

Best customer experience

Entering the age of the customer

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ABSTRACT

*The way companies do business has changed dramatically since the start of the 20th century, which is highly apparent in the automotive industry. Adaption is a fact for firms who want to stay in the game, but what will give a company a competitive advantage in this mess of constant changes? Trends are pointing towards a new era; the age of the customer. This article summarizes the master thesis **Best Customer Experience – Entering the age of the customer**. It provides an answer to how companies in the automotive industry, working with financial services, can improve their customer experience through ten enablers. The article will also present the background, methodology, theory and case study that led to the conclusions, and finally give recommendations on future research.*

1. INTRODUCTION

Markets, and the basis on which companies compete are continuously changing at an ever-increasing rate. Globalization and changes in the political environment, E-commerce and sustainable development together with changing customer preferences and behavior (Zheng et al., 2007) are a few key drivers. The way companies do business has changed dramatically since the start of the 20th century, when Henry Ford founded the concept of mass production and success through volumes and standardization was a fact (Holweg, 2008). Since then focus has shifted to fulfilling customer needs through product diversification, alongside development of the manufacturing philosophy of lean from Toyota, towards an era of information and technology whilst today increasing focus is put on the customer and personalization (Holweg, 2008; van Weele, 2014, pp. 152-157; Dan, 2014).

The automotive industry, which in many aspects has mirrored this development, is subject to high competition and there is a need to constantly develop in order to keep up with the competitors. Additional services are often offered beside the car, such as car maintenance and financial services (KPMG, 2012). Services like these are an important value add to the customers and can be what differentiates the product offer from two firms, hence important as a competitive factor (Lovelock, 1995).

Adaption is a fact for companies that want to stay in the game. But what will give a company a competitive advantage in this mess of constant changes? The above-mentioned trends are pointing towards a new era; the *age of the customer*. (Sitecore, 2015)

At least one of the big global car manufacturers (referred to as *The Company*) had realized the importance of customer focus and developed a concept called *Best Customer Experience* (BCE). The concept aimed, as the name suggests, to accomplish the best customer experience through *six pillars*. This concept and the *Financial Services* of The Company posed as a case study subject in the study.

1.1 Purpose

The question companies in the automotive industry need to ask themselves is *how* they can achieve the best customer experience, with the realization of services as an important value add. The purpose of this study was therefore to...

... provide an answer to how a company in the automotive industry, working with financial services in Sweden, can accomplish the best customer experience.

The focus was to be on Financial Services' private customers, for passenger cars.

2. METHODOLOGY

The methodology used can be described as a *case study*, since it aims to investigate and provide solutions for how to improve the customer experience, at a specific company and department. The first part of the study aimed to find theory on the research area, and the second part focused on the actual case study at Financial Services (FS) of The Company.

The theory, combined with the case study material, led to the statement of enablers that positively impact the customer experience for a financing provider in the automotive industry.

3. THEORY

The theory search provided a basic understanding for services and service quality, and how this is related to customer experience. Service design frameworks, the GAP-model and CRM (Customer Relationship Management) were also looked into in order to find more concrete enablers for accomplishing the best customer experience.

3.1 Services and service quality

Services are often described and handled very different from tangible goods in literature and frameworks because of their higher complexity. Services cannot be handed over to a customer since they are not a physical good, and they are carried out in collaboration with the customer. It is difficult to keep the quality consistent since two services can never be the same (Armstrong et al., 2012, pp.250-251; Williams & Bruswell, 2003, pp.85-92). Services that are offered together with a tangible core product, e.g. financing besides a car, are called supplementary services. They pose an important competitive factor, since they can differentiate the market offer from providers of the same core product. (Lovelock, 1995)

The quality of a service is commonly described as the difference between what a customer expects and what is perceived (Grönroos, 2008, p.80; Parasuraman et al., 1985). Customer expectations can be described as *unclear*, meaning that the firm is unaware of them. *Expressed* expectations are known to the firm and *implicit* expectations are expectations that are perceived as obvious for the customers, hence important to live up to. (Grönroos, 2008, pp.107-109)

If a firm is not aware of the customer expectations they risk delivering a service with the wrong quality, which will negatively affect the customer experience.

3.3 The GAP-model

The GAP-model illustrates how a firm's internal work with service quality impacts the perceived and the expected service.

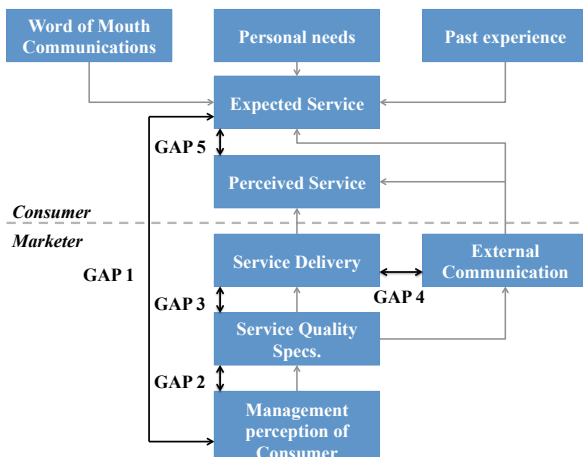


Figure 1: The GAP-model (Parasuraman et al., 1985)

As can be seen in Figure 1, customer expectations are affected by word-of-mouth, personal needs, past experience and external communication. If the expected service is not aligned with the perceived service, GAP 5 occurs. If managers do not have the right perception of the customers' expectations, GAP 1 occurs. The managers perception of the expectations must be translated into service quality specifications that are to be used for the service delivery, otherwise GAP 2 and 3 occurs. Finally, the firm's external communication must be in line with what they deliver, if not there is a GAP 4. All gaps must be closed in order to accomplish a good service quality. (Parasuraman et al., 1985; Grönroos, 2008, pp. 116-123)

3.4 Service system frameworks

The interfaces (a place or communication channel) that are used in a firm-customer relationship play an important role in the service delivery. Together all interfaces build a *service system*, which should include both people (e.g. face-to-face or phone contact) and technology (e.g. a web-page or customer portal) in order to optimize the customer experience. (Bitner et al., 2008)

When designing a service system, the foundation is the customer journey; all activities or actions that a customer undertakes when interacting with the firm. Based on this one can map which interfaces that are available for the different activities, and add or remove interfaces if there are opportunities for improving the customer experience. Typically, these maps also show whom the customers come in contact with during the different activities, e.g. customer service team or if a back-office team is involved. (Bitner et al., 2008; Patrício et al., 2011)

3.5 Customer relationship management

CRM refers to the processes involved in building stronger customer relationships by focusing on establishing, maintaining and enhancing long-term associations with the customer (Jayachandran et al. 2005).

Successful CRM relies on information about customers, which can be divided into three categories: *information of-* (refers to personal data and transaction data), *for-* (about the product and service, given to the customer) and *by the customer* (e.g. claims, propositions and complaints). These different kinds of information should be used wisely during the different phases in the customer journey. (Park & Kim, 2003)

This information must be *captured* in the moments of interaction with the customers, and it must be *integrated* and shared within the firm. The right information should also be *accessible* to users within the firm and there should be established routines for how to *use* the information. (Jayachandran et al. 2005)

4. CASE STUDY

The knowledge gained from the theory was applied to FS and through that it was possible to identify problems and struggles that they had related to customer experience. The case study was divided into four main phases: *Context*, *Understanding*, *Recommendations* and *Prioritization*. The information was gathered through interviews with staff at The Company in Sweden, UK and at the headquarter. Interviews with potential and current customers were performed in order to identify customer expectations and previous experience with FS.

4.1 The context

In the *Context* phase, the BCE concept was more thoroughly investigated together with the customer journey for FS. The customer journey, and all supporting activities, was fundamental for the following step in the case study.

Since The Company is a global actor, it was realized that their BCE concept was supposed to be applicable in all markets (i.e. countries). This further meant that there was no strict guide for how to implement it; this was up to each market to decide. The UK market had chosen to base their approach on *painpoints* in the customer journey, which are critical parts in the journey with improvement potential. An example of such a painpoint is lack of possibility to apply for financing online. Based on those painpoints they had set up initiatives, which in this case could be to develop an online application solution.



Figure 2: Customer Journey for car financing

The customer journey for car financing at the Swedish market is presented in Figure 2. It illustrates the activities a customer has to go through when they get car financing. *Contracting* refers to signing the financing contract and *car registration* refers to when the car is registered on the customer. During the *post-contracting* phase the contract is running, and once the contract reaches its end, the journey starts over again.

4.2 Understanding

Based on the customer journey, FS' service system was evaluated. It was concluded that the journey was very restricted, meaning that customers could only get *decision advice*, do the *application* and *contracting* through one interface; the dealers. Based on the customer interviews it could be noted that there existed a will, or expectation, to be able to do application online. There was also a wish for a customer portal in the *post-contracting* phase, but this was not available.

Furthermore, it was noticed that the dealers played an important role in capturing information *of-the-customers* in the early stages of the customer journey. It was also noted that the information often was of low quality (lack of information, e.g. email, or wrong information, e.g. home address). Transfer and sharing of information was not working well either and the lack of information sometimes caused delays in the customer journey, and also misunderstandings with customers. This could lead to a very negative customer experience, which was exemplified by one of the customers who were interviewed. With this said, the capture of information, information integration, access and use could have been better.

When considering how FS work in relation to the GAP-model, it was concluded that all gaps were present. There was little knowledge of customer expectations and no specifications related to the customer journey. There was also not much external communication to customers, regarding the different stages in the customer journey. The lack of communication to customers sometimes caused confusion, especially when invoices did not turn up as expected.

4.3 Recommendations

Since the customer journey was very restricted (had to go through dealers) and customers expected a few more choices, the first recommendation was to add more interfaces: a customer portal and an online option for application and contracting. This was to give the customers better availability to information about their own contract and status on invoices, but also more freedom with regards to how they go through a purchase.

The lack of information and quality problems also needed to be addressed. It was therefore recommended to implement a customer database (in Sweden) with a unique customer ID, since this would enable everybody to have the same information on each customer. It was also recommended that information systems were integrated in a way that would better support information transfer and sharing (between FS, dealers and other relevant actors). Furthermore, routines for information capture and use needed to be established, in order to secure the quality.

With regards to all the gaps in the GAP-model, one primary recommendation was to get to know the customers. It is one thing to have customer information in the systems, but another to actually use that information as a basis for improvement efforts, and that was the purpose of this recommendation.

Since there was a lack of awareness of the customer journey and all supporting activities (e.g. application approval, sending invoices) it was recommended to review the journey thoroughly. Aspects of interest could be what kind of information that was needed in each step, lead times and responsibilities.

The knowledge of the customers and their journey should also be used for setting up specifications and targets for the supporting activities. This recommendation aimed to make sure that the service delivery to customers became more consistent. On top of this, external communication to customers also needed to be clearer.

4.4 Prioritization

The recommendations described were prioritized in five waves, since all recommendations could not be clearly separated. It was based on an order that, in the end, would give the best result.

1. Implement a customer database with a unique customer ID.

1. Integrate the systems needed (on the market).

1. Create awareness of the customer journey and supporting activities.

These three recommendations were viewed as fundamental in order to continue with the other recommendations.

2. Establish routines for information capture and use.

2. Develop an online option for application and contracting.

2. Implement a customer portal.

In order to establish routines one needs to know the customer journey and the supporting activities. Furthermore, a database and system integration is needed for capturing the information successfully. Establishing routines has therefore been given priority 2. Since the interfaces (portal and online option) needs to be integrated, it was also viewed as more beneficial to have a database and control over the information systems before implementing those.

3. Use the knowledge on customer expectations.

Wave 1 and 2 were enablers for getting hold of the information needed for understanding customer expectations, and therefore it ended up in the 3rd wave.

4. Establish specifications and goals for supporting activities throughout the customer journey.

For this, one both needs to know the customer journey (wave 1) and have knowledge on what customers expect (wave 3). This would enable the firm to set specifications that are relevant with regards to customer expectations, and also in line with what is possible to deliver.

5. Decide what to communicate externally.

For this, wave 4 is an enabler since it gives an indication of what can be communicated, in terms of e.g. response time to customers' questions.

5. CONCLUSIONS

Based on the theory and case study, 10 enablers for improving the customer experience with a firm were identified. The outer circle presents the *enablers* for achieving a certain *result*, which is presented in the following circle. The results in each area will further lead to a more general impact on the customer, which is presented in the center of the model.

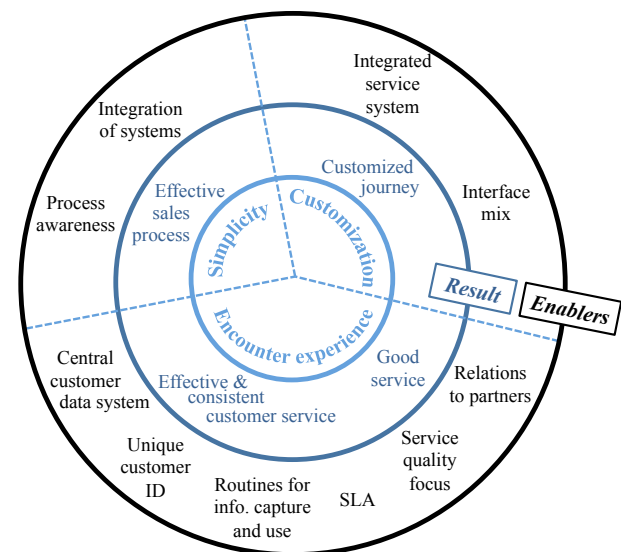


Figure 3: How to accomplish the Best Customer Experience

First of all, customers want customization. That is, the possibility to choose what their customer journey should look like with regards to e.g. choice of interface, availability to service and information and a seamless experience when they move across different interfaces. To support this, a company should focus on providing the right mix of interfaces, as well as making sure that they are integrated properly so that the experience actually becomes seamless.

The customer should perceive the journey as simple, without obstacles requiring additional efforts or waiting time. A company should therefore make sure to have an effective sales process, which is accomplished through process awareness and system integration. The process awareness refers to all activities related to the customer journey and all actors who are involved in it. Awareness

of this process would contribute in finding improvement opportunities and pain points for making the sales process more effective, as well as making the process more simple for the customer. Based on what the process looks like, systems between actors should be integrated with the aim of supporting the sales process in the best way.

There is also a question of encounter experience, and a good service quality in each encounter. Actors who come in contact with the customers should handle the encounters effectively and consistently. In order to support this, a company should have a clear focus on service quality and establish service level agreements (SLA) so that the service quality can be controlled and improved. By knowing what is possible to promise in each step of the customer journey, a company can make sure to at least fulfill customer expectations and also find opportunities for delivering more than what the customers expect. Further, all actors that take part in service encounters with customers should be involved in the service quality work to assure consistence in all encounters.

To be able to deliver a good, effective and consistent service there has to be an infrastructure in place. By this we mean a central customer database, and also integrated systems to accompany it. This would enable efficient work, understanding of the customers, better service in each encounter and all employees will be able to give the right information resulting in consistency. This also requires routines for information capture and use so that every actor knows how to access the information and how to register information. Having this in place will also help the work with service quality since it requires an understanding of customers' needs and expectations, which can be analyzed through well-documented information of the customers.

5.1 Future research

First of all, the scope in this project was limited to services. This could be extended to include a more general view on how to accomplish the best customer experience, not specifically related to services.

Secondly, the results in this study (4.3 Recommendations and Figure 3) need to be questioned and supported by quantitative studies on what *most* customers prefer. The qualitative customer interviews used for gaining information to this study does not allow for generalization or speculation regarding what most customers prefer.

Another interesting approach would be to investigate how different industries work with customer experience. E.g. is there a best in class industry? Benchmarking towards other actors within the automotive industry, as well as within other industries, could have provided valuable input to the results. E.g. does other companies

work with similar customer experience concepts and do they differ in scope and content?

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