Developing a typology of customer experience management practice
– from preservers to vanguards

Abstract:

The phenomenon of customer experience (CE) is of increasing interest to both academics and business executives. The current literature on the practice and management of CE, while multifaceted, lacks conceptual and strategic direction. Marketing research believes CE interactions and strategies have a positive influence on the customer perceived value since value is experiential, resulting in financial returns. In order to determine which one of these strategies and practices will have the most positive influence on organizational performance, we first have to understand current CE practice and develop a typology of such practices. Our paper submits a typology of these practices. Our proposed typology can help firms scope their ambition and establish a realistic development path for their investments in new experience-creating capabilities.

Keywords: customer experience; customer experience management; customer experience strategy; customer experience practice; marketing practice; typology.

Track: Relationship Marketing and Customer Experience Management.
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Introduction
The phenomenon of customer experience (CE) has received much attention among academics, consultants, and businesses. Organizations realise the strategic role of CE management and the subsequent necessity for developing a CE strategy (Klaus, 2011). Organizations need to gain understanding of how CEs are formed and how CE affects customer behaviour and ultimately their performance (Maklan & Klaus, 2011). Service providers, such as South West Airlines, IKEA, and Ritz Carlton recognise the crucial value created by providing unique and memorable, favourable CEs as the foundation of their business success. Marketing research has conceptually addressed issues of experience and argues that much of customer value is in the outcome of CEs (Carbone, 2004; Meyer & Schwager, 2007). Companies should orchestrate valuable CEs whenever they interact with customers so as to generate loyalty. Favourable CEs are argued to be crucial for company success (Gentile et al., 2007). However, not much attention has been devoted to different types of strategies for managing and governing CEs in practice. Scholars recognize the importance of understanding, designing, and managing CE in creating customer satisfaction and loyalty (Pine & Gilmore, 1999; Haeckel et al., 2003; Pullman & Gross, 2004; Voss et al., 2008), no widely accepted definition or typology has been developed. The current literature on the practice and management of CE, while multifaceted, lacks conceptual and strategic direction. The literature portrays CEs in varied and abstract ways, but has not developed the managerial insight needed for practical guidance (Klaus & Maklan, 2011). In spite of many different definitions and conceptual frameworks, there is still a need for both theoretical and conceptual development and empirical research to determine which strategies and practices will have the most positive influence on performance (Mittal et al., 2005). In order to investigate this crucial link between CE management and performance, marketing scholars have to first conduct descriptive research to understand current CE management practice (Klaus, 2011). Based on this understanding, a typology of CE practice needs to be developed as a foundation for further research exploring the link between these practices and organizational performance (Verhoef et al., 2009). The overall aim of our article is to develop a typology to better describe and understand CE practice. Our typology is grounded in both relevant literature and an empirical study. Based on an extensive review of the literature and 14 in-depth interviews with CE managers in different industries internationally, the article proposes a typology of CE strategy and management based on five dimensions emerging from the data: (1) CE definitions, scope, and objectives; (2) governance of CE; (3) management of CE; (4) CE policy development; and (5) CE challenges. The three emerging categories from the data categorise CE management practice into Preservers, Transformers, and Vanguards. The differences between these three categories of practice, together with the implications of the typology and a resulting research agenda for the study of CE, are discussed.

Literature review and theoretical framing
The literature on CE in a marketing context has a long history but no unifying or widely accepted theory or typology has emerged. Various definitions of CE are found (e.g., Edvardsson, Enquist and Johnston, 2005) with the common denominator that CE is holistic in nature (Verhoef et al., 2009) and that it has a process as well as an outcome component (Johnston and Clark, 2008). The term customer experience in
this paper refers to the customer’s personal experience as a result of interactions with the company including the brand and frontline employees as well as using products or services (Meyer and Schwager, 2007). *A customer’s experience is here defined as is the customer's assessment of all attributes of their direct and indirect dealings with an organization that explains important marketing outcomes, such as purchasing behaviour, loyalty, and word-of-mouth* (Klaus and Maklan, 2011). The core belief of these definitions is that the customers’ experience perception drives value for the organization and needs to be the focal point of their efforts. Still, little guidance is given on how exactly the organization can manage this variety of clues and influences encompassing the customer experience. Different practices form different experiences and customers’ previous experiences – stored in “the memory bank” - may have a major impact on how practices are constructed by customers and organizations. A typology of customer experience will enable us to describe and understand CE practice. This typology improves our understanding how managers perceived and subsequently CE. We define customer experience management as follows: *The strategic approach to design experience-based value propositions and the aligned management of resource constellations enabling customer to co-crate value. Customer experience management shall result in the intended customer experiences in practice as well as business value for the provider.*

**Developing a Typology for CE Strategy and Management**

With the current level of interest in CE, it is important that managers have a clear strategy for its development if they are to profit from their programmes. Marketing managers should learn from previous investments (e.g. CRM), where a lack of clearly articulated strategy, calibration of ambition, and development of necessary dynamic capabilities created a very high level of failure, at least initially (e.g. Maklan et al., 2011). Implementing CE is challenging because of its broad-reaching definition potentially covering a very extended time frame, every customer touch-point, and emotional as well as functional results. Unless firms have a clear scope for their programmes and articulate an achievable development plan for building their dynamic capabilities, there is every chance that managers will repeat the mistakes of previous process-led change management in marketing (Boulding et al., 2005). Given the contextual nature of CE, it is unlikely, in the author’s opinion, that scholars will quickly develop a comprehensive and universal guide to its implementation nor will consultants find it easy to develop a similarly universal ‘best practice’ that de-risks its implementation. To date, in brief sections on managerial implications, scholars exhort managers to do ‘everything’, in an unchallenged assumption that only the truly committed and ambitious can succeed. However, a large-scale, comprehensive CE programme may well be beyond the immediate reach of most firms, and it is not universally desirable (e.g. budget airlines). Into this gap, we posit that a typology of CE practice will at least allow managers to determine their ‘type’ and the extent of their ambition in order to scope their programs and calibrate their investment and commitment appropriately. A typology of CE management is proposed as a starting point for firms seeking to understand the quality of their practice and plan for its development in a systematic manner. In order to develop a typology of customer experience strategy and management we created an interview protocol to articulate the meaning and the domain of CE strategy and management practice. The protocol is based on our literature review and other well-cited studies exploring marketing practice (Coviello, Brodie, Danaher, and Johnston, 2002). We explored the practices of CE strategy and management through in-depth interviews
with managers responsible for the CE strategy or CE management programme of their organizations. To ensure cross-validation (Guenzi and Georges 2010), we choose service organizations from three archetypes: professional services (management consultancy, corporate bank, investment banking), mass services (telecommunication, online banking, transport, fuel stations), and service shops (retail, hotel, retail banking, airlines). The organizations operate within a variety of industry sectors such as construction, professional services, oil and gas, finance, telecommunications, technology, travel, and leisure, and different countries/cultures including North America, the United Kingdom, Sweden, Luxembourg, and Spain. Most of the organizations are traded publicly and market leaders in their respective industries both worldwide or in their home country. Our sample meets the requirements laid out by marketing researchers by exploring insights through interviews conducted with “a judgment sample of persons who can offer some ideas and insights into the phenomenon” (Churchill 1979, p. 67). Due to the highly confidential nature of the information shared throughout our interviews we are not permitted to name the participating organizations of the study. The interviews were transcribed and coded with the support of NVivo 8.0. Coding follows the grounded approach described by Ryan and Bernard (2003), which draws heavily from Strauss and Corbin (1990). The primary researchers incorporated independently a systematic and far-out comparison approach and hierarchical coding to ensure that we observed all the data thoroughly and explored all its dimensions (Strauss and Corbin, 1990). To maximise the content and face validity of the dimensions generated from the exploratory research, a panel of expert judges reviewed the item pool and the generated dimensions (e.g., Klaus and Maklan, 2011). The expert panel comprised six marketing academics familiar with the subject of customer experience practice. This procedure resulted in retaining all 47 items in five dimensions. Five CE managers confirmed the conceptual model, then reviewed the readability and applicability of the five dimensions and corresponding items.

Findings

The corresponding five dimensions and validated descriptions of CE management practice read as follows (see Table 1): CE Definitions, Scope, and Objectives, describing the organizations’ definitions of CE, its scope, and its objectives; Governance Of CE, founded on comments related to the need for the systematic management of customer experience under the leadership of an identified responsible manager; Management of CE, reporting a model of ideal experiences and a set of business processes against that ideal, i.e. existence of a CE business plan/model and business processes; CE Policy Development, describing the instigating force behind the introduction of a CE programme, and how the objectives were formulated; and CE Challenges, describing the key management challenges organizations face in CE practice. In a subsequent stage, the primary research team scrutinized each interview according to the 47 generated items in order to develop a typology of CE strategy and management practice. The resulting typology identifies three distinct CE practices, namely Preservers, Transformers and Vanguards. Next we discuss the characteristics of these practice types in detail.

Preservers define CE management as an extension, or development of existing service delivery practices and assess its effectiveness using traditional customer outcome measurements of service quality or customer satisfaction. While acknowledging its importance, Preservers are incapable of making a strong business
case for CE management. Preservers execute CE in a tactical rather than strategic fashion, lacking central control, corresponding processes or an overarching vision. The inability to connect CE practice to identifiable aims and outcomes inhibits the development of a compelling business case and elevation of CE to a strategic level. Preservers cannot provide examples of positive and negative CE and have little knowledge of the origins of their CE programmes. While Preservers acknowledge the importance of accountability, they struggle to develop appropriate measures for its effectiveness. The focus of CE management is upon organizational results and outcomes for employees, customers and core business processes are not developed: the latter includes integration of customer touch-points and the back-office functions. Preservers provide limited training for customer-facing employees responsible for delivering good CE. Preservers did not discuss the role of business partners in delivering CE. In summary, Preservers, while verbally acknowledging the importance of CE management for their organization, have yet to develop commensurate practices.

Transformers differ from Preservers in all five dimensions of CE practice. Transformers believe that CE is positively linked to financial performance, but acknowledge CE’s holistic nature and the resulting challenges in scoping and defining its management. This indicates a clear internal discourse about CE strategy and its corresponding management practice. Unlike Preservers, they see customer-facing personnel as a key component for shaping their CE programmes given the customer-centric nature of experience. Following this logic, Transformers are convinced that CE influences customer satisfaction, loyalty, recommendation and brand perception. In contrast to Preservers, who manage CE as an extension to their existing practices, Transformers believe CE is strategically important and highlight the necessity to design and execute a CE strategy based on the organizational definition of CE. Transformers connect CE practice to organizational aims, and link practice to existing measurements of customer outcomes. However, Transformers acknowledge shortcomings of existing measurements and search for more sophisticated approaches to assess CE and its impact on performance. Transformers articulate a detailed history of their CE programmes which where most often initiated by a top-level executive. All Transformer organizations feature a central CE ‘think-tank’ function. Transformers state the impact of customer-facing personnel on delivering the CE and customer behaviour, and develop training programmes for these personnel. Transformers also voice their struggles with developing a CE business model and corresponding business processes. While they often concentrate on improving existing processes, they labour to see the ‘overall picture’ of the CE strategy. In comparison to Preservers’ focus on incremental improvements, Transformers strive to become CE focused organizations, acknowledge the broadly-based nature of CE and the implications for managing CE throughout the organization. These organizations accept the long-term commitment to this transformation. And while Transformers struggle linking CE to financial outcomes, they are convinced of the positive influence of CE on customer behaviour and organizational aims.

Vanguards’ CE practices display the closest proximity to that which research suggests is a CE focused organization. Vanguards have a clear strategic model of CE management which is visible throughout the organization and in commensurate business processes and practices. While transformers only acknowledge the broadly-based challenges of CE management, Vanguards achieve the integration of functions
and customer touch-points to implement best CE practice throughout their organization and partner businesses. Vanguards use existing measurements to track the impact of the program based on customer-centric outcomes and evaluations, while constantly developing new tools and practices to support the overall CE strategy. The sophistication of CE management and practices are by far the highest of all types of organizations. Vanguards noticeably connect CE practice, outcomes and aims, as defined and controlled by a central CE function/division, the latter integrating multiple organizational functions. Vanguards recognise the crucial role of accountability, and develop constantly new and better ways to measure the effectiveness and efficiency of CE practice. CE practice is founded on the conviction that satisfying expected outcomes for customers are the drivers of organizational performance. CE is used in training, recruitment and human resources development. Rewards are developed in order to ensure favourable CEs from the customer’s point-of-view. In Vanguards organizations CE management receives clear and visual support from top-executives. Vanguard CE practice centres around the constant development and refinement of their CE business model. This model is based on, and implemented by internal research, and functions throughout the entire organization. Vanguards aim at continuously improving how business processes support their CE strategy. These organizations are certain of, and develop evidence to make the business case for, CE strategy based on existing measurements of loyalty and customer satisfaction. Conclusively, Vanguards are ‘at the forefront’ of CE practice, and their constant aim for improvement will most likely keep them in a leading position in what marketing scholars consider delivering perfect CEs.

Discussion

Our proposed typology can help firms scope their ambition and establish a realistic development path for their investments in new experience-creating capabilities. Despite the encouragement of scholars and consultants for radical transformation of experience management, we believe that organizations first must establish the extent of their ambition and how it relates to their overall strategy. For some, a limited commitment to experience may be sufficient to retain their customers and achieve their marketing objectives, others will wish to compete on the basis of superior experience and need to develop their programme from emergent to competitive. This realisation, and sorting by type, allows managers to benchmark their own efforts and set achievable goals that can be shared across the firm. The second axis of typology identifies the current dimensions of practice that help generate identifiable practices and programs for each overall cluster or type. We expect that most firms’ practices reflect a mixture of the types echoing the empirical findings of Coviello et al. (2002). A typology therefore provides an illustration of a firm’s current state of CE practices and therefore serves as the “as is” state upon which a CE programme can be grafted.

Whilst sometimes inconsistent, managerial perceptions as to the definition and scope of CE reflects academic literature, accepting that emerging scholarly definitions are very broad. The dominant themes emerging from our managerial interviews are that CE management enacts the firm’s brand values and provides engaging customer emotional and functional benefits consistently across customer touch-points and channels through motivated employees. The notion of a sequence of encounters with customers, designed by the firm, leading to emotional attachment to the brand is a
central theme in the academic literature. The centrality of people in customer experience is equally well documented.

In analysing what managers actually do, our research suggests that CE management is a development of both Quality and Relationship Marketing theories/practices. Managers articulate clearly the origins of their CE programmes from extant activities in one or both area. Typically, a service firm identifies poor quality and or inconsistent service delivery as an inhibitor to the development of their most profitable customers and conceives of a CE programme to address the issue. Scholars seeking to establish that experience is conceptually new and important may, at times, over emphasise its unique contribution to theory whereas managers take a more pragmatic perspective and position CE as an extension to well understood existing activities. We therefore posit that CE will generate incremental performance and customer value improvements rather than a dramatic step change with the past.
References


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