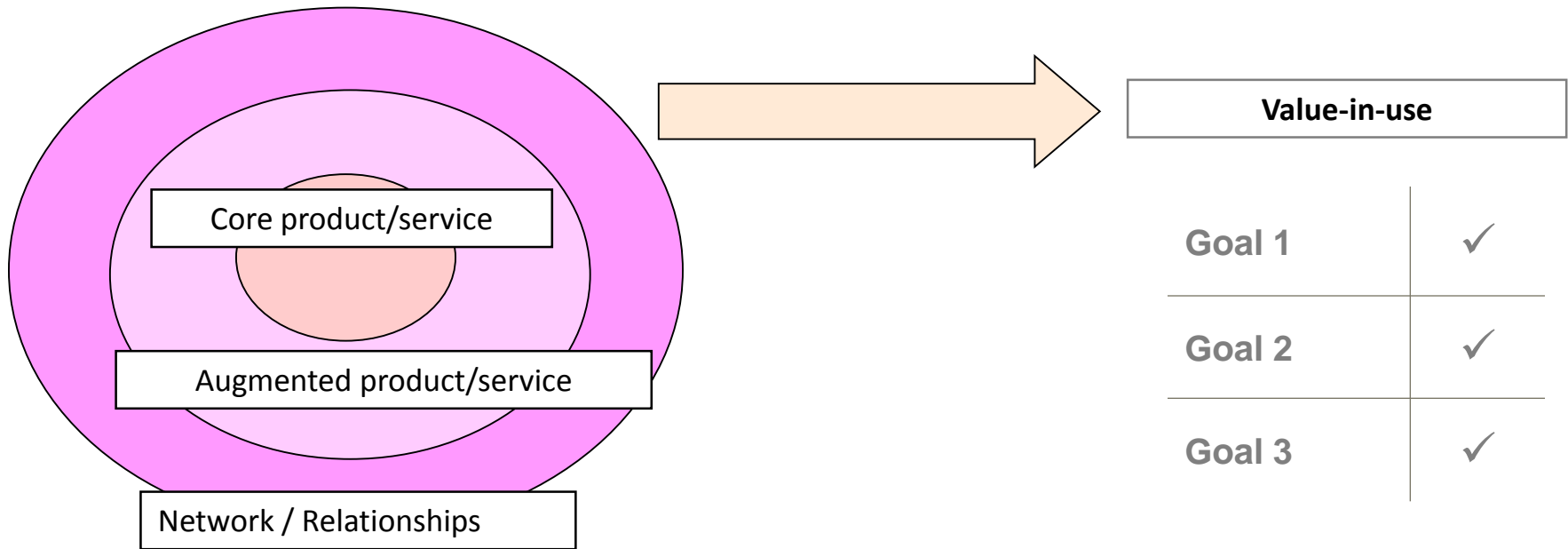


Understanding customer value

A naïve view of value: the value curve



Customer perceptions of value



EMBEDDED VALUE:

The presence of product/service attributes
- and performances against those attributes -
for which the customer is prepared to pay

VALUE-IN-USE:

The customer's outcome, purpose
or objective that is achieved
through goods / service usage.

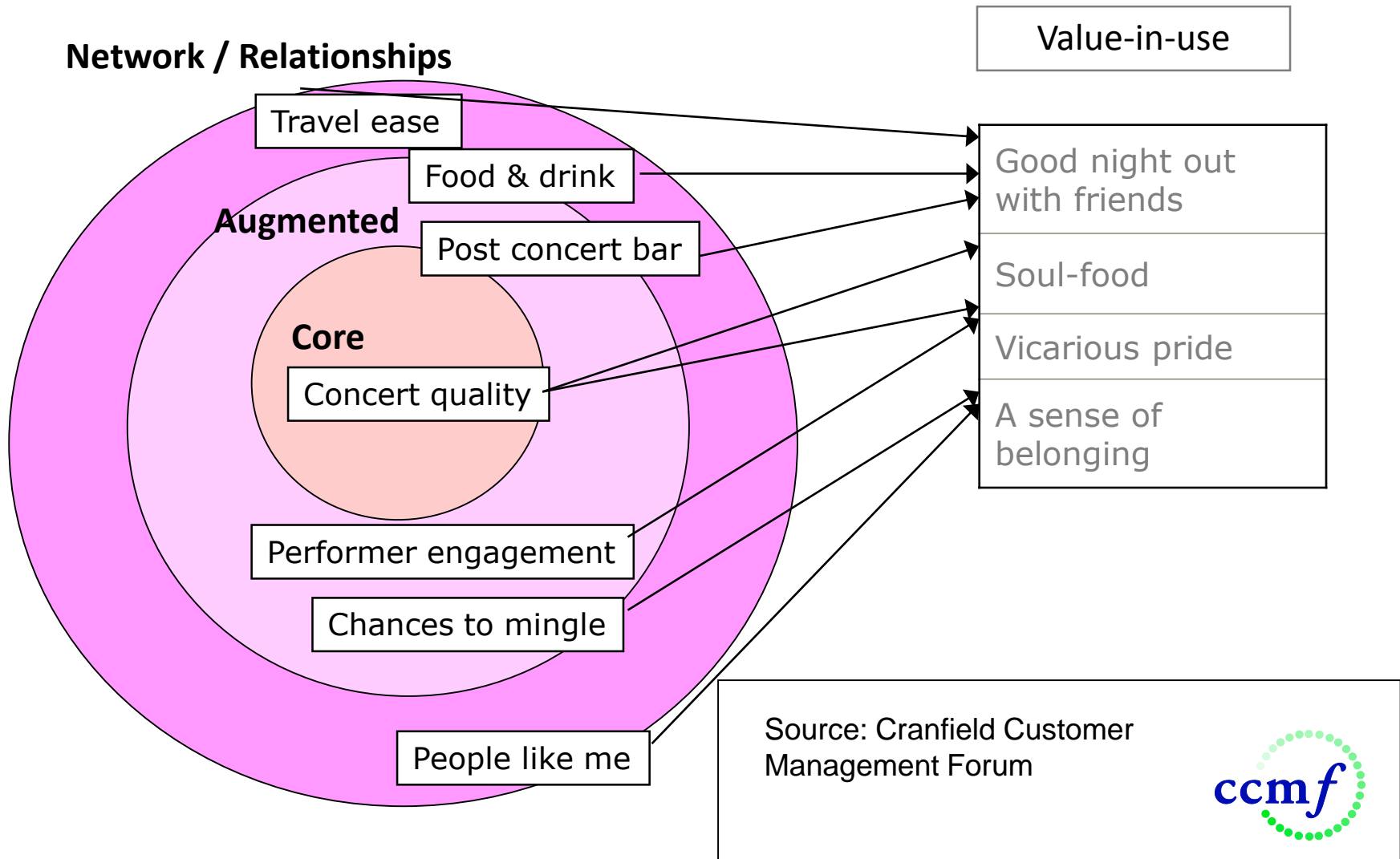
(Macdonald, Wilson , Martinez & Toossi 2011)

An illustration: London Symphony Orchestra

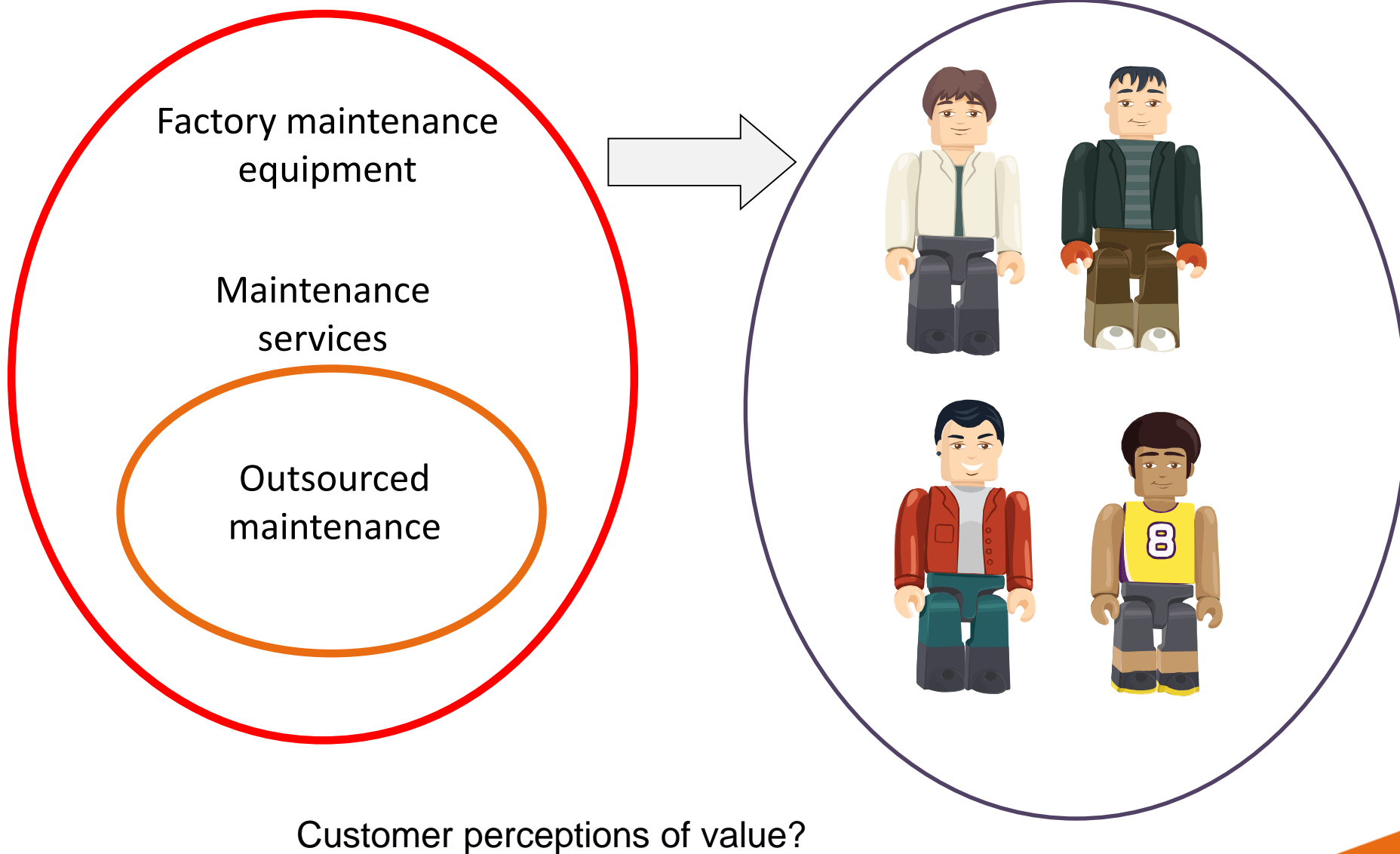


Customer perceptions of value?

An illustration: London Symphony Orchestra



An illustration: Outsourced Maintenance



Provider Processes

Core product / service

Maintenance



Augmented prod/service

Warranty maximisation

Inventory management

Commitment & experience



Relationship

Organisation: Closeness

Individual: Relationship



Network

Buying power



An illustration: Outsourced maintenance (Yr 1)

Provider Processes

Core product / service

Maintenance



Augmented prod/service

Warranty maximisation

Inventory management

Commitment & experience



*"He works
insane hours"*

Relationship

Organisation: Closeness

Individual: Relationship



*"Our
management
teams are
close"*

Network

Buying power



*"They give us
clout"*

Provider Processes

Core product / service

Maintenance



Augmented prod/service

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Network

Buying power

Value-in-Use

Value-in-use to the organisation

Efficiency

Asset maximisation

Asset control

Time for core business

Value-in-use to the individual

Time for my real job

Transfer the problem

Risk management

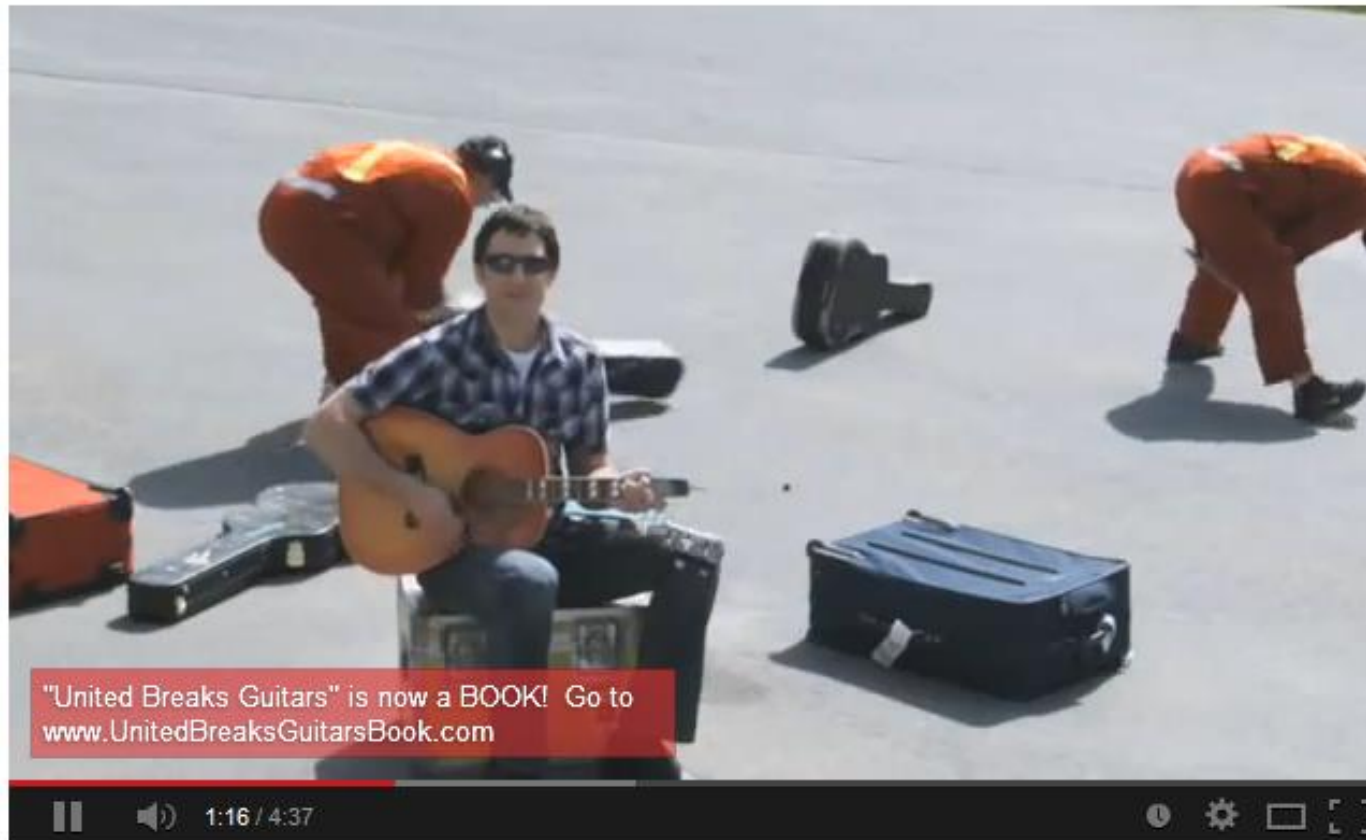


"They give us time for long-term planning"

"It gives me someone to blame"

The customer's role in value co-creation

United broke my guitar



<http://www.youtube.com/watch?v=5YGc4zOqozo>

An illustration: Lego

“No Lego Designers took part in the creation of this product” Mark William Hansen, Director of Lego Group



WHAT WILL YOU MAKE?

LEGO

Item#: LFH001
Ages: N/A
Total Pieces: 540
(Pieces used in set: 77)
Price: USD 28.74

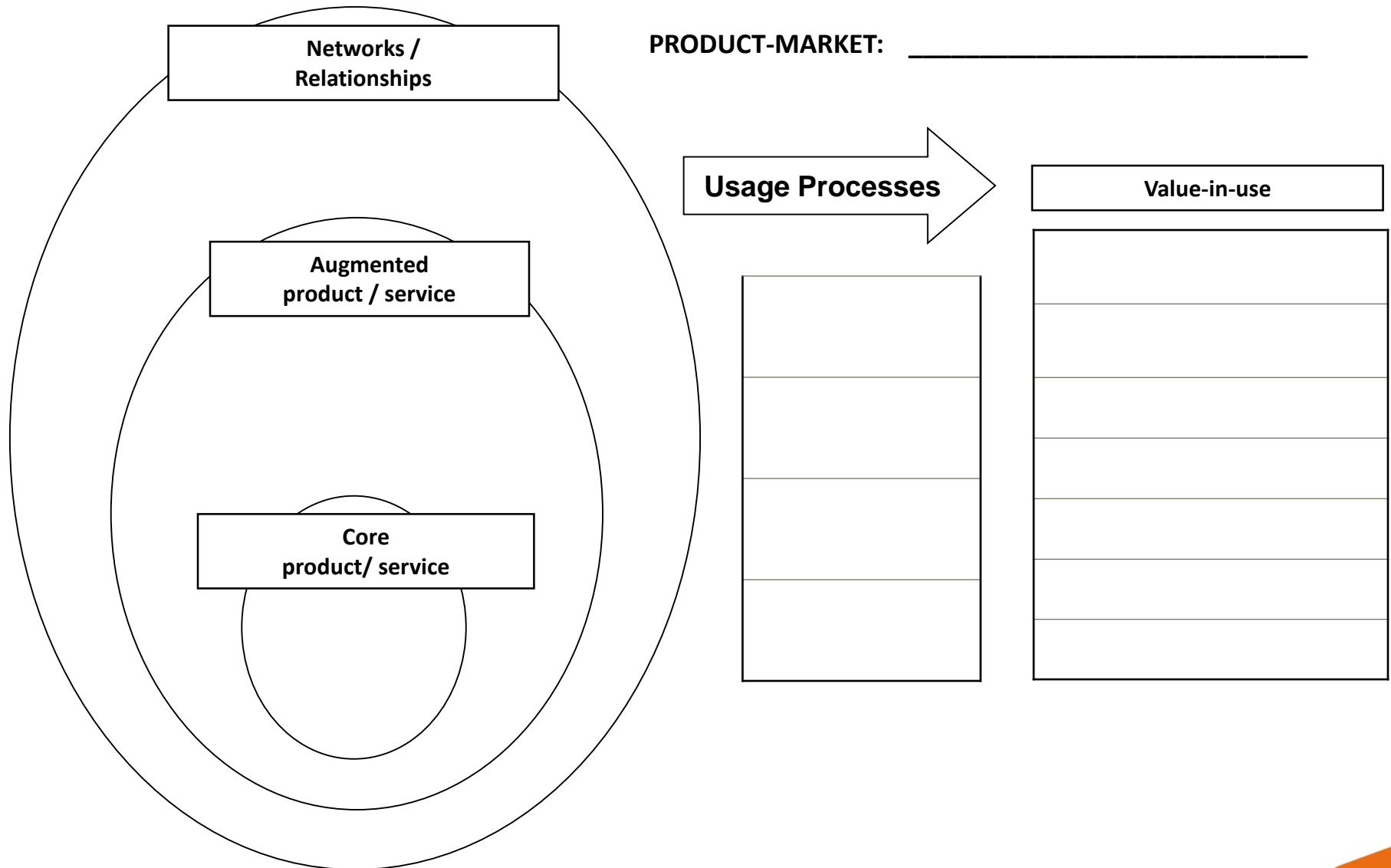
Available Now

Add to Cart

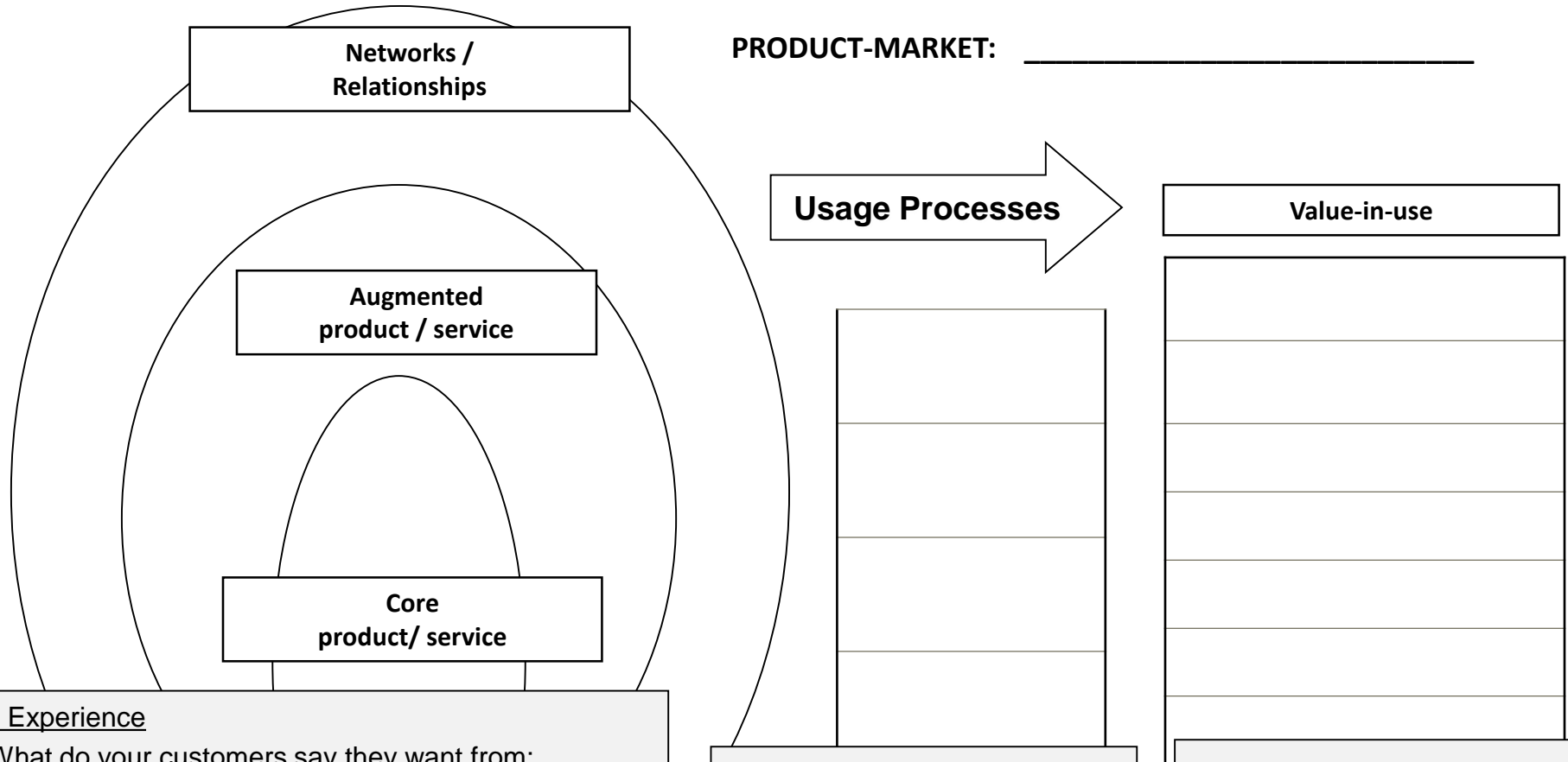
<http://www.youtube.com/watch?v=U1E1fOPQs9M>

http://www.dailymotion.com/video/xbty_mark-william-hansen-lego-cocreation

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EXERCISE: Now try to unpack how your customer's usage processes contribute to value creation



1. Experience

What do your customers say they want from:

- a) Your core product (tangible or intangible, e.g. engine, bank account)?
- b) Any surrounding service (e.g. call centre, field service)?
- c) Any wider 'experience surround' (e.g. relationship, peer-to-peer interactions, making use of your network of contacts etc)?

3. Use process

What does the *customer* have to do when using your products/services, in order to achieve the goals you have listed in step 2?

2. Value-in-use

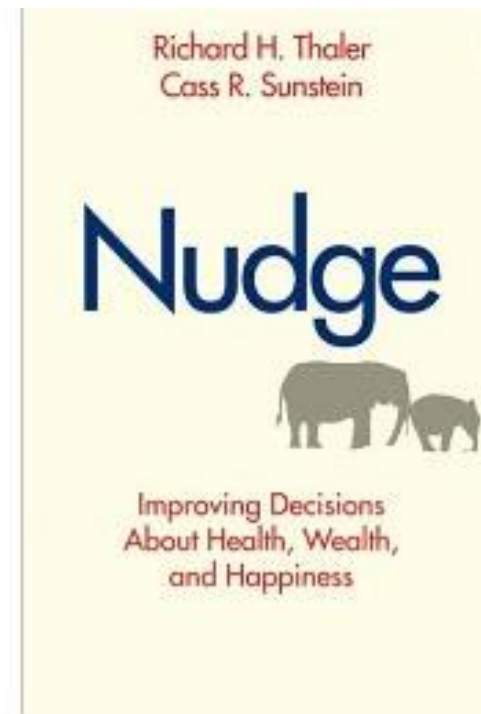
What are the *goals* that customers are really trying to achieve when they ask for the things that you have listed in step 1?

The importance of understanding your customers' usage processes

Nudge by Thaler & Sunstein

Customer management
has a role in designing
'choice architectures'

(behavioural
economics)



Value is individually determined

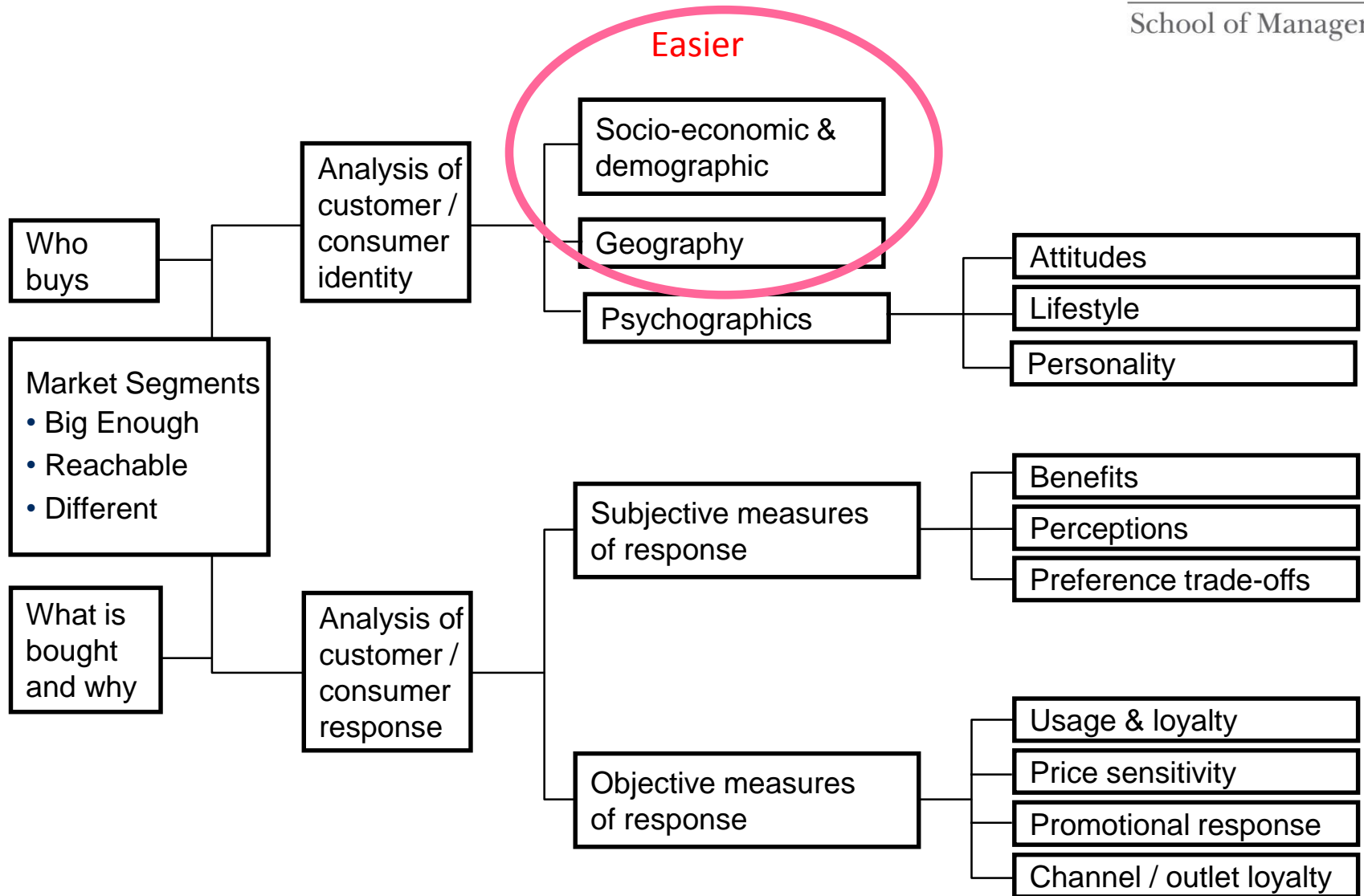
Customer segments

Two men...

- Both born 1948
- Both grew up in the UK
- Both have divorced and re-married
- Both have two grown up sons
- Both are very wealthy
- Both like to spend their holidays in the Alps
- Both are world famous

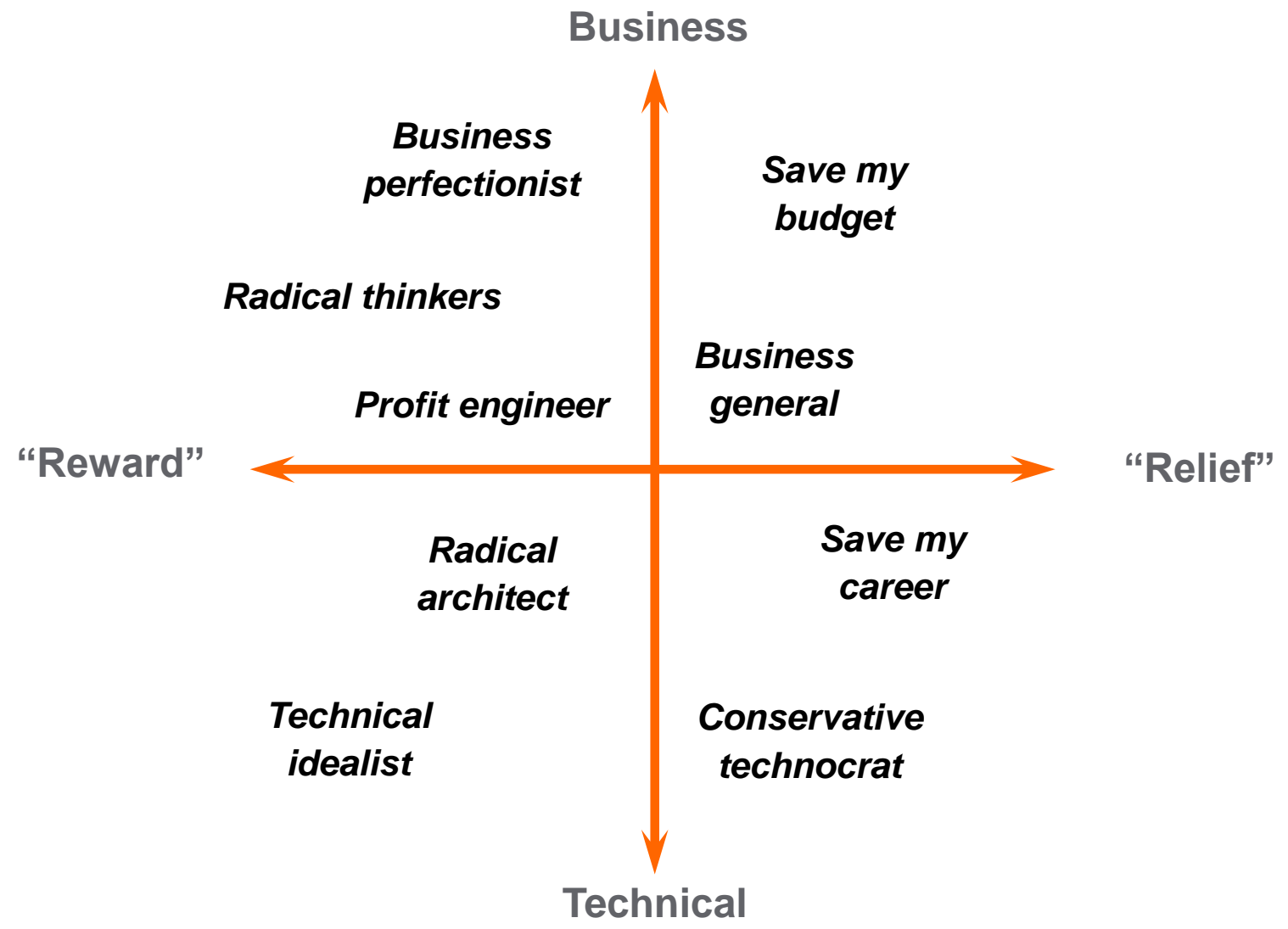
Customer value segmentation

Bases of segmentation



An illustration: Retirement income

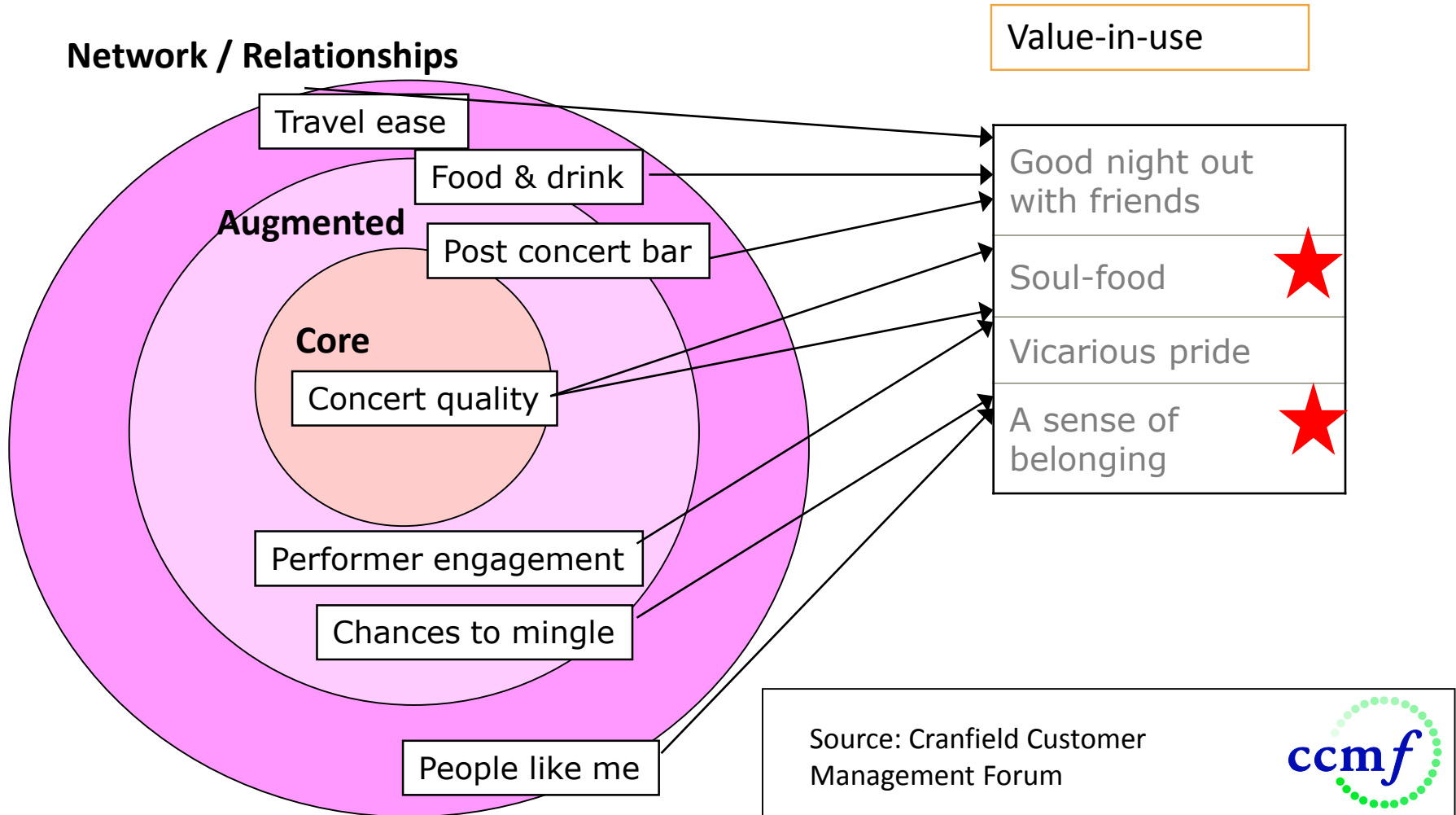




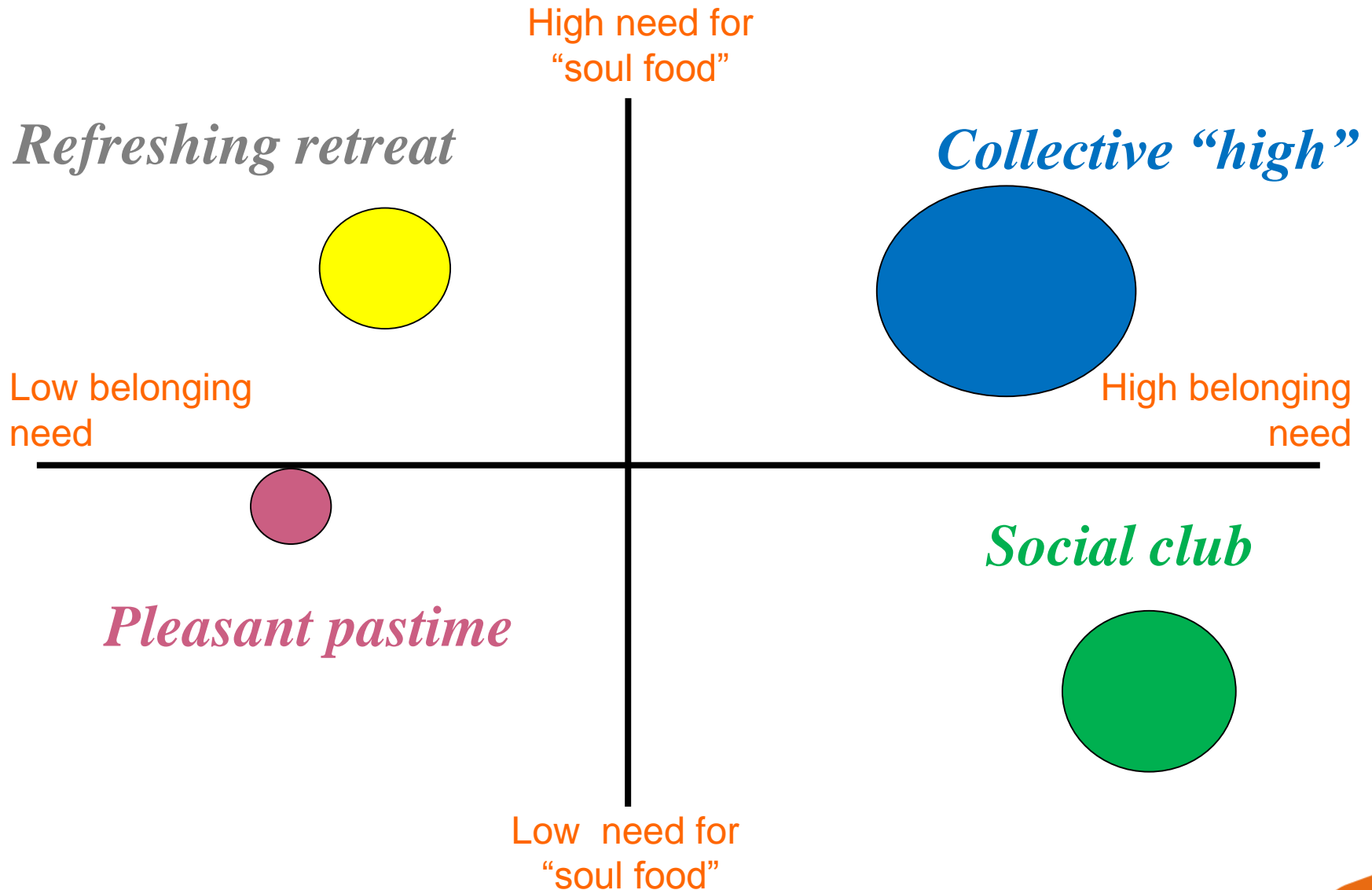
EXERCISE: A perceptual map based on needs

1. Put “*” next to value constructs on which customers vary.
2. Choose two of these.
 - Make sure they are independent of each other.
3. Make them the two axes of a ‘perceptual map’.
4. Think of some of your customers and where they appear on this map. Can you think of four (or more) clusters of customers?
 - It often helps to think of specific, named customers
 - Give the segments descriptive labels

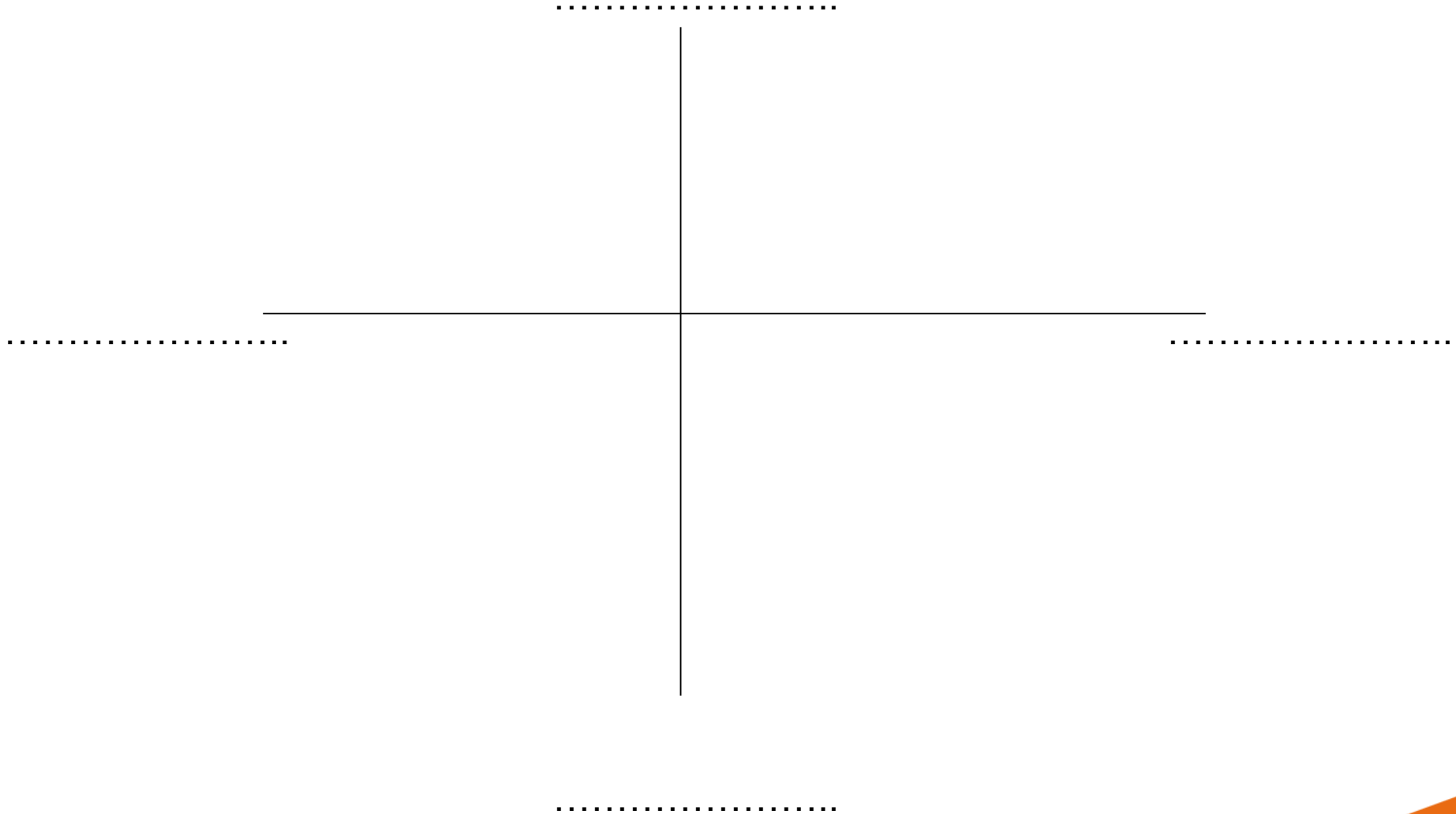
An illustration: London Symphony Orchestra



An illustration: London Symphony Orchestra

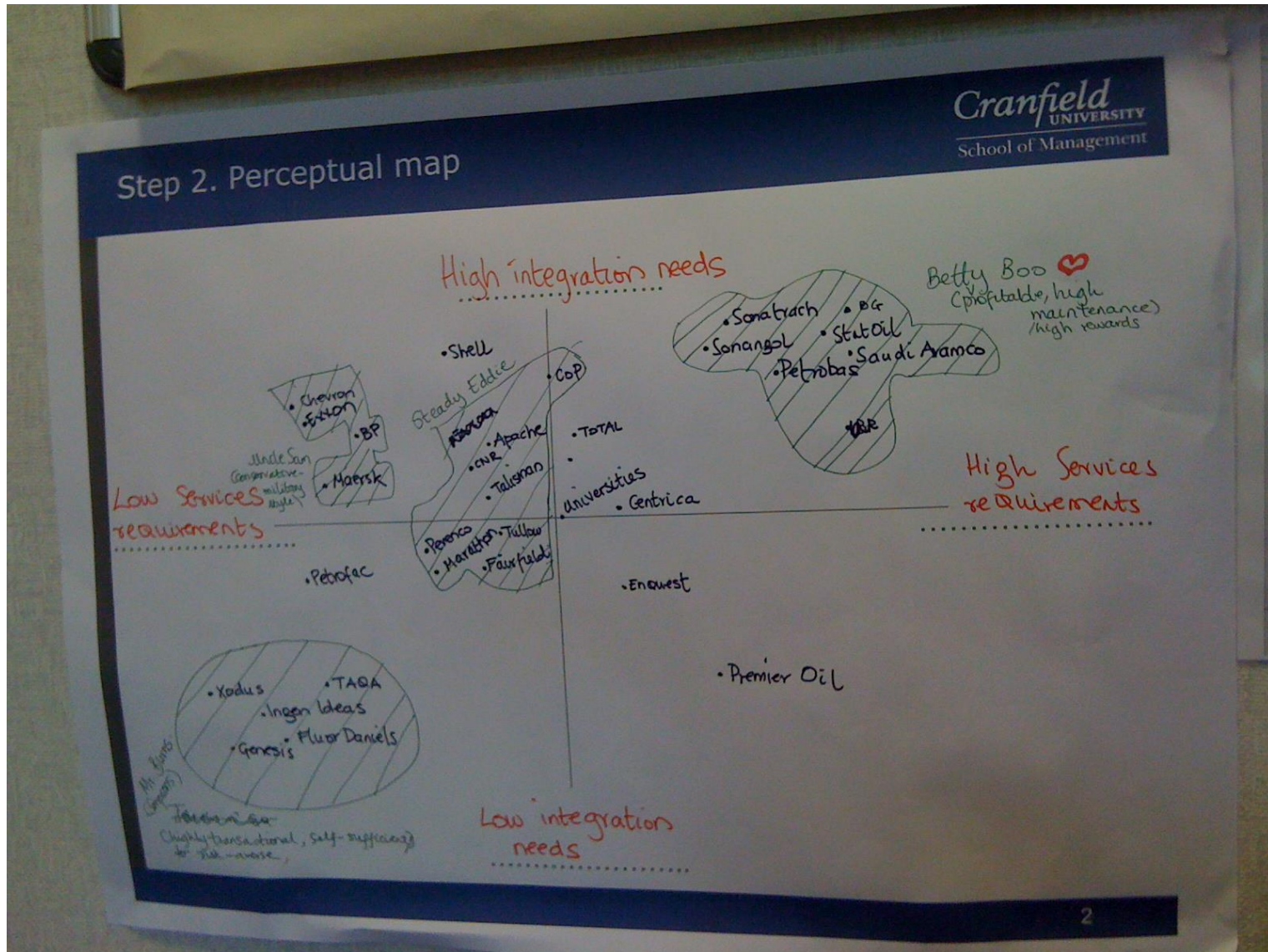


EXERCISE. Create a perceptual map for your customers

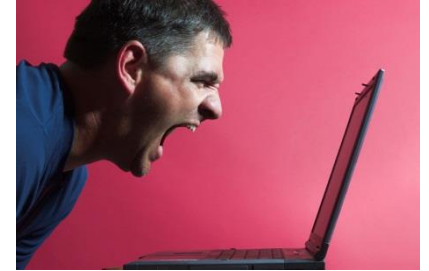


Example from a previous workshop *Cranfield* UNIVERSITY

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Summary



1. Walk in our customers' shoes:

Customers buy value (as they see it)

not 'our products' (as we view them)



Summary

2. Think about the whole journey:

The customer journey extends beyond our immediate products/services.



Summary

3. Demographics may be misleading!

Value is idiosyncratic and changes over time.



Summary

4. Value-based segmentation:

- Provides a more insightful view of requirements.**
- And may identify opportunities for our business.**

