

## The Importance of Great Customer Experiences And the Best Ways to Deliver Them

**C**ustomer experience is one of the great frontiers for innovation. Although the concept was first invented by Joe Pine and Jim Gilmore in their 1998 *Harvard Business Review* article, most companies have been slow to grasp it. Yet I predict that customer experience will decide the winners and losers in the years ahead. Here's why:

**RAVING FANS.** Excellent customer experiences are still so novel that, when we have one, we talk about it. Ask anyone who has bought a Mini Cooper. This kind of viral phenomenon creates buzz in the marketplace and generates more revenue than traditional marketing.

**LOYALTY.** A stable base of existing customers makes it easier to boost both top and bottom line growth. Some 80% of Starbucks' revenues come from customers who visit their stores an average of 18 times a month.

**PREMIUM PRICING.** Customers will gladly pay more for an experience that is not only functionally but emotionally rewarding. Companies skilled at unlocking emotional issues and building products and services around them can widen their profit margins.

**DIFFERENTIATION.** The degree of choice in goods and services is bewildering. A history of sustained positive customer experiences increases the chance that a new product gets chosen

*Companies that deliver exemplary customer experiences share a set of integrated business disciplines that drive their success. Consider these:*

**MOMENTS OF TRUTH.** Great customer experiences are full of surprising "wow" moments. For customers of Starwood Hotels & Resorts, owner of the "W" and Westin chains, the moment of truth comes when they walk through the door of their hotel room and see the bed. Starwood execs believe that clean, sumptuous linens strike an emotional chord with their clientele, put off by seeing dark-colored, dirty-looking bedspreads. It didn't make financial sense initially to go with fancy bed linens, but the loyalty and buzz they've generated more than justify the expense.

**BRAND VALUES.** Well-articulated brands are the lodestar of customer experience. In a world of competing alternatives, they provide guidance for customers and managers. Witness Whole Foods Market. Everywhere you look in its stores, the company's brand values are evident: Sell the highest-quality foods, satisfy and delight customers, support communities, promote environmental stewardship, etc. Everything in Whole Foods reflects the brand, leading to a satisfying interaction for each of the chain's customers.

**TECHNOLOGY AND PEOPLE.** Link information-technology strategy with human

magic can happen when technology is deployed to keep customers happy and coming back. IT can profile the most profitable customers and help managers focus their human resources on keeping them happy. Ritz-Carlton, Progressive Insurance, and Harrah's Entertainment do this.

**CO-CREATION.** Allow your customers to help create their own experience. You know this phenomenon is at work when people say, "TiVo has changed my life!" Enter a machine that allows you to see what you want when you want it, and bingo! TV is a whole new game wherein the viewer makes the rules. This creates value for discerning people who want television to work for them instead of against them. To cope with the modern world, people want more control.

**AN ECOSYSTEM APPROACH.** Focus on a constellation of products and services that deliver a seamless, wonderful experience to people. The iPod, of course, is the best example of this approach. The iPod ecosystem includes hardware, software, the iTunes site—first with songs, now with video and accessories—to manage your music or videos.

Building great consumer experiences is a complex enterprise, involving strategy, integration of technology, orchestrating business models, brand management, and CEO commitment