



Mika Uusitalo

Customer Experience Management in Telecom Operator Business

A Customer Service Perspective

Helsinki Metropolia University of Applied Sciences
Master's Degree
Industrial Management
Master's Thesis
6 May 2012

PREFACE

Attending to the intense training of degree programme in Industrial Management required some tough prioritization decisions in life and work. The writing of this thesis has been a journey through the unknown, but in the end proves to have been an inspiring experience. I am proud to present by best learning in this Thesis.

I wish to express my gratitude to Dr. Marjatta Huhta for guiding me through this training. Zinaida deserves a special acknowledgement for her persistent efforts and support that made me improve time after time. Furthermore, I want to express my appreciation to my supervisor Jari Laine for sharing his expertise in the guidance of this research.

Above all, I want thank my precious Raija, family and friends. Thank you for your support and encouragement. I promise to be around more from now on, both physically and mentally.

Helsinki May 6, 2012

Mika Uusitalo

Author Title	Mika Uusitalo Customer Experience Management in Telecom Operator Business
Number of Pages Date	71 pages + 2 appendices 6 May 2012
Degree	Master's degree
Degree Programme	Degree Programme in Industrial Management
Instructors	Marjatta Huhta, DSc Jari Laine, MSc
<p>This Thesis investigates the appliance of Customer Experience Management (CEM) conceptual framework in telecom operator business. The case company of the Thesis is one of the major telecom operators in Finland providing mobile communication, fixed broadband and TV consumer services. The company has placed an increased focus on their delivered customer experience and proved to be an opportune ground for a CEM focused study.</p> <p>By reflecting on the elements of the CEM conceptual framework, this study examines the case company's current state and service practices. The study is scoped to the customer service functions of the company.</p> <p>This study is an in-depth single case study, which utilizes methods of qualitative research. The interviews serve as the primary source of data. Five managers from the case company were interviewed, two from middle – and three from lower level management. Prior to the research, a literary review enabled the designing of the research structure and discovering the necessary elements to seek answers to in the interviews. The literary review consisted of the topics of Customer Experience Management, customer relationship management, telecom market reports by Finnish Telecom Regulatory Authority (FICORA), telecom industry reports from EPSI Rating Finland (Extended Performance Satisfaction Index), and Ericsson ConsumerLab.</p> <p>The study proposes a set of recommendations and managerial implications that can help the case company to identify the elements of their customer service that need improvement from the point of view of CEM conceptual framework. These recommendations include establishment of a CEM taskforce, an improved focus on promoter customers, an appointment of a Customer Experience Officer and an improved articulation of the desired customer experience.</p>	
Key words	Customer Experience Management, Customer Relationship Management, telecom operator business, customer service.

Tekijä Työn nimi Sivumäärä Päivämäärä	Mika Uusitalo Asiakaskokemuksen hallinta teleoperaattori liiketoiminnassa. 71 sivua + 2 liitettä 6 May 2012
Tutkinto	Ins. (ylempi AMK)
Koulutusohjelma	Degree Programme in Industrial Management
Työn ohjaajat	Marjatta Huhta, TkT Jari Laine, DI
<p>Tämä opinnäytetyö tutkii asiakaskokemuksen hallinnan teoriakehyksen käyttöä teleoperaattori liiketoiminnassa. Tutkittava yritys on yksi merkittävistä teleoperaattori toimijoista Suomessa, tuottaen kuluttajille mobiili-, laajakaista- ja TV palveluita. Yritys on ilmaissut asiakaskokemuksen lisääntyneestä merkityksestä heidän liiketoiminnalleen, ja osoittautui täten hyväksi tutkimuskohteeksi koskien asiakaskokemuksen hallintaa.</p> <p>Heijastaen asiakaskokemuksen teoriakehystä, tämä tutkimus keskittyy yrityksen nykyiseen tilaan ja palvelutoimintoihin. Tutkimus on rajattu yrityksen asiakaspalvelufunktioihin.</p> <p>Tämä tutkimus on luonteeltaan perusteellinen yksittäinen case tutkimus. Tutkimuksessa haastateltiin viittä yrityksen esimiestä, joista kaksi edustaa yrityksen keskijohtoa ja kolme alemmaa johtoa. Teoriakehys kartoitettiin teorialuokitusosuudessa, joka auttoi tutkimuksen ja haastatteluiden suunnittelemisessa. Teorialuokitusosuuden aiheina toimivat asiakaskokemuksen hallinta, asiakassuhteiden hallinta, viestintäviraston (FICORA) ja EPSI Ratingin (Extended Performance Satisfaction Index) raportit matkaviestinnän alalta, sekä Ericsson ConsumerLabin tekemät tutkimukset.</p> <p>Tutkimuksen lopputulemana seuraavat suositukset auttavat yritystä tunnistamaan elementtejä heidän asiakaspalvelutoiminnassaan, jotka kaipaavat kehitystä asiakaskokemuksen hallinnan teoriakehyksen näkökulmasta. Nämä suositukset ovat: asiakaskokemustyöryhmän perustaminen, huomion lisääminen promoottoriasiakkaita kohtaan, asiakaskokemuksen hallinnasta vastaavan johtajan nimittäminen ja huolitellumman argumentoinnin varmistaminen tavoiteltuun asiakaskokemukseen liittyen.</p>	
Key words	Asiakaskokemuksen hallinta, asiakassuhteiden hallinta, teleoperaattori liiketoiminta, asiakaspalvelu.

Contents

Preface

Abstract

Tiivistelmä

Table of Contents

List of Figures

List of Tables

Acronyms

1	INTRODUCTION	1
1.1	Telecom Operator Business	1
1.2	Research Question	2
1.3	Research Design and Structure of the Study	3
2	METHOD AND MATERIAL	4
2.1	Research Approach	4
2.2	Data Collection and Analysis Methods	5
2.2.1	Interview Details	6
2.2.2	Other Data	7
2.3	Reliability and Validity	8
3	CONCEPTUAL FRAMEWORK OF CUSTOMER EXPERIENCE MANAGEMENT	9
3.1	Definition of Customer Experience	9
3.2	Customer Experience in Service Business	10
3.3	Human Emotions as a Driver for Experiences	12
3.4	Customer Experience as a Driver for Value	13
4	CUSTOMER RELATIONSHIP MANAGEMENT AS A FOUNDATION FOR CUSTOMER EXPERIENCE MANAGEMENT	17
4.1	Customer Relationship Management	17
4.2	Customer Relationship Management and Customer Experience Management Compared	18
5	MANAGERIAL ELEMENTS OF CUSTOMER EXPERIENCE	20
5.1	Multi Channel Experience	21
5.2	Measuring Customer Satisfaction and Customer Experience	22
5.3	Measuring Customer Experience	23

5.3.1	Social Media as a Reflection of Customer Perceptions	25
5.3.2	Measuring in Different Touch Points	26
5.3.3	CEM Measurements	26
5.4	Return of Investment of Customer Experience	29
6	CUSTOMER EXPERIENCE MANAGEMENT FOR TELECOM OPERATORS	34
6.1	General Industry challenges	34
6.2	The Meaning of Communication Services for Consumers	35
6.3	Service Business and Experience Business	37
6.4	CEM in Particular Aspects of Mobile Communication Services	39
6.4.1	CEM for Reducing Operational Cost	40
6.4.2	Differentiating with Experiences	40
7	OVERVIEW OF THE FINNISH TELECOM MARKET	43
7.1	Market Shares Between Players	43
7.2	Current State Analysis of the Market	44
7.3	EPSI Industry Report	47
8	CASE COMPANY ANALYSIS OF KEY EMPLOYEE DATA	50
8.1	Current Practice	50
8.1.1	Customer Segmentation	50
8.1.2	Transparency of information	51
8.1.3	Handling of Feedback	52
8.1.4	Measurements Used	52
8.1.5	Bonus models	53
8.1.6	Social Media and Web Monitoring	53
8.1.7	Ownership of CEM	54
8.2	Changes to Current Practice	55
8.3	Identified Pain Points in the Customer Lifecycle	57
8.4	Differentiation in the Market	58
8.4.1	Customer Churn and Loyalty Building	59
8.5	Customer Service Functions	61
8.6	Analysis of Case Company's Studies	62
8.7	The Desired State of Customer Experience for the Case Company	64
9	PROPOSALS AND DISCUSSION	66
9.1	Summary	66
9.2	Managerial Implications	67

9.3	Company Cultural Implications	69
9.4	Evaluation of This Study	70

References

Appendix 1. The Elements According to CEM Literature

Appendix 2. Interview Questions

LIST OF FIGURES

- Figure 1. Research design of the study.
- Figure 2. Clusters for different emotions in customer experience.
- Figure 3. Customer experience vs. Customer Service.
- Figure 4. Means for measuring customer experience.
- Figure 5. Net Promoter Score.
- Figure 6. Return of Investment of Customer Experience Management
- Figure 7. Customer satisfaction levels in different touch points in the US. A study made for US, Brazilian and Russian consumers.
- Figure 8. Importance Levels of the Five Touch points of Customer Interaction in the US. A study made for US, Brazilian and Russian consumers.
- Figure 9. Market shares in Finnish Telecom Business, mobile - and fixed – communication services.
- Figure 10. Industry trend – Mobile sector ARPU (€).
- Figure 11. Industry Trend – Mobile sector.
- Figure 12. Churn Comparison, TeliaSonera, Elisa, DNA.
- Figure 13. Customer Assessment Profile, mobile communication.
- Figure 14. Customer Assessment Profile, fixed data communication.

LIST OF TABLES

- Table 1. Background information of the interviewees.
- Table 2. CEM and CRM compared.
- Table 3. Measurements of Successful Customer Experience and ROI.
- Table 4. Observations of the conceptual framework of CEM.
- Table 5. Commodity, Service and Experience - a Telecom Operator perspective.
- Table 6. Observations of CEM for telecom operators.

ACRONYMS

ARPU	Average Revenue Per User
B2B	Business-to-Business
B2C	Business-to-Customer
CEM	Customer Experience Management
CLV	Customer Lifetime Value
CRM	Customer Relationship Management
CSI	Customer Service Index
EPSI	Extended Performance Satisfaction Index
FICORA	Finnish Communication Regulatory Authority
HRM	Human Resource Management
NPS	Net Promoter Score
VoC	Voice of Customer

1 INTRODUCTION

The purpose of this research is to act as a pre-study for building an understanding of the state of the case company's readiness for Customer Experience Management as a business concept.

1.1 Telecom Operator Business

This research sets to investigate the following research problem: *There is a reason to believe that Finnish telecom operators are leaving their end-user customers in an indifferent state of mind concerning the services they receive.* This study proposes a resolution to this issue by focusing on elements of customer experience to increase meaning of communication services.

The telecom business is, traditionally and fundamentally, a technology focused service industry. In service business, where technology has a dominant role, company differentiation can be difficult. Commonly, technology based services are easy to copy, and this often leads to competing with price, when the industry arrives into a maturity state, where all the service providers are essentially the same from the customers point of view. Investments in network technology are, therefore, only meaningful if the operator has the ability to transfer those investments into improving the service experience of their customers.

The companies' ability to manage the customer experience is, then, a potential success factor of tomorrow. This is one way for companies to differentiate themselves in the market. Here the approach can be to focus the company's efforts on how their offering addresses the customer needs, make their services convenient, and provide more meaning to the customer. This can mean a fundamental change in the companies' business mindset and working culture.

The starting point for the change is often the interaction point where the company comes in direct contact with the customer. The ownership of the customer experience, however, belongs to all functions of the organization. Not only the customer service, but sales, marketing, web pages, social media, systems, processes and other people in

the company need to be taken on board. The experiences are usually created in customer service contacts, the occasions that are often seen as cost, can now be seen as opportunities to create value.

1.2 Research Question

This research question of this study is defined as follows.

How to improve telecom operator service by use of Customer Experience Management?

In the process of addressing this question, the study focuses on two other questions.

- 1) How do the elements in the conceptual framework of Customer Experience Management apply to and exist in the case company?
- 2) What elements are missing where the company can improve when looking to adopt the holistic business mindset of CEM within the company and its customer service functions?

The objective of this Thesis is to explore how Customer Experience Management (CEM) conceptual framework can be used to improve the customer service in the case company. The findings are then compared to a conceptual framework of CEM with the goal to find the elements that match with the CEM conceptual framework. An additional task is to identify the gaps in the company practices when it comes to the studied approach. In the end, the study suggests a proposal and a set of managerial implications for the relevant areas to improve.

1.3 Research Design and Structure of the Study

Figure 1 illustrates the research design applied in this study.

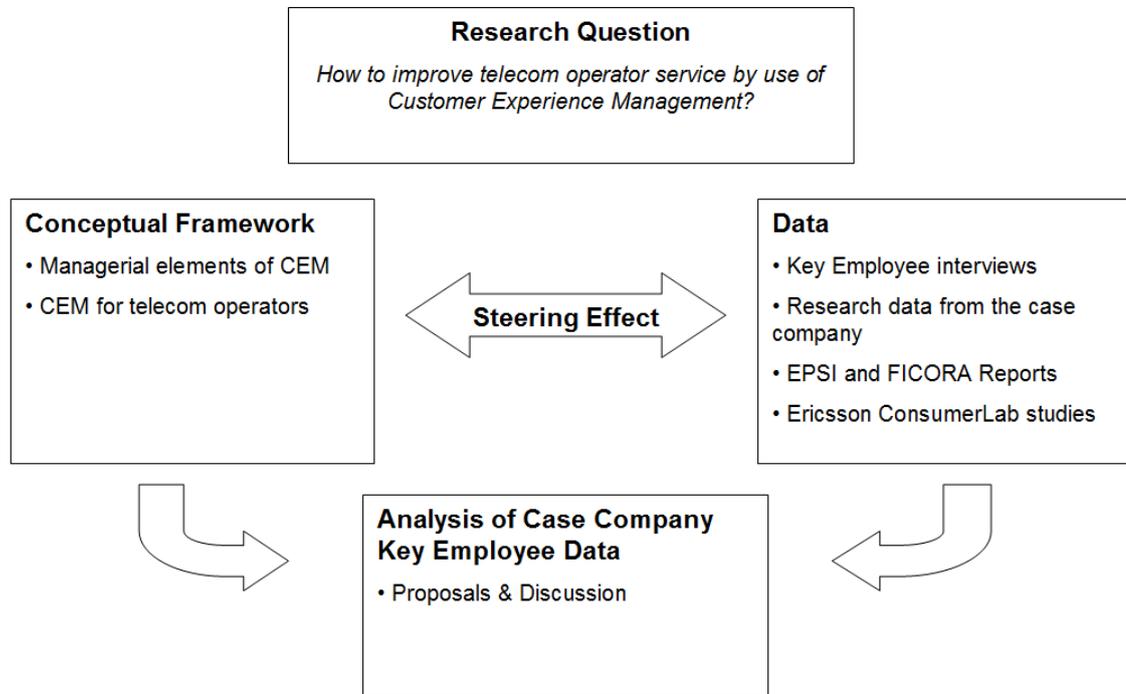


Figure 1. Research design of the study.

Figure 1 illustrates how the results of both the theoretical framework of CEM and the data collection are correlated to arrive at the outcome that answers the initial research question.

This report is written in 9 sections. Section 1 describes the objectives of the study, overviews the design, and outlines the scope of the study. Section 2 introduces the research approach, data collection and data analysis methods applied in this study. Section 3 investigates the conceptual framework of CEM. Section 4 describes the link between Customer Relationship Management (CRM) and CEM. Section 5 examines the managerial elements of CEM. Section 6 applies the conceptual framework of CEM for telecom operator business. Section 7 gives an overview of the Finnish telecom market as the competitive environment of the case company. Section 8 covers the analysis of case company data including interview results and case company studies. Section 9 introduces the managerial implications for the case company and discusses and evaluates the research results.

2 METHOD AND MATERIAL

This study uses qualitative research methods to study the case company by analyzing the results of the leader employee interviews and comparing those results with the conceptual framework of CEM.

2.1 Research Approach

Qualitative research is concerned with the researcher finding out how people see their work and the topic of the research at hand. As a process, this type of research uses qualitative sources such as interviews, observations, focus groups, document analysis. Therefore, a qualitative research has a significant human aspect to the process and the outcome when doing the field work and analyzing the results (Jehangir 2003). By using these methods, the researcher can create an understanding of the present situation within the case company.

This particular study is best described as an in-depth single case study. Single case refers to a single company assessed with the instruments and research approach selected. A case study is a common research method for qualitative research that seeks to describe real life situations. Yin describes the case study as "an empirical inquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used" (Yin 1984: 23). A case study commonly has the following phases described as the six-step model: 1) *defining the research question(s)*, 2) *selection of cases and determining techniques for data collection and analysis*, 3) *preparing for data collection*, 4) *collecting of data from the field*, 5) *evaluation and analysis of the data*, and 6) *preparing the report*. (Soy 1997)

The elements of the six-step model are also seen in this study. In the *research question and research problem* phase, the study starts off with hypotheses described in the section of research question and objective. In the second phase of *selecting the case(s) and determining data collection techniques*, CEM conceptual framework is presented as the instrument for this study. The third phase relates to *preparing for data collection*. A typical case study gathers a vast amount of data from various sources and requires a systematic approach in order to keep the focus on the main research questions and purpose of the study. Since advance preparations involve preparing for a

large amount of data to be analyzed, this phase is an important part of a case study which requires systematic documentation.

The fourth step of the case study research is the *collecting of data from the field*. In this step, the researcher collects and stores data from multiple sources as evidence of the presented issue. In this study, the data collection phase involves interviewing the case company employees as its primary data, as well as the use of studies made by Ericsson ConsumerLab, the EPSI customer satisfaction studies, and the case company's own customer satisfaction surveys and customer experience and service quality studies.

The fifth step involves the *evaluation and analysis of the gathered data*. In this phase, the data is analyzed and linked to the original research question. (Soy 1997) The final step of the six-step model is the *report preparation* phase. At this stage, the findings are formulated to a final document understandable to the reader. The reader is presented with sufficient evidence in order to ensure the trustworthiness of the choices and statements made. (Soy 1997) This creates confidence to the reader that alternate routes have not been left unexplored, the boundaries are drawn for the case, and attention has been given to conflicting notions in the study.

2.2 Data Collection and Analysis Methods

The researcher works for a telecom company that provides network and consultation services to telecom operators. One of the major Finnish telecom operators proved to be an opportune ground for research about Customer Experience Management. It happens because the two companies, the *network services provider* and the *telecom operator company*, are in a strong business relationship and work together in developing technical solutions aimed at improving the service experience of the end consumers.

2.2.1 Interview Details

As the primary data for this study, the interviews of the leading employee of the company are used. Five interviews were conducted in order to evaluate the overall presence of Customer Experience Management mindset within the company. The overview of the interviewees' background is presented in Table 1.

Table 1. Background Information of the interviewees.

Interviewee	Date:	Position, areas of responsibility and viewpoint:	Number of years in the case company and in position:
A	16.3.2012	Business Intelligence Manager. Areas of responsibility: churn prediction, development of existing customer-ships, customer loyalty and value increase in these areas. In position for 1 year. Active connection to all of the company's functions and part of the management group for consumer business and provides the data used for decision making within that forum.	2,5 years in the case company and 1 year in the current position.
B	30.3.2012	Unit Manager for Customer Service. Largely responsible of consistency of customer experience in customer service touch points.	11 years of experience in the operator business, 2 years in the case company and current position.
C	30.3.2012	Customer Service lower level Manager	10 years of experience in customer service. 1 year in the current position.
D	27.3.2012	Customer Service lower level Manager	10 years of experience in contact centre environment. 1 year in the current position.
E	4.4.2012	Business Intelligence Responsible	1 year in current position.

As shown in Table 1, the interviews were connected to the interviewee's responsibilities within the case company. The idea was to seek individuals from within the case company, who should have opinions about the elements of CEM identified from the literature, and how they apply to the case company. Two of the interviewees represent the middle management of the company (Customer Service manager and Business Intelligence manager) and two represent lower level management (Customer Service

manager and a team leader of a Customer Service unit). The fifth interviewee, one of the individuals responsible of research within the case company, provided valuable customer satisfaction and customer experience studies to be used in this Thesis.

The questions for the interviews are listed in Appendix 2. The questions were used to guide the discussion in the interviews, but often the answers came into discussion without presenting a specific question. Therefore, the interviews may be classified as semi-structured research interviews. The interviews were held in different meeting rooms on the case company premises during office hours. The interviews lasted from 1 hour to 2 hours and were carried out between 16 March 2012 and 3rd of April 2012. The interviews were recorded using a smart phone voice recorder application and the researcher made notes both during the interviews and after the interviews based on the voice recording playback. Finnish was used as the language of interviews since it is the native language for the interviewees.

Before the interviews took place, the interviewees were sent via e-mail a short description of the theme of this study and an early draft of the questions. Sending the questions drafts in advance made it possible for the interviewee to form a mental image of the items discussed in the interview, though the final questions did evolve from the questions that were sent. The questions were formulated based on the elements listed in Appendix 1. First, the researcher listed the elements that the theoretical framework described characteristic to a CEM focused organization, then the questions were formulated so that the interviews would provide answers to whether those elements exist within the company.

2.2.2 Other Data

This study also includes data received from the case company's Business Intelligence unit. This set consists of customer satisfaction and customer experience study the case company has made on their customer base. The results are reviewed on a general level for confidentiality reasons.

2.3 Reliability and Validity

The credibility of qualitative research is traditionally described as related to validity and reliability issues (Patton 1999). Validity of research is the *techniques and methods* for collecting quality data and the analysis of the data in a valid and reliable fashion. It also pertains to the *credibility of the researcher*, the level of education, experience, track record, status and the level of self expression when it comes to the topic being handled. Reliability is the philosophical value of the qualitative research on a general level that can always be debated upon. A clear understanding of reliability and validity needs to be present in the all phases of the study. (Patton 1999: 1190)

Reliability of research also involves the aspects of *trustworthiness* and *authenticity*. *Trustworthiness* implies issues of credibility (triangulation), transferability (richness of data), dependability (testing of the outcome) and conformability (avoiding bias). Authenticity covers the issues of fairness (to all the parties concerned), educative authenticity (ensuring that learning is taking place), catalytic authenticity (the study outcome encourages change), and tactical authenticity (the study creates empowerment for change). (Lincoln and Cuba 1994)

Validity of research involves the use of well-argued research instrument(s) that seek to answer the main research question(s) of the study. Thus, the instrument used for the study measures the elements it is supposed to measure and provides answers to what is being researched. Validity also includes the correctness of description, conclusion, explanation and interpretation. (Maxwell 1996) The key of validity in the result of research and how well it responds to original questions asked in the beginning of a study.

3 CONCEPTUAL FRAMEWORK OF CUSTOMER EXPERIENCE MANAGEMENT

This section describes the conceptual framework of Customer Experience Management for the purpose of this study. The framework acts as a correlation point for the analysis done in later sections.

3.1 Definition of Customer Experience

This paper adopts the following definition on the concept of customer experience.

“Customer experience is the internal and subjective response customers have to any direct or indirect contact with a company.” (Meyer and Schwager 2007: 118).

Shaw (2002) adds elements into this definition.

“...It is a blend of an organization’s physical performance, the senses stimulated and emotions evoked, each intuitively measured against customer expectations across all moments of contact.” (Shaw and Ivens 2002: 7)

Thus, customer experience can be seen as a sum of interactions, mental images, and emotions that a customer internally comprises from the company's actions. Customer experience is present in every interaction between the company and its customer – be it a sales, service or support interaction. Such a contact usually occurs in the stage of purchase, use or service, and the customer is usually active in initiating this interaction. An indirect contact in general refers to an unplanned encounter with the customer and the company’s representation of its products, services or brands. An indirect contact can also take a form of word of mouth praise or criticism in the customer base, advertising, media coverage or product reviews. (Meyer and Schwager 2007) An indirect contact can take a plethora of different and unexpected forms, such as a nuisance default ring tone in a mobile phone or an e-mail discussion between two customers.

The concept of customer experience spans over different stages: *pre-experience*, *the actual experience* and *post-experience*. An example of a *pre-experience* may be an easy access to a certain shop which is an influencing factor outside the *actual customer experience* but an important example of how stress free and effortless the whole experience can be. The *actual experience* is the stage that a company has most control of. A good customer experience also takes into consideration the outside factors influencing the experience. The *post-experience* has plethora of different aspects to consider such as delivery, after-sales service, user manuals, customer support etc. All these stages are considered as part of the whole customer experience. (Shaw 2007: 36) *Experience extension* is a concept where companies seek to influence factors outside their direct customer experience. (Shaw 2007: 38)

The fundamental of the presented definition for customer experience apply for both business-to-customer (B2C) and business-to-business (B2B) companies, though it is true that in B2B setting the customer experience is generally less thrilling. In B2B service setup, sales and marketing do not dominate when it comes to point of contacts with the customer. It is often the Operations people who deal with customer projects, directly facing their customer counterparts. The relationship in a B2B setup is a functional relationship by nature and creates a holistic awareness of the customer experience issues. (Meyer and Schwager 2007: 119).

3.2 Customer Experience in Service Business

When it comes to customer experience in service business, it is customer and organization that come together to create an experience. According to Shaw (2007) "(it) is a blend of an organization's physical performance, the senses stimulated and emotions evoked, each intuitively measured against customer expectations across all moments of contact" (Shaw 2007: 8). The physical side of the experience consists of price, product, availability, accessibility, efficiency, time of day, ease of use, sales and delivery channel. More importantly, customer experience is about emotions, research showing that over 50% of a customer experience is based on emotions (Shaw 2007: 8).

A customer experience is delivered whenever a customer comes in contact with the company: through advertisement, websites, interaction with delivery personnel, physical shops, dealing with customer service and customer support. Customer experience,

as described earlier in this section, combines individuals past and present experiences about a company (direct and indirect) and is therefore, also existent before and after an actual customer service provider relationship. Not all contacts are equally important. For example, for telecom operators, the smoothness of how the company executes a change of address of a customer ADSL subscription is significantly more important than a slight or moderate mistake in the customers billing. These interactions, however, can be more important for the customer than it may seem. In this study, these interactions are called "touch points", and this expression will be used throughout the paper.

When defining a success level of a touch point, it comprises the customer expectation, customer experience and the gap in between what spells the difference of the targeted experience and something less. These expectations may be the result of the customers' past experiences with the company's services, the competition, possibly the market conditions and to quite large extent the customer's personal situation. (Meyer and Schwager 2007: 120)

Consistent quality, short and smooth deliveries, great value for money, these are all great for the customer experience. There is no substitute for having a good product, but many other factors can be considered when trying to boost the service experience. Whether the components are functional, emotional or psychological, it all comes down to a simple question of whether the customer wants to experience it again. (Shaw and Ivens 2002: 21)

As customer perception of a company is a subjective blend of all past encounters and communication relating to the company, *the company's brand message* is closely related to customer experience. The brand can be defined as a collection of perceptions in the mind of the consumer (Bates 2007). By definition, brand has a distinct connection with customer experience. Shaw describes the relation as follows: "The brand and the customer experience should be one, together, the same" (Shaw and Ivens 2002: 137), and Goodman also emphasizes the complete alignment of the brand and customer experience. (Goodman 2009). A brand experience is what occurs at the times when a consumer sees, hears or interacts with the company's brand. This does not equal customer experience since for a brand experience to happen a consumer does not need to be a customer of the company.

3.3 Human Emotions as a Driver for Experiences

As research shows, over 50% of our experiences are based on emotions (Shaw 2007: 8). Emotions are fundamentally what drive human beings. However, it is only in the past decade when companies have started addressing these things by through their business efforts.

From a biological point of view, humans experience the world through emotions. Emotions are formed in the brain which can be divided into two main parts: *the core* and *the cortex*. The *core* part of the brain plays a role in all felt emotions. There reside the basic functions for survival: hunger, sex drive, fear and the basic life processes such as the impulse to breath. The *cortex* part of the brain is the outer half of the brain containing our abilities for logical thinking and such advanced functions that separate us from other species in terms of intelligence. A way to differentiate these two parts in terms of how we think and feel is the example on how we experience hunger. *The core* part of our brain is the source of this emotion, and *the cortex* part of the brain will dominate in the role of figuring out how to obtain food or it might even create a conflict with this core emotion because of an ongoing diet or by the knowledge that there is no food available. When *the core* and *cortex* part of the brain are aligned, decisions happen nearly instantaneously and with ease. However, when there is a conflict, such as the hunger example, this creates a feeling of unhappiness and discomfort. (Shaw 2007: 22) Brain scan studies show that emotions play a key role in consumer decision making. Furthermore, evidence is found from studying patients with damage to certain parts of the brain. These studies show that even though the patients can reason logically, their decision making abilities have impaired since they have lost their ability to feel emotions. (Walden 2011)

From a psychological point of view, people have goal states as fundamental motivators. Not all people have the same goals in life, one's goal may be to succeed in the family life, or to work and make money. Some other main psychological aspects are the values that people have and, these values are learned from many sources: our family, our culture, our social interaction with others and our society. On top of all these aspects, we have several factors that affect emotions: a person's mood of the day, their view of life, their abilities and disabilities etc. (Shaw 2007: 22) Therefore, the overall picture of customer goal states is really complex.

In order for a company to start deliberately creating a Customer Experience that will lead to profit, the starting point is to understand that people have goal states but also emotional states which will either drive or destroy value. All of the mentioned aspects contribute to emotions and it is not realistic that a service can take them all into consideration. However in terms of Customer Experience Management, an organization should understand what signals their experience is providing and what kind of emotions they may result in. The subtlest of negative signals can accumulate to an awareness of a glitch in the quality of a service, or the less subtle ones will likely ruin the experience. It is also to be noted, that if people are treated poorly, they tend to look for more signals to reinforce this, which is a natural human tendency that works for both positive and negative signals (Shaw 2007: 25). As it can be seen from these examples, the brain is an immensely complex organ, and the functions of it are not fully known to science. When service companies deal with human emotions on a daily basis, this aspect of a service experience is often handled by the customer service employees interacting with the emotional states in customer interaction touch points. Individual customer service employees can do a lot to fill in the gaps in the overall service delivery. The significance of a company organizing itself to respond to customer emotional states is lies in the essence of Customer Experience Management, and should be specially attended to.

3.4 Customer Experience as a Driver for Value

Profit driven companies are based on creating value to their customers and benefit from it financially. The fundamental goal for companies is then to create value and get paid more than it costs to create that value. In order to do this, service companies aspire for these fundamentals in their actions, namely: *increase customer loyalty, attract new customers, reduce cost* as much as possible and *increase customer spending*.

In service business, serving existing customers is generally cheaper than attracting new ones. Thus *attracting new customers* is considered a more costly action compared to *keeping the existing customer base*. In fact, new customers cost 5 times as much to acquire. (Shaw and Ivens 2002: 53) Word of mouth and referrals are the cheapest form of advertising, which relates directly to customer experiences. Although reducing

cost and increasing efficiency is a necessity for all companies and getting customers to buy more is an obvious goal for every company, it is worth emphasizing that loyal customers spend more with the companies they are loyal to (Shaw 2007: 12), (Reicheld 2003: 3). Thus, a clear relation between customer loyalty and profitability does exist. The regular customer may not always be the most profitable. But the fact that they remain as customers, means that less resources are needed to activate them. This is especially true for mature markets, such as the telecom operator business, where acquiring new customers through advertising and marketing is even more difficult than in immature markets. (Reicheld 2003: 3-4).

According to Shaw, there are three clusters that drive value and one cluster that destroys it. The three value driving clusters are *attention cluster*, *recommendation cluster* and *advocacy cluster*. Figure 2 illustrates the set of emotions included in these clusters.

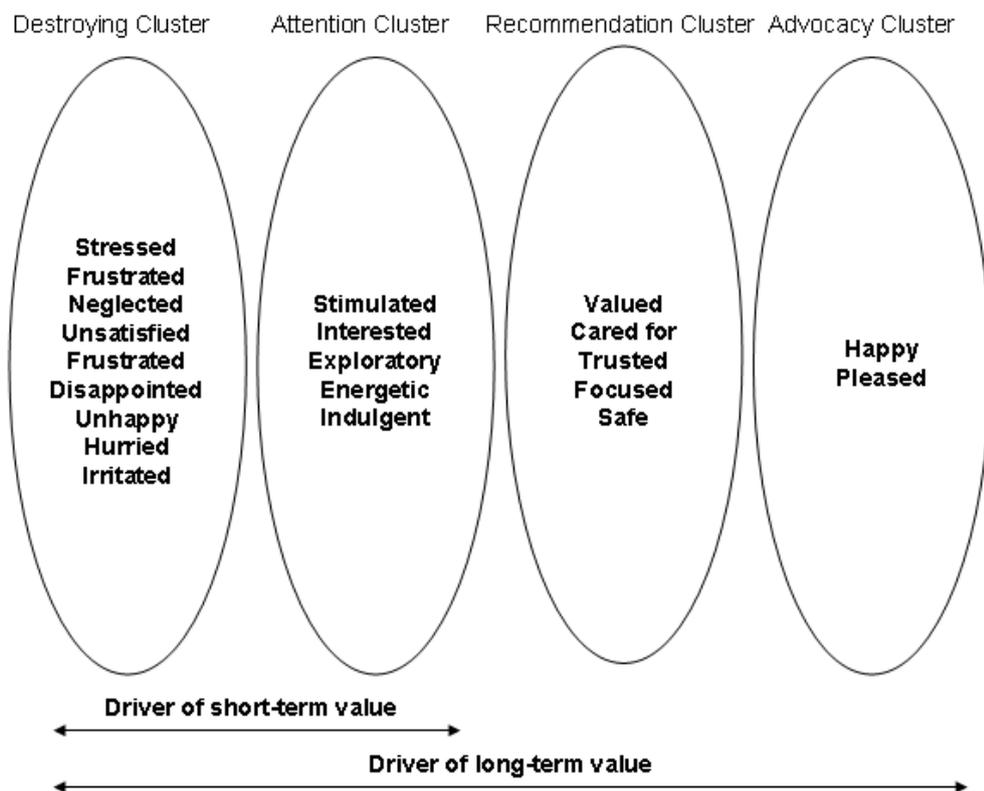


Figure 2. Clusters for different emotions in customer experience (Shaw 2007: 14 - 16).

As shown in Figure 2, the value *destroying cluster* is the first priority focus area when a company aims to improve customer experience. This cluster involves negative custom-

er emotions such as disappointment, irritation, frustration, feeling of being neglected. Affecting *the attention cluster* involves creating positive stimulation and raising interest in the customer for the company's offering. Increasing customer loyalty and building long-term customer relationships may start by focusing on the customer emotions in the recommendation and advocacy cluster. *The recommendation cluster*, as the name indicates, reflects on positive customer emotions and result in positive word of mouth about the company's offering. Feelings of trust, safety, focus and being valued and cared for result in a potential of a customer recommending the service to others. This cluster is reactive by nature – a customer may not proactively promote the service, but will likely recommend the service if being consulted about it by someone. When a customer feels content and happy about a service, they will likely proactively tell others about the quality service they receive. This kind of advocacy is the cheapest and most effective form of marketing (Shaw 2007). Therefore, by focusing the company's resources on customers most pleased and happy with the service, is considered a key driver for profitable growth. (Reicheld 2003: 1)

An example is taken from the recent transition in mobile phone subscriptions. During the first decade of the 21st century, the use of mobile data has grown. This is a result of data consuming applications becoming available in the user equipment, via increased popularity of smart phones. Traditionally, the mobile phone subscriptions have been based on voice and messaging capabilities. Since mobile data has not been in focus in the older subscription deals, the billing has often been based on voice and messaging type of services. This often means billing based on the number of data connections established or a more data oriented billing methods based on amount of data being transferred. Since mobile data has not been a major factor in older subscriptions, it can have been contracted with high prices to current standards and with no data transfer limits. Therefore, both of the mentioned billing methods become a problem when a user decides to start using a smart phone. The increased amount of data use then results in added bills of several hundreds of Euros. Taking this example, the mobile operator's had an opportunity to address customer emotions in *the destroying cluster*, for instance, by setting up an alarm in their billing system. Such a warning could have resulted in proactive actions by the company, where the customer is contacted for a chance to revise the subscription before the monthly bill increases any further. This kind of pro-activeness by a company would tackle both, decreasing the customer emotions in *the destroying cluster* and creating customer emotions in *the*

recommendation and *the advocacy cluster*. This transition did bring short-term profits to telecom operators in some cases. On the long-term, however, the profits would likely have been bigger considering the improved individual customer experience and the positive word of mouth resulted in *the recommendation* - and *the advocacy cluster*. Thus, customer emotions of being cared for increase individual customer loyalty and increasing positive word of mouth increases potential for new customers. As was emphasized earlier in this section, retaining existing customers is overall cheaper than acquiring new ones, and a loyal customer spends more money in the companies they are loyal to. Good customer experiences can also be used as success stories in marketing, as well as for creating emotions in *the attention cluster*.

These dimensions of customer emotional states are a significant factor to what forms a customer experience, but they are often not considered when companies do customer segmentation or profiling. The views presented in this section raise the question, whether this emotional dimension should be an element of churn prediction or evaluating the effects in the executed customer loyalty programs. The ability to identify customer emotional states and specify how they relate to revenues is in the essence of a good Customer Experience Management which often makes the difference between a churning customer and a loyal one.

4 CUSTOMER RELATIONSHIP MANAGEMENT AS A FOUNDATION FOR CUSTOMER EXPERIENCE MANAGEMENT

Customer Relationship Management is closely linked to Customer Experience Management. This section differentiates the two concepts individually and in relation to each other.

4.1 Customer Relationship Management

Customer Relationship Management (CRM) relates to a company's strategy of creating value to the company and its customers. It withholds the company's effective use of the customer data, the gathering of customer knowledge and the distribution of this knowledge to the appropriate stakeholders. It also affects the development of lasting relationships with the customer and/or customer groups, and the integration the company's value creation processes. Thus, CRM places an emphasis on integration of processes across different company functions. In recent years, CRM has been the dominant management model for handling the customer interface in terms of collection and diffusion of customer knowledge within the organization. (Payne and Frow 2006 138)

The use of CRM is integral part of Customer Experience Management (Shaw and Ivens 2002: 97). Up to recent years, CRM related programs have been used by larger companies for addressing customer-oriented strategies. In order to increase the company's financial profits, CRM has been used to increase value of the company's offering to their customers and a company's strategic value. CRM was the start of customer focus and a notion that a company should try to see and treat their customers as valuable individuals. As is known, CRM mostly does this by measuring customer satisfaction. Customer satisfaction has a direct linked to customer expectations, but according to recent studies customer satisfaction is not so strongly linked to customer loyalty. The notion here is that a satisfied customer can leave just as easily as a satisfied one. In other words, customer satisfaction measures have virtually no ability to predict customer loyalty.

Traditionally there is a wealth of data available on the physical aspects of the customer experience, but little is known on the emotional side (Meyer and Schwager 2007). CEM is seen as an expansion to CRM. As Customer Experience is not only a sum of rational

elements, CEM seeks to address Customer Experience with a statement that over 50% of it is, in fact, human emotions (Shaw 2007: 123). CEM thus adds a new dimension for measuring and understanding customer experience.

4.2 Customer Relationship Management and Customer Experience Management Compared

The concept of CRM was elaborated in Section 4.1. Thus, the emphasis of CRM is on acquiring of knowledge about the customer and company's internal diffusion of it. This raises a concern of the missing emphasis for words "customer" and "management", though they do appear in the name of the concept itself. According to Meyer and Schwager (2007), "customer experience management and customer relationship management differ in their subject matter, timing, monitoring, audience, and purpose". (Meyer and Schwager 2007: 127) Table 2 compares CEM and CRM by using these differentiation points.

Table 2. CEM and CRM compared (adapted from Meyer and Schwager 2007: 120).

	What?	When?	Monitoring	For who?
Customer Experience Management (CEM)	Captures and distributes what customer thinks about a company.	At points of customer interaction: "touch points"	Surveys, targeted studies, observational studies, "voice of customer" research.	Business or functional leaders in order to create fulfill able expectations and better experience with products and services.
Customer Relationship Management (CRM)	Captures and distributes what a company knows about a customer.	After there is a record of customer interaction.	Point-of-sales data, market research, Web site click through, automated tracking of sales.	Customer facing groups such as sales and marketing, field service, and customer service, in order to drive more efficient and effective execution.

As shown is Table 2, CEM focuses on understanding what the customer thinks about a company, when CRM takes a more company centric viewpoint and deals with data that the company has about a customer. CEM, in its turn, has a more immediate timing for

information gathering, as it seeks to collect data about customer interactions while they are still occurring or immediately after. CRM on the other hand builds more on historical records of customer interactions. If CEM studies are mostly built around surveys, observational studies and listening to customer's viewpoint, CRM relies more on the physical sales data and often customer perception used to evaluate the performance of the company's service as a function. While CRM is often used by the functions that closely deal with customer relationship building and execution of service, CEM has a more clear use in how the products and services are formed around the customer expectations, as well as how business leaders can align the company's functions in order to maximize the quality of customer experience. (Meyer and Schwager 2007)

Overall, CRM captures what the company knows about a particular customer (i.e. history of the past touch points) and CEM seeks to capture the customers subjective impressions about the company together with the immediate response of the customer to its encounters with the company's service (i.e. the present touch point). In other words, CEM differs from CRM by focusing on the current experience of the customer, rather than the recorded history of the customer. (Verhoef et al. 2009) Above all, CEM strives to understand customer emotions in these different touch points. Thus, CEM complements CRM, rather than acts as a replacement for it.

5 MANAGERIAL ELEMENTS OF CUSTOMER EXPERIENCE

The key for managing customer experience lies in managing the quality of customer interactions as a holistic approach. What is to be noted, that customer experience is not the same as customer service. Figure 3 emphasizes this point further.

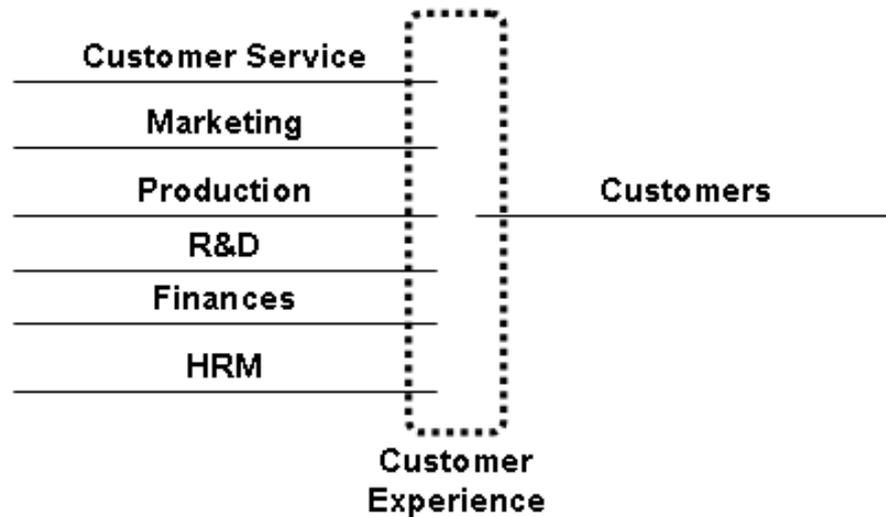


Figure 3. Customer experience vs. Customer Service (adapted from Löytänä and Korteso 2011: 15).

Figure 3 shows how different business units contribute to the creation of the customer experience. A company's IT-department takes care that the company's IT systems work; accounting assures that the customers pay exactly what has been agreed; R&D develops solutions that better satisfy customer needs; marketing cultivates the company's brand and communicates the company's offering to customers; and HRM (Human Resource Management) ensures that the staffing is in order to provide the best possible experience to the customer. The customer service and sales are usually the functions that have the most interactions with the customer. (Löytänä and Korteso 2011: 14-15)

Therefore, CEM is a holistic business mindset that considers all functions of a company. Even though customer service and sales are usually the ones interfacing the customers, a company's other functions affect greatly on how capable a company's customer service and sales is able to create experiences that meet or exceed customer expectations.

5.1 Multi Channel Experience

Today's companies communicate with their customers over multiple channels. Consistency of communication over multiple channels is extremely important. Organizing to deliver a consistent experience is often a major challenge when adopting CEM's "from outside in", as the prominent "from inside out" may be overlooked. This "from inside out" vs. "from outside in" expression describes how companies have commonly structured themselves to manage these moments of contact. Although companies have various different structures, the main principle remains the same: different moments of contacts are managed within organizational boundaries that are run by a top manager responsible for each organizational entity. Structuring a company functionally is reasonable, and the majority of companies are structured in this manner; but not many are seen as organized around the customer *per se*. When different organizational entities have their separate organizations with separate budget, it is a constant challenge to hide these separate goals from the customer. For example if a product purchased from the company's web-shop, it cannot be returned to their stores because this would affect the stores costs and targets. These types of situations make it apparent how companies are often unable to align themselves to be what is best for their customer. In fact, companies often promote themselves as being customer focused and customer centric, but often they act based on what is best for the company ("from inside out") as opposed to what is best for the customer ("from outside in"). (Shaw and Ivens 2002: 73) Eventually problems that the company leaves unsolved, becomes the customers problems, which results in a stained customer experience.

It is the premise of CEM, therefore, to emphasize that it is the customer that should own the relationship and it is the company that should align itself to meet the dynamics of this relationship ("from outside in"). In commoditized markets, the customers have the privilege to determine the moments and technologies of contact, as they do, for example, in deciding on the service provider company. In other words, when companies design the interaction points, which they want the customer to use, the customers often find their own paths for contact. This can result in guiding the customers to use the paths the company wants the customer to use. However, a deliberate customer experience adjusts to the contact paths the customer itself is using and allows them to choose their own pathways for contact. Additionally, when customers interact

with a given channels, that channel should be able to handle the totality of that customer activity as far as possible. (Shaw and Ivens 2002: 79)

Presently, more and more companies have started to appoint customer experience directors and managers. These individuals are normally the caretakers of the company's customer experience and their role penetrates through the corporate political boundaries and makes customer experience a constant statement in whatever the company is doing. The role requires asking the fundamental question in all company's functions: *Who is the customer? How are we segmenting our customers? How do our customer's want to interact with us? And how are we managing our customers?* When a company has a clear definition of the customer experience it wants to provide, then it is crucial to be able to ensure that all groups are adhering to it. Most importantly, the customers will ultimately see the company as responsible for their customer experience. (Shaw and Ivens 2002: 73)

To summarize, companies have a challenge to communicate in a manner that is consistent and intentional, but yet allowing the customers choose the suitable communicating paths for them. Deliberate consistency is what customers expect. Making this happen by design is a way to meet these expectations. Since all company functions are responsible of this communication, none can be excluded when designing a deliberate customer experience.

5.2 Measuring Customer Satisfaction and Customer Experience

In all measuring and research that a company does, it is essential to focus on relevant things the company can use to make conclusions how to manage their business. This section elaborates on the key measurement aspects relating to customer satisfaction and extending to customer experience measurements.

Nearly all companies do some kind of customer satisfaction surveys. It is in the essence of Customer Experience Management to go beyond customer satisfaction and within this paradigm, customer satisfaction surveys do not suffice. The challenge in customer satisfaction surveys often comes from the fundamental company centricity of them. Companies ask for customer opinions about how well a company has been able to perform its function or how well their offering compares to competitors, and this is

company centric. Customer satisfaction surveys also focus on rational factors often completely excluding the emotional factors. A common problem in customer satisfaction surveys is the sheer length and complexity of them. When surveys become too demanding, this will either start showing in the number of respondents not completing the survey or the quality of given answers in the latter part of the survey, when the respondents become fatigued in giving proper answers. Another big problem is with the truthfulness of the received replies. The customers may say they read books, eat healthy and exercise, but these answers can often reflect more on how individuals want to appear to the world than how they really behave as consumers. When it comes to how users use mobile data for instance, the use of adult entertainment services will unlikely come forward from survey results when they certainly do form a substantial portion of the overall traffic. (Löytänä and Korteso 2011: 193)

5.3 Measuring Customer Experience

When it comes to measuring customer experience, there are a variety of means to it. A division can be made based on passively received and actively acquired information. This division is made based on how the information reaches the company. This is either via spontaneous feedback initiated by customers or as a result of different kind of surveys or studies about the company's service quality. Figure 4 collects different ways to measure customer experience.

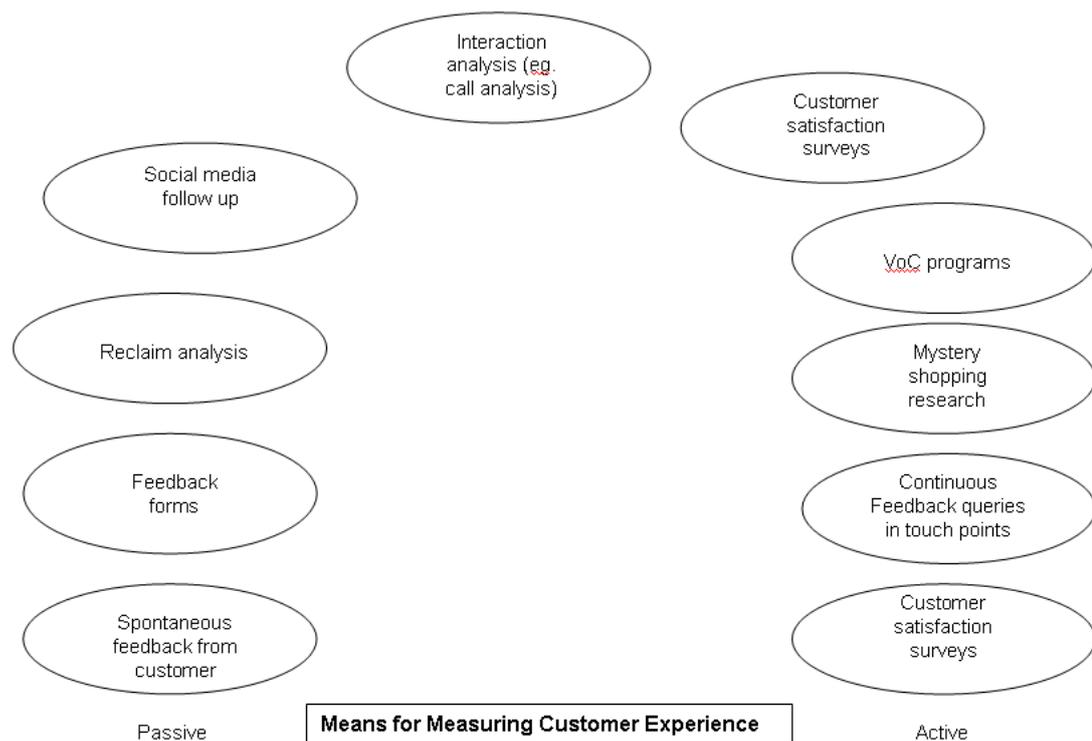


Figure 4. Means for measuring customer experience (Adapted from Löytänä and Korteso 2011: 188)

As shown in Figure 4, on the passive side, spontaneous feedback refers to customer initiated feedback that the customer gives in a self-chosen way, time and place. Encouraging spontaneous feedback involves making easy to use channels available for it in carefully selected touch points, and that the feedback results are tied to those touch points when analyzing them. In this kind of spontaneous feedback the extremes stand out, since the nature of the feedback is usually either highly positive or highly negative and very rarely of a moderate type. Spontaneous feedback is often a chance for discourse with the customer. Therefore, it can be a chance for creating value for customer. Automated replies hardly express appreciation for feedback several pages long and a reply coming weeks later in the modern day does communicate some level of indifference towards the person giving the feedback. (Löytänä and Korteso 2011)

5.3.1 Social Media as a Reflection of Customer Perceptions

Another form of passive and increasingly important type of feedback is the area of social media. For some years, it has not been a matter of whether companies should enter social media, since all companies are there whether they choose it or not. The choice nowadays is, whether the company tries to manage social media or merely settle for following it. With the use of efficient text analysis tools, it is possible to monitor social media. When done correctly, it can reveal areas for improvement that might never come up via other measurements or feedback collection. Nowadays, it can happen that a data network outage is first reported in social media before a single customer contacts the service provider. Another aspect of social media is in the social status of individuals. A negative reference of a company's service by an individual with a high social status can have an influence on large amount of people. Certain individuals can have a high influence on the behavior of their social contacts. In the age of YouTube, Twitter and Facebook, a negative reference in social media can reach millions of viewers, blog subscribers and Facebook shares. According to research made by M-Brain Oy in 2010 on social media in Finland focusing on discussions related to customer service, over half of the running discussions were somehow related to how customers were experiencing a certain service. Nearly a quarter of discussion revolved around criticism towards customer service situations when only one per cent of the discussions were promoting a company or a product based on customer service. Another aspect worth noting is the sheer volume of discussions – a thousand new discussions related to customer service started every day and the use of social media is on the rise. (Löytänä and Korteso 2011: 192)

Therefore, social media is a significant touch point for companies. All companies have a presence in social media. Companies are affected by customer perceptions, and those perceptions are expressed widely in social media. Managing social media effectively can benefit the company, and ignoring it can damage the company.

5.3.2 Measuring in Different Touch Points

Customer satisfaction surveys in larger companies quite often occur on a yearly basis. Therefore, decisions are often made based on data that is several months old. In many businesses this kind of data is outdated and there is a need for more continuous and systematic approach in measuring service experience. In order to thoroughly understand the provided experience, the measuring should include as many touch points as possible and the measuring should be on a continuous basis. There are several ways to carry out this kind of measuring: systematic e-mail or SMS survey to customer after service interaction, phone interviews, electronic feedback machines by the shop exits etc. The important thing however is to focus on making the queries concise and relevant. The surveys should also make good use of existing information the company has about the customer and thus making the survey more personal to respondents. The respondent should not have to respond to questions the company should already know about the customer. These kind of questions can lead into a frustrating respondent experience. For example things like how long the respondent has been a customer of the company or what exact services are in the respondent service portfolio. Continuous measuring can be used to react quickly to defects in the service processes and it helps maintaining a dialog with the customers. (Löytänä and Korteso 2011: 200)

5.3.3 CEM Measurements

There are several valid measurements available that can be used to evaluate the customer experience a company is providing. This section discusses these main measurements from the point of view of CEM.

The Net Promoter Score (NPS) measures service quality with questions such as: "How likely are you to recommend (a company, product or experience) to a friend?" (Reicheld 2003) The customer's willingness to recommend a company is seen as one of the most effective ways to measure customer experience. NPS is based on this simple yet fundamental question, thus simplicity is its main advantage. Figure 5 describes the NPS model.

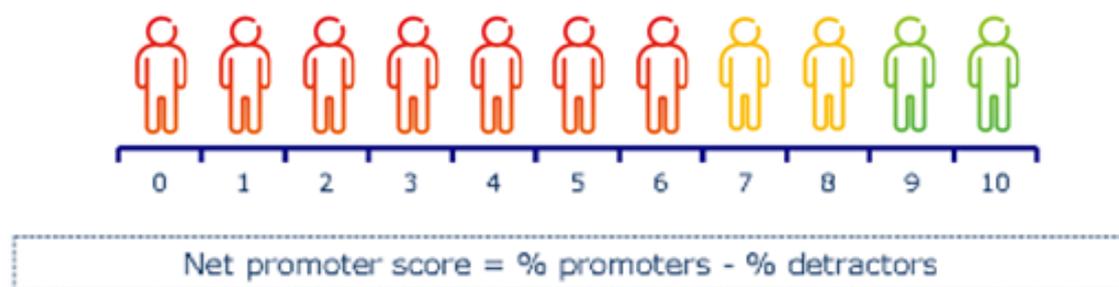


Figure 5. Net Promoter Score (Reicheld 2003)

As described in Figure 5, answers are given on the scale of 0 – 10. Respondents are categorized into one of three groups: *Promoters* (9–10 rating), *Neutrals* (7–8 rating), and *Detractors* (0–6 rating). NPS is the percentage of promoters minus the percentage of detractors. Neutrals (7-8 rating) are not considered in the NPS calculation (Reicheld 2003). Promoters are considered loyal and willing to recommend a company to others. The Neutrals are considered as rationally satisfied customers but emotionally neutral and can easily change the service provider with fairly minimal effort by the competition. Customers answering 6 or below, are seen as detractors. Detractors are susceptible to leave as soon as better offer is presented by competition. At worst, they are experiencing negatively charged feelings of the value destroying cluster. (Shaw 2007: 124)

Therefore, NPS is a simple way for companies to measure customer's willingness to recommend the company's offering and also compare the results with competitors. The scores vary greatly between different areas of business. Hotels can have scores over 80 when telecom operators rarely reach a positive score. Finnish telecom operators have started with NPS few years ago and have been scoring below zero. Telecom operator service is usually considered successful when the customer does not notice its existence (Löytänä and Korteso 2011: 202-204). The score withholds the overall customer experience it is therefore built from both physical and emotional attributes. NPS is directly linked to the value driver clusters explained in section 3.4. (Shaw 2007: 124)

NPS is not a good measurement for everything, as its use in measuring the quality of service in touch points is debatable. NPS result from a specific customer service encounter, will most often include the customers overall perception of the company. This can be considered as the weakness and the strength of NPS. NPS is good top level view of the company's service experience, but the resulted scores do need dissecting

before they can be used in business decision making. Organizations can use NPS to understand their current position and determine the elements in their service where they can improve. However it is a risk to rely only on NPS to evaluate the effectiveness of a Customer Experience Management initiative. NPS can act as a foundation, but organizations must use other measurements in order to build a complete picture of their provided customer experience.

Voice of Customer (VoC) programs are about continuous consideration of customer expectations, needs and wishes in company's business. In addition to market research surveys, VoC programs include customer data such as feedback, reclaims and also employee input. (Goodman 2009: 28) VoC programs seek to use data from in all touch points and they are especially used when creating new services in IT service business. Customers have both conscious needs and subconscious needs that companies cannot realize by listening. Thus, when measuring customer experience, the programs should also actively seek to discover these needs. This is an area, where customer behavior tells more than what they say. In other words, what customers say and what they do are two separate things. For example customers can seem very excited about a new service, but it does not mean that they are willing to pay for it. For this reason, companies should be cautious when using VoC in business decision making. (Löytänä and Korteso 2011: 195) Overall, VoC programs use similar means of data collection as when measuring customer experience, but it is not an all-encompassing customer experience measurement.

Mystery Shopping refers to an activity where a researcher interacts with a company's service in a given touch point like a regular customer and observes the company's behavior by focusing on predefined attributes. Commonly this method is used when measuring the service experience in different sales points or customer service situations. (Löytänä and Korteso 2011: 197) Unlike in customer satisfaction studies, a mystery shopping research is used to measure the process, rather than the outcome of a service encounter. (Wilson 1998: 415)

When it comes to measuring customer experience, mystery shopping provides a good view of how well certain service processes functions. It shows the strengths and areas in need of development within the actual processes. However, mystery shopping methods struggle to give valid data on the emotional side of the service experience.

This is because a researcher is only an actor in the setting, and does not experience the service personally like customers do. A researcher does experience the service, but these experiences are not directly comparable to real customer experiences. Additionally, mystery shoppers are usually educated on how the company operates. On the other hand, since the researchers know what to look for in the service experience, they are more able to monitor the use of certain value add-on elements in the service. However, the customers will not notice if these elements are missing. (Löytänä and Korteso 2011: 197) To conclude, mystery shopping is an observatory type of activity. It is especially strong in measuring the functionality of processes.

The *Customer Effort Score* measures the effort a customer has to make when dealing with a company. The question in this measurement is set up to the customer as "How much effort did you personally have to put forth to handle your request?" The score goes from 1 (very low effort) to 5 (very high effort). (Dixon et. al. 2010: 5)

According to research made by Dixon et. al., CES serves as a strong measurement for loyalty and word of mouth prediction. 94% of the customers who reported a low effort, expressed that they would buy again and 88% reported that they would buy more from the company. Only 1% would carry forward negative a word of mouth. At the opposite end of the scale, 81% of those who reported high effort, also reported that they would engage in spreading a negative word of mouth. (Dixon 2010: 5)

As can be seen from this sub section, CES has its main strength in measuring the smoothness of experience customers have specifically in an interaction touch point. This is opposed to NPS that withholds a fairly holistic impression of the service provider company.

5.4 Return of Investment of Customer Experience

Business practice proves that the main reason for companies adopting any new business approaches is to increase their profitability. Investing in improving the customer experience is a business decision which depends on how much it costs to improve and what will be the business results of this. Figure 6 illustrates the cause and effect of the Return of Investment (ROI) for Customer Experience Management.

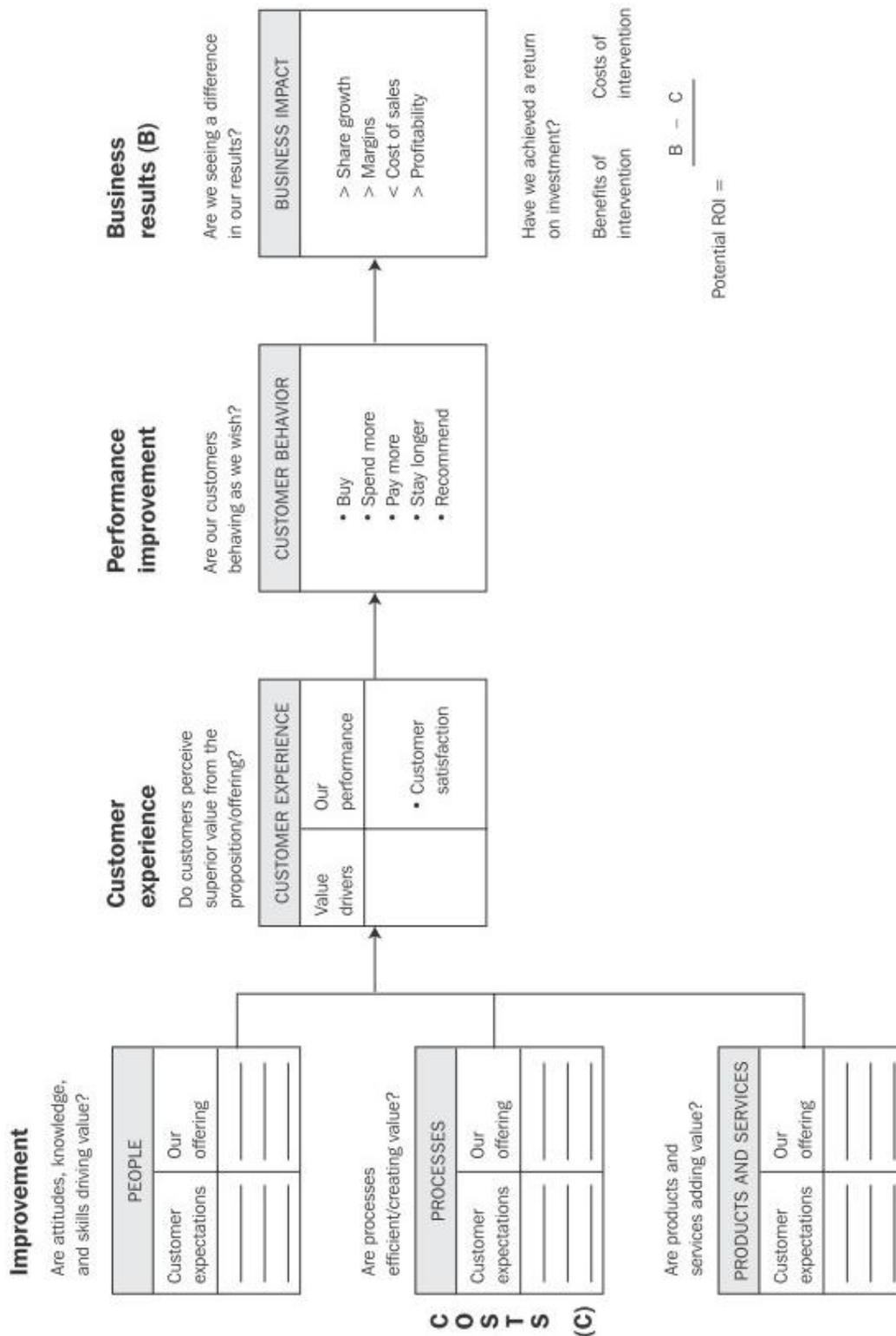


Figure 6. Return of Investment of Customer Experience Management (Smith and Wheeler 2002: 87)

As illustrated in Figure 6, from the point of view of CEM, a company has three main high level attributes they can invest in when seeking to improve their business results. These are: *a company's people, a company's products and services and a company's*

processes. Investing in these attributes create a certain level of cost that preferably results in an improved customer experience. This improvement, by design, would lead to beneficial customer behavior. This behavior includes *an increased customer spend* on the company's services, willingness to *pay more* for existing services, *staying longer* as the company's customer and increased positive word of mouth. If successful, this would lead to improved business results which can be: increased share growth, increased profitability, and decreased cost of sales and marketing. (Smith and Wheeler 2002: 87)

Customer experience is a sum of many variables, therefore measuring its potential return on investment is also complex. Table 3 shows the main measurements against the impacts of successful Customer Experience Management.

Table 3. Measurements of Successful Customer Experience and ROI (Adapted from Löytänä and Korteso 2011: 206).

Measurement	Successful CEM
Average value per sale	Increases average value per sale
Customer churn	Usually decreases customer churn in numbers of customers and value. In some case a company may loose customers when a company's decides to focus on loyal customers (focusing on the most profitable customers via customer segmentation).
Number of customers	Increases number of customers.
The percentage of resale. (ie. the percentage of customers that buy again in a given time period)	Increases resale and, in other words, Customer loyalty
Add-on sales	Increases add-on sales
Difference between resulted prize and targeted prize	Less need to lower prizes, therefore raises resulted prize
Number of Prospect Buyers	Increases the number of prospect buyers

Sales hit rate (ie. How many sales opportunities end up as a sale)	Increases sales hit rate
Customer spend on company's products and services	Increases customer spend
Profitability per customer (ie. The difference between the cost of maintaining a customer vs. the resulted profit)	Increases profitability per customer
Customer winback	Increases the number of returning customers and decreases the number of customers considering of leaving the service provider
The cost of acquiring a new customer	Decreases the attracting new customers
Number of customers willing to recommend the company to others	Increases the customer's willingness to recommend the company

As Table 3 shows, several measurements that can be used for measuring ROI for CEM. The increase in customer loyalty and reductions in churn are generally seen as the most basic ROI models used together with NPS to serve as a foundation for measuring the results of CEM. When a company understands the touch points that are critical for the customer experience, it can shift investments away from the areas that are less critical and focus on the key areas. This means that oftentimes adopting CEM does not necessarily mean an increased cost, but rather choosing to invest in what truly drives value. (Löytänä and Korteso 2011: 206-207)

The main observations of the conceptual framework of CEM are summarized in Table 4:

Table 4. Observations of the conceptual framework of CEM.

Over 50% of all customer experiences are based on emotions
Customer experiences are defined subjectively by the customer in all moments of direct or indirect contact with the company.
There are three stages in any experience that a company can try to influence on. The actual interaction and what happens before and after that interaction.

<p>The customer experience a company delivers should be aligned with the brand message.</p>
<p>There are four categories of emotions that in the extremes either destroy the experience or build advocacy. These emotional states are however not often considered when doing customer segmentation or churn prediction.</p>
<p>Customer satisfaction has a direct link to customer expectations, but it is not so strongly linked to customer loyalty. This is largely where CEM brings an additional dimension CRM.</p>
<p>Managing customer experience is not the same as managing customer service. CEM is a holistic mindset that covers all functions of a company</p>
<p>A deliberate customer experience is organized and adjusted around the customer and not vice versa. This applies to the all aspects of a company, including the organizational structure of it.</p>
<p>CEM adds a dimension to existing measurements and adds a new one, which is the Net Promoter Score.</p>

As shown in Table 4, CEM emphasizes that over 50% of all customer experiences are about emotions. These experiences are defined subjectively by customer in all moments of contact. The stages of a customer experience expand beyond the actual interaction, as it is formed also before and after the actual experience. The brand message of a company should be aligned with the deliver customer experience. Customer Experience Management aims to bring a stronger link to customer loyalty than customer satisfaction. CEM is a holistic business mindset that applies to all functions of a company, therefore it is not the same as managing customer service. A deliberate customer experience involves organizing the company around the customer. CEM brings new interpretation to existing measurements, and adds the NPS as a new measurement.

6 CUSTOMER EXPERIENCE MANAGEMENT FOR TELECOM OPERATORS

This section applies the conceptual framework of CEM in the domain of telecom operator business.

6.1 General Industry challenges

The communication industry is undergoing dramatic changes in the upcoming decades. Telecom experts vision over 50 billion connected by 2020 and the greater portion of that connectivity will be provided by wireless networks, while many devices will remain utilizing the fixed broadband as well. (Ericsson White paper 2011). Portable devices are increasing in processing capacity and multitasking capabilities in smart phones make them seems as portable computing devices with embedded voice capabilities. This development has multiplied the value they bring to their owners. In reality, the notation of a portable telephone is becoming obsolete and transition will be close to final when voice will move more and more into an over the top service over mobile broadband. For several years, Voice Over IP Applications such as Skype have been available for smart phones and operators focus has turned increasingly from voice to mobile broadband. The telecom operator business is evolving in the direction where these service providers are more and more providing access to customers, and the actual content is purchased somewhere else as an over the top service – very much like when comparing telecom operator business to energy business where electricity is only an enabler for other functions the customer wants to accomplish. (Ericsson White paper 2011).

50 billion connected devices in 2020 will mean a lot of data, but for operators it would be risky to assume a one-to-one relationship between the amount of devices and similar level of revenue per device as today. More importantly, the customer expectations will be substantially different to what service providers are offering today. This means that also managing the customer experience will change greatly, but hardly the fundamentals of it. In other words, the customers will still be experiencing the service by the fundamentals no matter how great the technological evolution. (Ericsson White paper 2011)

6.2 The Meaning of Communication Services for Consumers

The telecom operator industry is a commoditized industry where it is very difficult for the end-user to differentiate between different service providers. In fact, according to recent research made by Ericsson ConsumerLab, a large portion of the consumers feel indifferent to communication services. In other words communication services telecom operators are providing today do not matter much to consumers and is a low priority today. Figure 7 illustrates some of the results of the research made by Ericsson ConsumerLab, about customer satisfaction levels categorized to different functions of their received communication services.

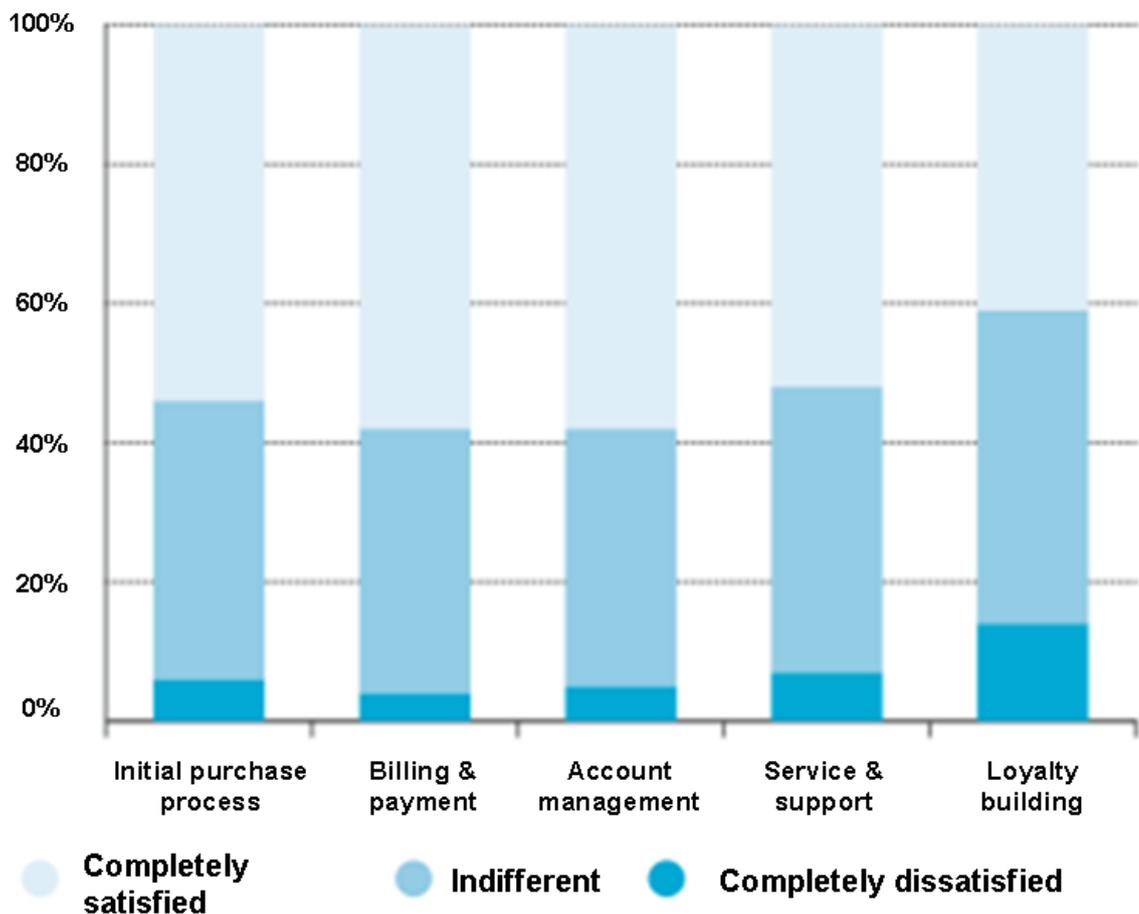


Figure 7. Customer satisfaction levels in different touch points in the US. A study made for US, Brazilian and Russian consumers (Ericsson ConsumerLab study A 2012)

Figure 7 shows, how the majority of the consumers are either completely satisfied or indifferent to telecommunication services in all touch points. 0-10% of customers expresses complete dissatisfaction to these services (Ericsson ConsumerLab study A 2012). Ericsson ConsumerLab has also made a study in the Finnish telecom market,

and the results of this study communicate a similar message of customer indifference towards communication services (Ericsson ConsumerLab study B 2012). When looking at these results from the customer churn point of view, one can draw a conclusion that on average about 50% of the consumers can change the service provider any day, if given a better offer (consumers that are indifferent or dissatisfied). When reflecting to on the study by Shaw, we get a notion that according to the recent knowledge customer satisfaction is not so strongly linked to customer loyalty. The notion here is that a satisfied customer can churn just as easily as a satisfied one. So even though on average 62% of the respondents say they are satisfied with the service, they can change the service provider just as well. Operators thus need to seek how to make their service mean more to their customers in a positive sense. In addition to maintaining the satisfaction drivers that are working today, operators have an opportunity to capitalize on consumer expectations that have not yet been fully met. Improving on customer experience is identified as an area where it is possible to increase positive meaning of the services provided to consumers. (Ericsson ConsumerLab study A 2012)

When it comes to *prioritization of touch points*, the research made by Ericsson ConsumerLab also shows what touch points are seen as the most important ones by the consumers themselves. Figure 8 illustrates these touch points.



Figure 8. Importance Levels of the Five Touch points of Customer Interaction in the US. A study made for US, Brazilian and Russian consumers (Ericsson ConsumerLab study A 2012).

As shown in Figure 8, *service & support* is the most important touch point area in the overall consumer experience today for the U.S. consumers. The same touch point comes on top for Brazilian and Russian consumers as well. (Ericsson ConsumerLab study A 2012) This implies that service and support is the most valued touch point from the point of view of the customers.

6.3 Service Business and Experience Business

Customer Experience Management can be a means for differentiation when seeking to retain customers as well as increase loyalty and attract new customers in the telecom operator business. Table 5 defines some of the main addition that the experience dimension brings to service business for telecom operators.

Table 5. Commodity, Service and Experience - a Telecom Operator Perspective (adapted from Löytänä and Kortesoja 2011: 18)

	Commodity	Service	Experience
Action	Build or rent Network capabilities	Transmission of voice & data	Ease of access and use
Degree of differentiation	Very low	Mild differentiation	Significant differentiation
Customer pays for	Communication capabilities	Communication medium	Being connected
Delivery	Wireless communication	Instantaneous and constant	Created in use
Feature	Standard features	Similar comparing to competition	Unique comparing to competition
Profit Margin	Low	Average	Maximum
Business Jargon	Network quality, transmission speed	CRM, customer centricity, listening to customer	CEM, experience creation, maximizing customer value
Customer function	Use subscribed capabilities for communication	Selecting subscription type, Use and pay for service	Pay for the experience of being connected
Company function.	Network management, Network planning, NW maintenance	Provide a selection of subscription types, ensure quality of service	Create complete experience of being connected utilizing commodities and service.

Table 5 describes the change in how telecom operators can define their purpose in business and whether they are in service – or experience business. For the customers, *being connected* is seen nowadays as a basic necessity in the modern society, while *the ease of access and use* is the main action they are receiving from their operators. In order for the operators to truly deviate from the “one-size-fits-all” approach, the experience seeks to be *unique comparing to competition*. The experience approach in operator business strives to give a chance for *maximum degree of differentiation and profitability*. According to this logic, a transformation of business mindset is what being a truly customer centric demands and the transition cannot be seen as a development project or another layer on the existing setup. When dealing with the domain of CEM, the provided services are only as effective as is the experience it results from the customer perspective (McGarvey 2011). (Löytänä and Korteso 2011: 18-19).

On a wider scope, the purpose of CEM is to create a perception in their customer base that no other service provider can provide an equal customer experience. In the current day, wireless voice and data has become a commodity just like electricity, public transportation in cities or television broadcasts. The increased importance of wireless communication services in peoples lives have changed how customers relate to the data carriers service. This notion enables the logical conclusion that customer will not partner with a carrier based solely on the price of service. Therefore, most customers - especially the ones located in the recommendation and advocacy cluster - will select and stay with a provider that is able to fulfill their expectations of the service quality. The customers will still remain cost conscious and CEM solutions will need to compete on price, when comparing to competition offering similar service levels. The main driver behind an effective CEM solution, however, is that customers are able to find the value in what they are paying for. The willingness to pay more for these services goes in line with the increased meaning of the service in subscriber’s lives.

6.4 CEM in Particular Aspects of Mobile Communication Services

This section discusses CEM with a specific focus on mobiles services.

As it was demonstrated in Section 5, acquiring new customers is expensive. Advertising costs along with other campaign management expenses, along with promotional service pricing and discounting and the cost of initial service integration, make profitability questionable when it comes to acquiring new customers. As an alternative, growing through increasing customer loyalty and retention is increasingly seen as a more effective and sustainable driver of profit, also holding a promise of future profitability. When it comes to increasing customer loyalty the mobile operators have long ago turned away from attracting new customers to retaining the current ones. Churn is a problem for mobile operators. According to a recent Telecoms Europe study over 1 million users leave their operator annually in the UK alone, and this estimated churn accounting for £441.36 million in 2011. (Lane 2011: 4). The churn rates in Finland vary at about 15 – 20% between operators, which also speaks for a competitive business environment. Therefore, customer retention is a major objective of CEM. Furthermore, CEM solutions for mobile operator can include aspects such as an increased ability to resolve customer problems when they occur, and the increased understanding of the relation between the network events and the caused customer experience.

Understanding this cause and effect relation between certain events and customer experience, aids the operator to detect and solve possible service quality issues before they have an impact on the customers. CEM solutions can provide operators the “experience” aspect. It can be done through for example through defining specific KPI to correlate with network events. This can be done by correlating traditional performance and fault management data with customer experience data, which is directly linked to true service quality. In other words, CEM solutions that combine network information (performance management, fault management, device management etc.) with customer experience make it possible for operators to form KPI’s that measure customer experience. Traditionally, some CEM solutions for mobile operators do focus on network management and customer support, but CEM solutions can be further applied to such business units as billing, charging and marketing. (Current Analysis 2011)

As it was pointed out earlier, experiences are created in customer encounters. The more loyal the customer is and the longer the customer relationship exists, the more valuable are those encounters. In other words, the chances for creating value for an individual customer increases, when the customer loyalty increases. Despite this fact, surprisingly many companies are not truly able to identify and “pamper” their most loyal customers. Today, it is difficult to imagine the airline services without the fast track lanes in airports for the customers who travel the most. Still, business practice suggests that many other services treat their loyal customers in the same manner as they treat the non loyal ones. Moreover, quite often the non-loyal customers are even more focused on than the loyal ones.

6.4.1 CEM for Reducing Operational Cost

Decreasing operational expense is a constant challenge for mobile operators. Increased understanding of how network events correlate to customer experience helps the operator solve many issues even before they can affect the customer. Economically speaking, this leads to less support calls to the customer support and enables potential workforce reductions in the call centers. Additionally, via the CEM KPI's, the call center personnel can reduce support call times when they have more relevant information on their screen during the support call. When CEM solutions can reach business units other than network management, the increased customer experience insight can help to evaluate the efficiency of offer campaigns and thus save money if the operator can tune their campaigns directly to the customer experience sweet spots. (Current Analysis 2011)

6.4.2 Differentiating with Experiences

As mentioned in the Introduction, the telecom business is traditionally and fundamentally a technology focused service industry. In service business, where technology has a dominant role, it is common that differentiation quickly becomes very difficult. Technology based services are commonly easy to copy, which often leads to competing with price when the industry arrives into a maturity state, where all the service providers are essentially the same, from the customers point of view. Providing customer experiences is, in many ways, different than providing services, but the main difference

comes from the fact that the experience is always a subjective interpretation of the buyer of the service.

Summing up, this section described six areas in which operator service providers can differentiate themselves. First, *the product and service portfolio* is the range of products and services which a service provider offers to its customers, including devices, connectivity services and service content. Second, *marketing and sales* includes pricing, merchandising, offer management, campaign management and initial fulfillment. Third, *service quality* covers availability, usability, sustainability, capacity, performance, stability and security. Fourth, *the Customer support* refers to availability, accessibility, broadness, speed and effectiveness of support. Fifth, *Billing, charging and cost management* is the range and flexibility of billing/charging options available, and the ability of the customer to control costs based on transparency of billing information. Finally, *the Brand* includes reputation for product excellence, image, responsiveness and trustworthiness. (Current Analysis 2011)

Another area that operators can focus on is *customer segmentation*. Which customers (or segments) are most attractive from a Customer Lifetime Value (CLV) perspective, and what investments are most likely to attract and retain them, as well as support maximum lifetime value. (Current Analysis 2011)

The main observations of the telecom operator industry and CEM are summarized in Table 6.

Table 6. Observations of CEM for telecom operators.

The telecom operator industry is a commoditized industry where the end user can hardly make a difference between service providers.
Large proportion of end users feel indifferent to the provided communication services and even a satisfied customer can churn just as easily as an unsatisfied one.
No matter how advanced the technology becomes, people will be experiencing service based on the same fundamentals as before.
Improving customer experience is identified as an area where to increase positive meaning of the services provided to consumers and a way for operator companies to differentiate in the market.
The time for focusing only on new customers has passed. What really matters for operator companies can do with their existing customer base.

By proactively correlating network events to Customer Experience Management helps the operator to solve issues before they even affect the end user experience.

Customer Experience Management is a holistic business mindset and can be utilized in almost all areas of telecom operator business.

As shown in Table 6, the telecom operator services are received with indifference by the end consumers, and no service provider is able to differentiate from the competition. The operator services can become more advanced technologically, but the customers experience the services through the same fundamentals as before. Customer experience can be a way to create positive meaning to end consumers, and can be a way to differentiate in the market. Today, it is decisive to focus on the existing customers. CEM solutions can help an operator to solve customer issues proactively, thus minimizing the disturbance in the service experience. CEM is a holistic business mindset, and can be used in all functions of a telecom operator business.

7 OVERVIEW OF THE FINNISH TELECOM MARKET

This section takes an overview of the Finnish telecom operator business.

7.1 Market Shares Between Players

By looking at market shares, the three biggest telecommunications companies are Teli-Sonera Oyj, Elisa Oyj, ja DNA Oy. These three companies are owners of their own networks and provide fixed and mobile services via those networks geographically in all parts of Finland. Figure 9 shows the division of market shares in Finnish Telecom Business, mobile and fixed communication services.

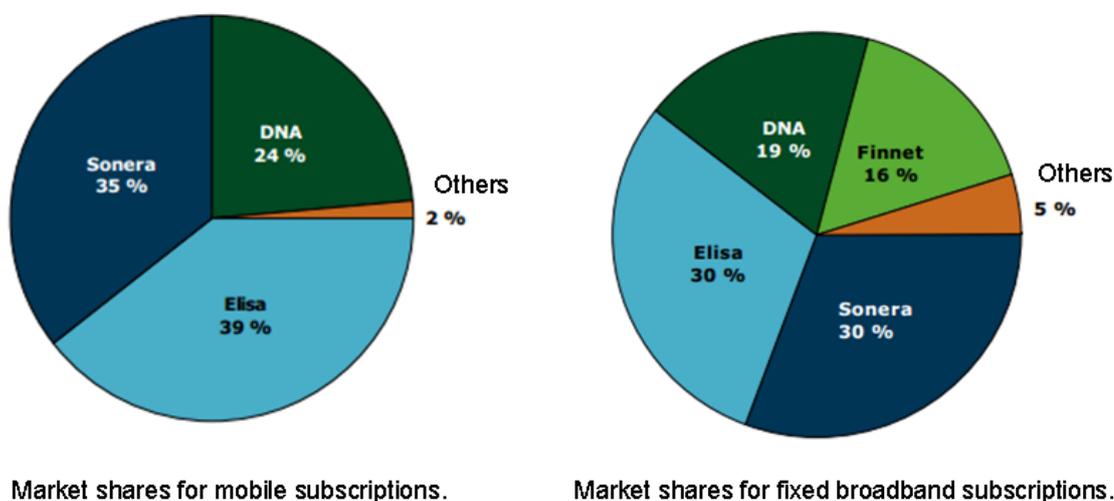


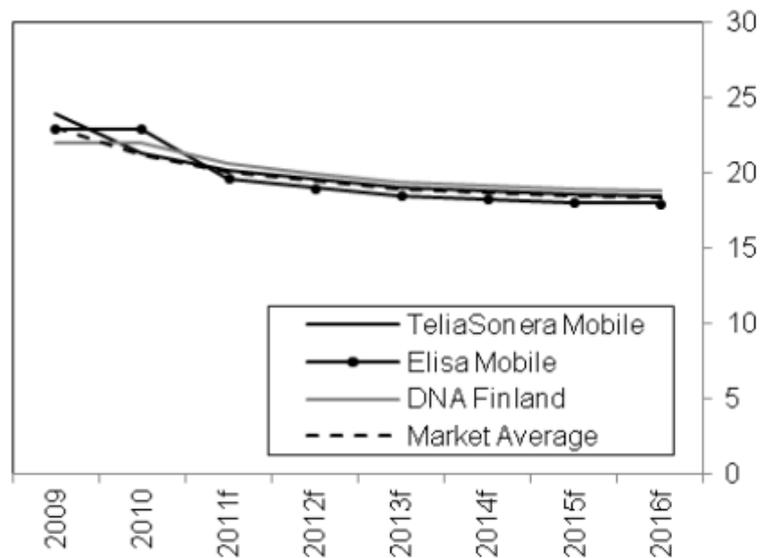
Figure 9. Market shares in Finnish Telecom Business. NOTE: the market shares of Saunalahti and TeleFinland are calculated together with their parent companies Elisa and TeliSonera (FICORA 2011).

Altogether, there are five notable telecom operators providing mobile communication services to end consumers. The three biggest operators are the previously mentioned network owners TeliSonera, Elisa and DNA as their own operator brands. In addition, there is an operator brand Saunalahti (owned by Elisa) and TeleFinland (owned by TeliSonera). Together these 5 operator companies account for 98% of all mobile subscriptions in Finland. (FICORA 2011)

7.2 Current State Analysis of the Market

For the fixed data communication and TV services, the market is highly competitive. The three national Telecom companies TeliaSonera, Elisa and DNA, and the regionally influential Finnet group. The Finnet group is formed from 27 independent regional telecommunication companies. (FICORA 2011) For some years, the leading operators have expressed that investments in traditional fixed-line, copper lines and cable, are being abandoned and wireless, and fibre technologies are being favored. For the fixed communication services, the number of fixed lines is reducing and the operators are trying to bundle additional services and features to prevent customer churn. All three leading operators are deploying HSPA/HSPA+ technologies and beginning to roll-out 4G network technologies. This adds to an increased competition between the three, and also indicates a growing demand for mobile data services. (Business Monitor International 2012: 5)

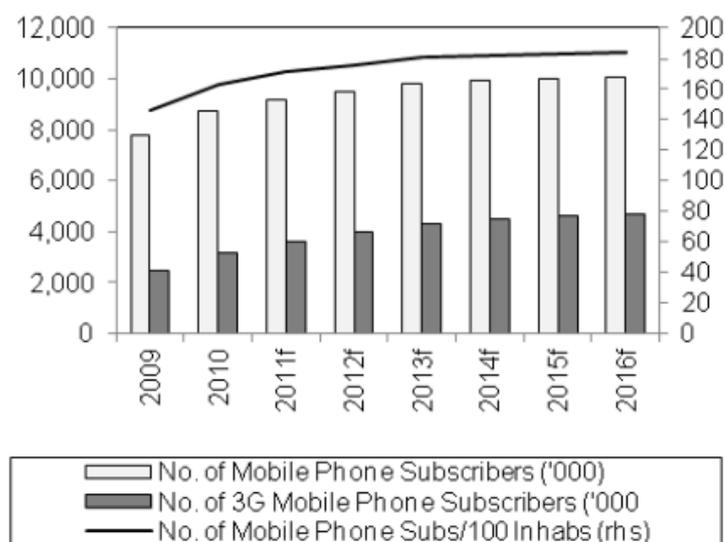
The profile of the country also adds to the overall business environment. Finland is relatively wealthy country, with the population being fairly young and the country having a high per capita income. In principle, this should support the willingness to pay for a new type of service content and value added services, instead of going for the cheapest and feature-free solutions. This is supported by the mobile phone penetration rate in Finland of about 171%, which is among the highest in Western Europe. Therefore, growth is predicted for mobile broadband services. However, ARPU (Average Revenue per User) for mobile subscriptions is decreasing, mobile subscription prizes have stabilized (FICORA 2011: 19) and operators are struggling to find new customers. These factors communicate that the so called saturation point has nearly been reached in the market. Figure 10 shows the industry trend for mobile ARPU.



f = BMI forecast. Source: BMI, Operators, FICORA

Figure 10. Industry trend – Mobile sector ARPU (€) (Business Monitor International 2012: 16)

Figure 10 shows how all telecom operators are struggling with declining profitability per subscriber. It is predicted that ARPU will continue to fall at a slow but steady rate in the Finnish market. This image also highlights, that the trend is similar for all competitors in the market. Figure 11 shows the current industry forecast scenario for the mobile sector.



f = BMI forecast. Source: BMI, Operators, FICORA

Figure 11. Industry Trend – Mobile sector (Business Monitor International 2012: 14)

Figure 11 illustrates how the number of new mobile subscriptions is reaching its saturation point. Therefore, telecom operators are fighting to increase profitability of their existing customers, and the only option for operators to gain new customers is by winning them over from competition. Figure 12 shows a comparison of customer churn between the three leading companies.

Table: TeliaSonera Mobile									
	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Quarterly Churn Rate (%)	23	23	23	22	29	24	26	30	32

Table: Elisa Mobile										
	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Quarterly Churn Rate (%)	14.0	14.0	14.7	15.4	15.9	18.1	15.0	14.3	11.9	12.9

Table: DNA									
	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Quarterly Churn Rate (%)	14.5	14.8	20.4	17.9	16.0	18.7	19.1	15.1	15.7

Figure 12. Churn Comparison, TeliaSonera, Elisa, DNA. (Business Monitor International 2012: 33-35)

As shown in Figure 12, all companies have fairly high figures of customer churn. However TeliaSonera is suffering from this the most. Overall, churning customers from one company means gained customers to the other 2 competitors. It is to be noted that companies measure customer churn in somewhat different ways, so the presented figures are only relatively comparable.

This is the competitive environment of the case company in the future. Therefore it is worth while to explore different ways to deal with the industry trend and increase focus on the existing customer base, as the revenues per customer are getting lower and there are no new customers in the horizon for the mobile market. This makes it worthwhile to explore aspects of Customer Experience Management to thrive in the competitive market.

7.3 EPSI Industry Report

EPSI Rating (Extended Performance Satisfaction Index) is an organization involved in research and rating of non-financial performance indicators such as customer satisfaction for various industries. It is a recognized measurement system for European organizations and helps both national and international companies in benchmarking their service performance (EPSI Finland 2012). This section presents an overview of the Finnish Telecom market based on the EPSI industry report.

The customer satisfaction index in the EPSI rating is based on three questions: 1) How satisfied a customer is overall to a service provider? 2) How satisfied a customer is with a service provider as compared to their expectations? 3) How satisfied a customer is, as when compared to an ideal service provider? The EPSI customer service index withholds elements of image, customer expectations, product quality, service quality and value for money. Each of these variables are built into multiple questions, but eventually the results are weighted out against the three presented questions above. According to an EPSI Rating Finland analyst, their customer satisfaction index is in close relation to customer loyalty (Levlin 2012). Figure 13 shows the trend for image, customer expectations, product quality, service quality, value for money, EPSI customer service index and customer loyalty in the Finnish operator business for mobile communication in 2011.

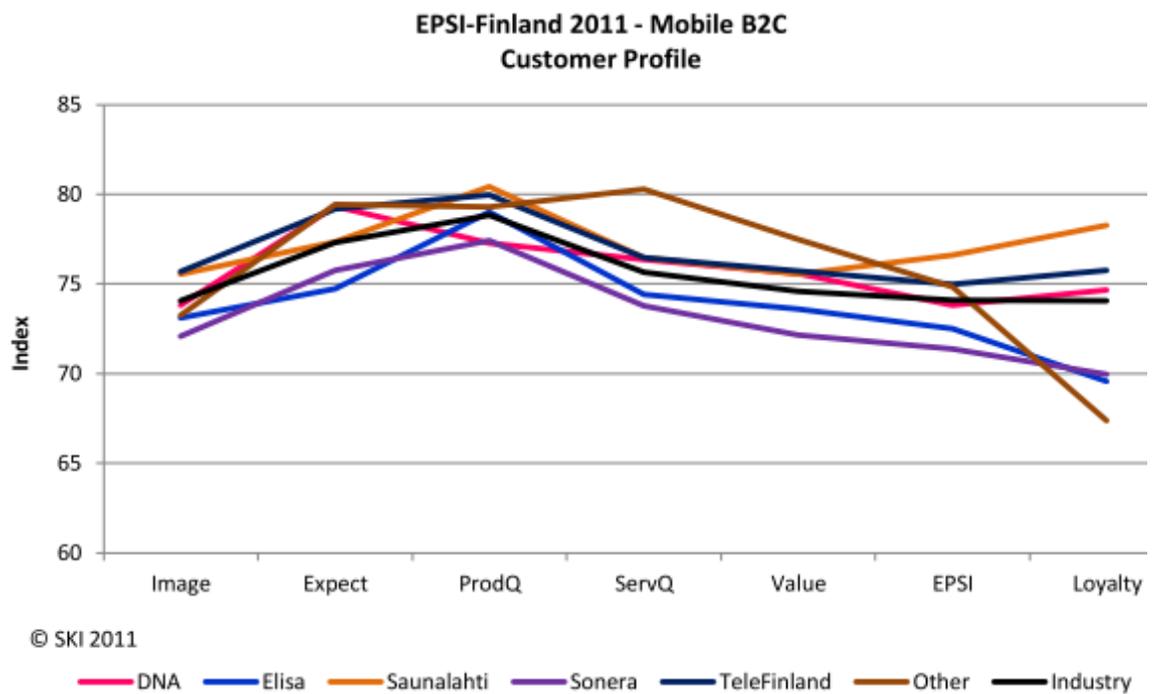


Figure 13. Customer Assessment Profile, mobile communication (EPSI Rating Finland 2011)

As shown in Figure 13, TeleFinland and Saunalahti are considered to have the best image. The image measure gives a general understanding of the perception that the service providers have among consumers. The customers of TeleFinland and DNA have the highest expectations.. TeleFinland and Saunalahti score best when it comes to product quality. This measure withholds the actual offering in terms of products and services. The service quality measure has a focus on the customer employee relationship (front office, internet/telephone service). In terms of service quality, TeleFinland, Saunalahti and DNA perform the best. The same three players are on top as for perceived value, customer satisfaction and customer loyalty; though Saunalahti scores significantly higher in customer satisfaction and customer loyalty than any other service provider. When considering all seven measures, Elisa and TeliaSonera can only match their competition in the perceived product quality. However, it needs to be considered that Elisa is the owner of Saunalahti and TeliaSonera is the owner of TeleFinland, and these operator brands score the highest on several measurements. DNA also has a similar operator brand, DNA Pro, which does not show up in the 2011 EPSI, report as the brand was established in the later half of 2011.

For fixed broadband, the trend for these seven measures is shown in Figure 14.

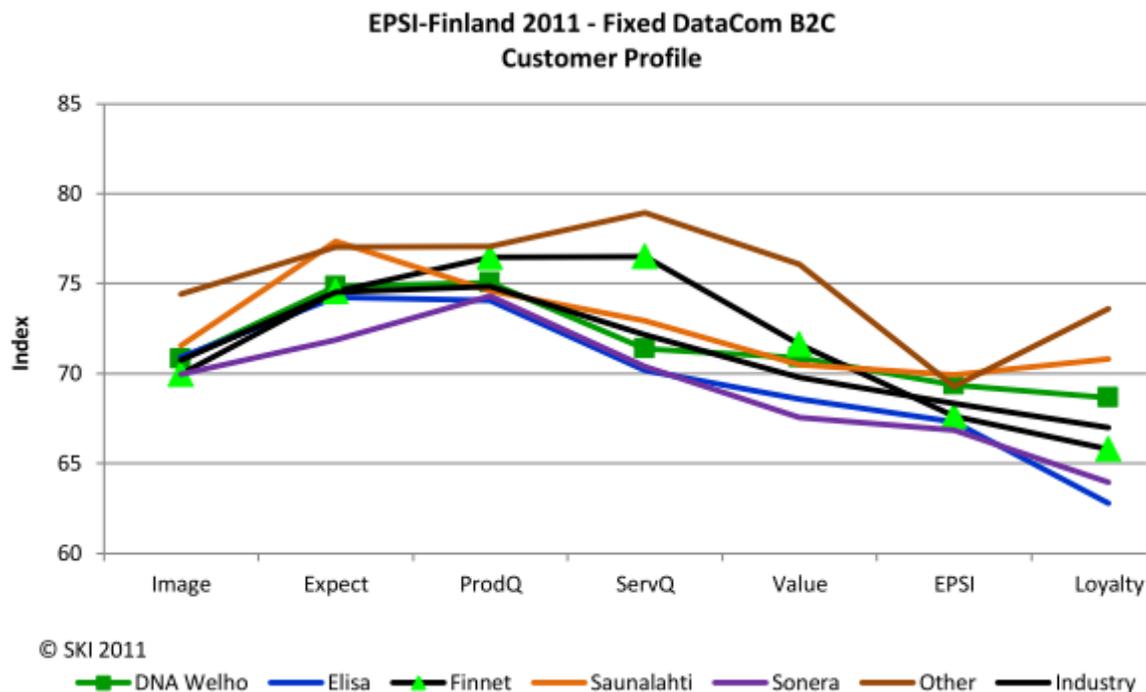


Figure 14. Customer Assessment Profile, fixed data communication (EPSI Rating Finland 2011)

As shown in Figure 14, all the major players score fairly evenly in terms of their image. Saunalahti scores best in the expectations category, when in the product quality category Finnet scores the highest from the known players. The same goes for service quality, this time with a significant margin against competitors. Finnet and Saunalahti perform well in the value measure, while Finnet drops when it comes to customer satisfaction index. Saunalahti and DNA Welho score the best in both customer satisfaction and loyalty measures.

Summing up, when it comes to mobile communication and fixed broadband, no company takes a dominating position. It is notable in the presented graphs, both mobile and fixed broadband, that Elisa and TeliaSonera occupy the bottom two places in most measures. However, their operator brands, Saunalahti and TeleFinland, perform well overall in the mobile sector, and Saunalahti equally well in the fixed broadband sector.

8 CASE COMPANY ANALYSIS OF KEY EMPLOYEE DATA

The case company selected for this study is one of the major telecom operators in Finland providing mobile communication, fixed broadband and TV consumer services. The company has B2B customers as well, but is not considered as a big B2B brand in the market today. The employee interviews served as the primary source of data for this study when determining the customer experience adaptation level of the case company. This information is reflected on the elements of CEM conceptual framework developed in section 4. The following sections elaborate on the findings from the case company analysis.

8.1 Current Practice

This section describes the current practices of the case company, based on the case company analysis.

8.1.1 Customer Segmentation

Two types of customer segmentation presently exist in the company. The value based (Customer Lifetime Value (CLV)) and the motive (need) based one. The value based segmentation model is based on the amount of revenue the customer brings to the company. The motive based segmentation model tells what kind of buying motivation (need) the customer has. The latter segmentation model is currently under construction, as the old model was found faulty and did not serve its purpose. Since motives are difficult to implement in CRM systems and not all individuals clearly give motivation related information, this type of information cannot be obtained from many of the customers. For this reason, the value based segmentation model is far more utilized in the company. (Interviewee A) It is understandable that customer segmentation is done based mainly on physical aspects such as value, since the physical data is available and easier to quantify. The need based model is meant to expand the segmentation to non-physical areas.

When considering emotions as part of customer segmentation, the discussion often turns to profiling of customers. In this aspect, the company mostly seeks to find prediction models in order to identify churn sensitive customers. However, profiling is seen as a kind of customer segmentation as well. The focus here is mainly based on the

detractor cluster of emotions and tackling the issues in order to please the churn sensitive customers. The limited resources are mainly directed to tackling the negative end of customer emotions. Though in the company, there has been talk of increasing focus on the other end of the emotional spectrum, but currently there are not large programs executed for this approach. (Interviewee A) However, having the focus on detractor customers is characteristic of the telecom business in general, and telecom operators could be said to have taught their customers that they are treated with more attention when expressing emotions in the destroying cluster. On the contrary, focusing on promoter customers seems to be overrun by the fact that the limited resources which are more often allocated to pleasing of the detractor customers.

Additionally, there is a dedicated customer service support line for senior citizens where the service provided to this target group is little more customized. However, all customers get the same service from the customer service & support, function and no customer is seen more valuable than another. This means that for example that an idol of many will get the same service as everyone else. Therefore there is no prioritization of customer based on their social status and none is planned. In the Finnish telecom service business, having a customer prioritized based on their CLV index or their social status is not seen as an option. It may be interpreted a cultural thing, that all customers need to be taken care of in the same way. Prioritizing customer systematically can also lead to bad publicity, which the case company does not want. The risk of failing with poor service to a high profile customer is therefore tackled by putting efforts so that the service does not fail on all customers. (Interviewee A) Therefore, prioritization of high value customers is an element of CEM that does not seem to fit to the telecom business as well as it fits some other service businesses.

8.1.2 Transparency of information

When it comes to transparency of information from the point of view of the customer service personnel, this issue is not seen as a problem point. Nearly all of the cases can be handled by the customer service employees with the information accessible to them. (Interviewee C)

Quite recently, the reasons why customers contact the company were categorized and made visible to the process owners. Links were made between the processes and the

number of customer contacts relating to that process. This means that when making changes in a particular process, the results can be monitored through the number of customer contacts that occur. This is to learn more about how the company's actions affect the customer's service experience and how to improve those actions so that negative impacts can be avoided. (Interviewee B) This action shows that the management has the courage to tie their goals to the impacted customer experience.

8.1.3 Handling of Feedback

Presently, the customer feedback, that is received during service calls, is handled by the customer service employee. He/she evaluates whether there is a reason to forward the feedback onwards or otherwise act upon it. This is being described as a working setup, as the customer service personnel need no encouragement to handle customer feedback, for example, about the product related issues. In fact, the eagerness sometimes requires a level of toning down and considering how to communicate the feedback as a concentrated package to the proper recipient in the company. All the written feedback, originating from the feedback form in the company's website or via e-mail, are received by both the customer service and the product management. Product managers have access to daily level customer feedback. (Interviewee C) Though the product managers have access to this feedback, it is not known how much this access is truly been used.

8.1.4 Measurements Used

The case company does NPS measuring in roughly 15 different touch points. It is considered classified what those touch points precisely are, but they are present in all of the most important phases of the customer's life cycle. In other words, they are present in all customer encounters when doing a service. Additionally, social media measurements were experimented, but the real benefits have not been seen so far. The customer support personnel do not consider the social status of the customer.

The way the customer service quality is determined by use of the Customer Service Index (CSI). The CSI is roughly defined as follows in the case company on an individual customer service employee level.

- The level of expertise of employee
- Helpfulness of employee
- Problem solving ability and
- Customership management and overall satisfaction

This type of survey is made after receiving customer service support phone calls from customers who agree to participate in the survey. This measurement is changed periodically; so it is not impossible to include, for example NPS, to this CSI index. (Interviewee A)

The company does mystery shopping types of observatory studies. In this type of studies, the test subject walks through the whole service initialization process that customers go through. For the case company, concrete changes have resulted from these studies, for example, TV subscription and the internet dongle service initialization phase where this type of approach have been used. (Interviewee A)

8.1.5 Bonus models

Monthly bonuses of customer service employees are most often tied to the amount sales the individual is achieving. Service quality is tied to the Customer Service Index (CSI). (Interviewee C) Individual's sales figures and service quality seems to have a dual relationship in how the bonuses are formed. This raises a concern that sales figure are emphasized equally to service quality, but according to interviewee B the performance in sales and the CSI have a linear relationship. It has been seen in the customer service, that when CSI goes up, sales performance goes up. This means, that the customer service employees are rewarded not only from resulted sales, but also from the quality of service they achieve. The CSI has some elements that relate to customer experience, but not to large extent.

8.1.6 Social Media and Web Monitoring

Currently, the effective use of social media is under development in the case company and further ways to utilize the medium is under investigation. (Interviewee D) The case company has a Facebook page like all their competitors. Customer service has always someone replying to the posts that should require replying or taking action.

Some level of scanning for social media, discussion forums and other websites is being done by the company's social media work group. (Interviewee E) The overall perception is that the company is looking for ways to benefit from its presence in social media, but has not yet found clear means to do that. As consumers express emotions openly in the social media, it has a connection to CEM.

8.1.7 Ownership of CEM

The ownership of CEM in the case company is often unclear. Currently, before the customer inserts the SIM card in the mobile phone, there are 4-5 different units that need to do their part. If something goes wrong, the customer support may get an assignment to find out what these other units have done wrong to cause a faulty service initialization. (Interviewee A) This implies that there is no unit or an individual ultimately responsible of the overall service initialization process. Gaps are seen in who's responsibility is the customer experience in the whole service initialization phase since that encompasses all the different functions of the company - who is really responsible of a service experience that is delivered by the sales person, the product, the network team, the instructions delivered by R&D and marketing and potentially even the customer service support. The service initialization has to go through most of the functions of the company.

Everybody in the company take part in the ownership. But ultimately the responsibility, according to Interviewee A, should be vested in the head of consumer business of the company. To address this need, a position of Customer Experience Officer (CEO) has been proposed. At the moment, there is no single person who is responsible of the overall customer experience the case company is providing. Overall, it can be said that currently the ownership rests with Interviewees A and B, A being responsible of customer service units in a large way and B being responsible of existing customerships. (Interviewee B) This is, however, not officially communicated, but in practice these two individuals share a lot of elements of the overall responsibility for customer experience aspects.

8.2 Changes to Current Practice

In the past six months there have been many changes in the company in how it operates. The organizational structures are still changing, the steering of different functions, and for example the way calls are analyzed and how that information is being used to measure the main processes. (Interviewee B)

Originally, the company has been based on a business strategy where many of the functions have traditionally been executed outside the company by using its Finnish based outsourcing partners. There was a time when the company had practically no customer service functions of their own, with the outsourced partners taking care of all those functions. Recently, in terms of customer service, more and more functions have been transferred back to be cared by the company's own customer service units. There are reasons for this; based on the interviews, the main one perhaps being that when customer service functions are done inside the company, the company can learn about their customers more and react more fluently to abnormalities in the service. (Interviewee B)

A concern has been expressed that outsourced Customer Service Units would not contribute as eagerly to activities that are designed to minimize customer contacts as this would mean less work for the outsourced units and thus less need for them to exist. (Interviewee C) The way these changes are communicated, is to increase control and to bring these functions closer to the case company. (Interviewee D) Therefore, the previously outsourced functions were brought back to the company. This shows that the company is truly reshaping its business strategy and taking more and more service functions to be handled by its employees.

One fundamental change to where the case company is striving for in terms customer service, is that the same customer service unit could handle all customer service and support tasks of a customer – be it a billing issue, a problem with mobile broadband or a question about the pay TV subscription. This is taken as a general direction in the case company customer service. When a customer calls with one problem, the goal is to be able to handle other potential problems that the customer might have during the same call. This requires customer service personnel having access to more systems, have the necessary training for using those systems and a proactive mindset to truly

ask whether there are any other issues the customer might have that could be taken care of with the same phone call. This also involves educating the customer that this is in fact possible to do within the same call. Customers are actually not used to being able to do this and this possibility can also act as a positive surprise factor that the service is organized so that the customer does not have to call another number for a problem relating to a different operator service in their portfolio. This approach reaches the operators outbound shops as well as the goal is to have the shop personnel have the ability to handle the exact same customer issues as the personnel answering the customer service numbers can. (Interviewee B) Because there are so many customer service units in the company, one clear action is to direct a certain customer calling to customer service consistently to the same customer service units regionally. One reason for this is that these different customer service units do operate to some extent differently. This is especially true in the outsourced CSS units since there all technical troubleshooting requires the customer to be transferred to another customer service unit. Transferring the customer problems to be handled by different units is seen as a pain point in the case company's desired customer experience. (Interviewee B) This is seen as a real competitive advantage, if the company is able to perfect this approach further.

There are examples where the company has implemented changes when it comes to fault in customer experience. Examples exist in the Pay TV and internet dongle service initialization phase. There was discovered dozens of problems relating to the process that the customer needs to follow in order to start using the services. Problems were for example discovered in productization. The product managers can have completely different idea what the service should be, as compared to how the customers experience it. These kinds of things should all be transparent to the customer, but it is not always even transparent within the case company between different units. (Interviewee A) This creates emphasis on the fact that the faults in different parts of the value chain ultimately result in customer contacts to call center. It is a challenge to plan the service initialization phase so that the customer can manage it smoothly. A lot depends on how well the customers are instructed through the whole process and what is been promised to the them.

8.3 Identified Pain Points in the Customer Lifecycle

Interviewee B has been given the responsibility to handle one of the main processes that involves a responsibility of ensuring a quality and consistent customer experience in all customer interactions with the company's customer service – this means the sales outbound (the shops), the maintenance personnel and customer service units. This basically involves the whole life cycle of a customer and ensuring the consistency of an experience delivered by roughly 5000 customer service employees. The Interviewee B has been in charge of a similar task earlier in a previous employment in a smaller scale. (Interviewee B)

The Business Intelligence team seeks to look at all parts of the customer's life cycle and discover parts that do not function and, therefore, causes dissatisfaction in the customer base. For example, one recently identified issue is in the initialization phase of a mobile broadband subscription. Overall, the customer service is recognized perhaps as the most important function when it comes to what creates a customer experience, but emphasis is also made on the fact that if one function is broken, everything is broken. Especially in the example of initializing a new subscription, which as an activity, covers all of the different functions of the operator: the product department defines what is sold and creates instructions for initialization, marketing makes a promise of the service, sales does the contracts, the billing department needs to create the account in their systems, the new subscriber needs to be stored in all the relevant registries in the mobile network by the network department. When these steps are accomplished, the user needs to follow the instructions given to start using the service. If not successful, the customer needs to call the support function for assistance. Many things need to work in order to make this run smoothly for a new user. Fault management process is also seen as one of the main challenges at the moment. This is where the case company can win the most, in having a single customer contact solve more customer issues. (Interviewee A) This is also called cross serving, which is the general approach the case company takes for all customer service.

Traditionally there is a gap between the customer service teams and outbound shops in how the two units operate and think about the service. To address this problem, by making it possible for all service personnel, both shop and call center, to access the same systems and by having these individuals work together more. This is promoted

by having customer service employees cross visit between units in order to learn more about how things are done in the neighboring units. (Interviewee B) This increases the mutual understanding between the different parts of an organization and contributes to the consistency of service experience the customers receive.

8.4 Differentiation in the Market

The question of customer experience emerges in several contexts such as service initialization, customer churn, customer loyalty etc. The term is an everyday concept in the company's middle management level and to some extent also on the lower management level according to the interviews. Recently it has been emphasized more in discussion about differentiation. (Interviewee A)

The case company has traditionally chosen aggressive pricing as their differentiation strategy, but that is not seen as a differentiating factor any longer. For years the emphasis on customer service, together with network speed, has been the two main differentiation factors for the case company. Customer service is seen as more effective are for differentiation and many development plans are taking place this are. This includes for example, the development of electronic customer service channels. Having good self service channels today clearly affects sales and also customer loyalty. Electronic customer service channels are seen as must, but not a solution for all customer service. (Interviewee A) Many customers want to handle their service accounts through electronic channels, but there are always customers who will rather call customer service.

The case company strives to differentiate themselves from competition with the customer service they provide. An example of this is the increased ability to solve more customer issues with a single customer contact. This can be a big advantage when compared to competition. Trying to differentiate with customer service has not been evident in the past, but has become a topic in the recent years. (Interviewee B) By only doing data transmission, it is extremely difficult to differentiate in the market (Interviewee A), (Interviewee B), (Interviewee C), (Interviewee D), (Interviewee E). It is fairly clear that competing only on physical aspects of the service will not suffice. The Indifference that customers show towards communication services in the studies made by Ericsson consumerLab (Ericsson ConsumerLab study A) is seen as correlating to the

Finnish Telecom business. (Interviewee A), (Interviewee B) By being able to exceed customer expectations by being able to do cross serving, is one way the company can create a surprise element in their service. This is because customers can sometimes be surprised in the company's ability to handle service problems across products with the same phone call, as no other telecom operator is able to do this at the moment.

8.4.1 Customer Churn and Loyalty Building

The case company's annual report shows high rates for customer churn, 16 to 20 per cent annually in the recent years. Interviewee A agrees that the Finnish operator business is brutally competitive. The same applies to operator business elsewhere in the world. In Finland the customers know this as well. When a customer threatens to leave for a better offer from the competition, the current operator should be able to beat the offer. (Interviewee C) A note is made that comparing churn figures between operators is difficult, because different companies measure and report these numbers in different way. (Interviewee A) The case company understands that what is done with the existing customer base is decisive, and not what is being done to attract new customers. Developing the customer experience is a relevant to their business.

The main reasons why customers change a wireless service provider are customer dissatisfaction, aggressive campaigns from competition and the current service provider not being able to offer a suitable service to the customer. Either there is a fault in the service that causes dissatisfaction, which that leads to a customer to churn, or the customer can be considered as a satisfied customer but is targeted by deals offered by competition. It is emphasized, that customer satisfaction is not enough to prevent churn since a satisfied customers can churn just as well. Fixing faults in a service comes first in fighting customer churn, since faults in service are perfectly valid reasons for a customer to leave a service provider. When these problems are taken care of, things get more complex. It is a constant and a never ending question what should be done to solve customer churn. Different kind of loyalty programs are repeatedly considered in order to reward customer loyalty and prevent churn. A recent loyalty program has recently been launched where customers are being rewarded for concentrating their wireless services under the same service provider. When a customer has two services from the case company in their service portfolio, they will get the third service for free. For example having a mobile phone subscription and fixed broadband

from the case company, automatically entitles the customer to a subscription of mobile broadband free of charge. This includes new and the old customers. The old customers need to active this service themselves through the company's web pages or customer service. This is important, since if the existing customers were not asked to do this, the 100% service discount offers would not result in the positive experience, and this is what the company wants to accomplish by this campaign. This comes back to the fact, that customers are most satisfied right after purchase. Therefore, making the customers enter this stage through the company's web pages results in this exact experience and the discount does not go without noticed by the customer. Giving out discounts without making them noticeable, are a waste of effort and money. Many customer loyalty programs are made customers knowing to be part of these programs. These kind of programs do not serve their purpose of giving positive customer experiences. Many loyalty programs fail in the sense that the existing customers do not notice the benefits they bring to them. (Interviewee A), (Interviewee B) In many ways, the telecom operator business is about maximizing the positive customer contacts and minimizing the negative ones. This is a way for companies to remind their customer positively, that this is what it is like being a customer of the company.

Building of customer loyalty is a topic that is always under discussion in the telecom operator business. Historically, telecom operators have competed by campaigning for new customers. The effect of this has been that the current customers feel that the more campaigning for new customers the serviced provider does, the less appreciated the old customers are. (Interviewee B)

A big part of loyalty building is to have the customer's service portfolio match to their needs. The way this is ensured in the case company, is by reviewing the customer's service portfolio when an opportunity presents itself. This is being done systematically in the case company's customers service units every time the customer is in contact with the company. This is not primarily done in order to sell more, but to ensure that the customers have the correct products and services based on their needs. This is to make customers feel being cared for and so that they are not paying for services they do not need. Additionally, going through the service portfolio systematically with the customer serves as a reminder to the customer. When customers feel and recall that their service portfolio is in sync with their needs, they are less likely to change an operator for a cheaper offer. Furthermore, when customers have the correct products

and services for them, it substantially increases customer satisfaction. (Interviewee B) This is a real effort taken to ensure that the service is meeting the needs of the customers, and that the company shows real effort ensuring this.

A lot of resources have been put to a loyalty building activity, where customer's products are constantly synced with their needs. The results speak for themselves, as sales efficiency (sales per service contact) is 4 times higher than before having this activity in place. This is now the third company where Interviewee B sees the straight correlation between customer satisfaction Index (CSI) and sales efficiency. When CSI goes up, sales follow. This is seen on a week level, and on the level of an individual customer service employee. In cases where this correlation does not occur, it will be investigated why this occurs. That is, if a certain individual sells well but the CSI does not correlate to this. The investigation is made by listening service calls and by carefully monitoring especially the high achievers in customer service. All customer service personnel do sales via the service synchronization activity. (Interviewee B) This clearly shows the linear relationship between a quality service and resulted sales. Additionally, this clearly shows that the case company does not seek short term profits with this loyalty building, as no employee is permitted to make sales by putting the service quality at risk.

Syncing the customer's service portfolio to their needs is largely considered as proactive customer service. Many telecom operators do not know what proactive customer service is and near paranoia is required when trying to make the service as smooth as possible. All the company's actions should be focused to making this happen. (Interviewee B) This means constant re-evaluation of the service and how the customers perceive it.

8.5 Customer Service Functions

The company has a complex setup for its customer service functions. Historically the company has based its business strategy in having ownership of the products, but handling most of the real functions in outsourced units. The case company is large, and several directors are needed in order to run the setup. In order to handle the overall picture better, a separate control team has recently been established. This unit does not take part in the regular operative work that other customer service units do,

but focuses on the overall picture of customer service. When changes occur in one customer service process, this unit evaluates the impact of the change to the other processes and the overall impact to the service experience of customers (Interviewee B). Therefore, this unit plays a significant role in the different development projects in the case company's customer service.

The complexity and diversity of the customer service setup has made it possible for customers to get fairly tailored subscriptions to answer their needs, but this does not come without issues. Firstly, high complexity creates cost for the operator to manage these subscriptions, especially when modifications need to be made. Secondly, the complexity of subscriptions can result in that the customer no longer follows what they actually are paying for. (Interviewee C) As a result of a consumer research made by the case company, a decision was made to establish a new operator brand that acts as a response to the complexity of subscriptions available to consumers. (Interviewee D) Basically this business model offers only the very basic telecom operator services to customers and is targeted to a certain niche groups that do not want anything extra from their service provider. The brand does not for example have prize campaigns (prize is always the same), no discounts by service concentration, and no fixed-term contracts (customers can come and go whenever they like). (Interviewee C) This is one example how to offer simplicity in wireless subscriptions without having to change the overall brand promise of a company.

8.6 Analysis of Case Company's Studies

The researcher received customer satisfaction and customer experience related studies from the case company's Business Intelligence unit. The results of these studies are not presented here fully for confidentiality reasons, but some main trends are described in this section. The purpose of this section is to seek confirmation to some of the statements made during the interviews.

The NPS measurement has been in use in the case company for 1-2 years in different forms. The NPS survey is used to measure the customer's willingness to recommend the service provider in a given touch point during the customer's life cycle. This includes the purchase stage, initial installation of service, contacts to customer service, the case company initiated contacts etc. The survey is a 0-10 scale NPS survey about

that specific interaction. The most recent report for NPS results shows, that consumers are the most satisfied right after the purchase of a service. When continuing the on-wards along the path of customer life cycle, the NPS results drop a few measurement units. (Case Company study B 2012) This conform to large extent to the statement that customer's are most satisfied right after the actual purchase, and also that customer satisfaction results start declining after this stage.

Based on case company studies relating to customer churn, the two most common initiators for changing a mobile service provider, is a competitor initiated telemarketing effort towards the customer and nearly as often the reason is a problem with the actual service. These two reasons account nearly half of the responses in the survey results, when asked about the reason to change the mobile service provider. The desire to concentrate all communication services under one service provider is rising; about one out of ten respondents state this as reason to start a service termination process. The competing service provider is most often reported to have chosen on the basis of a better price offer. However, it is distinctive that over half of the churning customers do not do proper comparison between service providers when deciding to leave. Less than 15% say that they do service and price comparison between service providers when leaving the existing service provider. Nearly half of the leaving customers receive information about a competitors offer via their telemarketing efforts. Positive word of mouth and the internet both score below 20% and the rest of the respondents state either advertising or an outbound shop as a source of information. (Case Company Study A 2011) These studies show that often customers do not seek to change a service provider, but do so when it is convenient for them. The prize is said to be a significant factor in choosing a service provider, but at the same time few customers do proper comparison between service providers.

For fixed broadband, the three biggest reasons to churn are most commonly; problems with the service, cheaper offer from competition or that the customer is moving residence. Overall, telemarketing efforts of competition is considered less fierce when compared to the mobile business as the minority of respondents pick telemarketing of competition as the reason for churning. (Case Company Study A 2011)

These results emphasize further the significance of aggressive competitor campaigns in the mobile business when it comes to churning customers. Overall nearly half of the

churning customers leave, because of either service problems or due aggressive competition. It is also to be recognized that price is a dictating factor when choosing a service provider, although not many do a thorough service comparison between service providers. This further suggests the overall indifference that customers have towards communication services, as not many are interested to make the effort map out the different service options available. Overall these results conform to large extent with the statements made during the interviews.

8.7 The Desired State of Customer Experience for the Case Company

The customer experience which the case company wants to deliver is bound to the brand promise of the company. Interviewee A emphasized that customer experience is in fact the same as brand experience and should correlate fully to the brand promise. The case company emphasizes the speed of the network and the speed of service. What the company wants, is to communicate with their customers' in the customers own language. Ultimately, the company wants to live in the world of the customer, rather than being a distant "geek house" to the customer.

This type of communication needs to be present in all communication in all customer contacts. The argumentation for this message comes mainly from the marketing team, but the responsibility for its execution is on the leaders of each company function. The respondents in this study hope that the answer would be the same when asking the same question from the function leaders, but realizes that this may not be the case. Here lies one of the issues discovered in this study. The way the company's desired customer experience is expressed between the higher management (according to the annual report), the middle management and the lower level management differs depending on who is presented the question.

One of the main elements in the CEM conceptual framework is a synchronized articulation of the customer experience the company wants to deliver. When the articulation of this message differs between the middle – and lower level management, it is fair to assume that the message differs when it comes to other parts of the organization too. This will then include sales, marketing, higher management and customer service personnel.

Consistency in communication towards the customer is emphasized in the interviews. The goal is that the message a customer receives should be the same whether the selected touch point is an outbound shop or a customer service telephone service number. The consistency, quality and speed of the delivered message need to be consistent in all touch points, and an auditing model is also to be applied to all these different touch points. These consistency efforts have been ongoing in the case company for the past 2 years now.

When a customer calls a case company's own customer service units, all customer issues should be solved during the same phone call, which is the desired situation for all customer service units in the future. This is seen as the only proper way to handle customer contacts – fixing all problems during the same contact. This has been seen working in the smaller company acquired a few years ago. There, the company strived to organize itself to make the customer experience as smooth as possible.

The middle management of the case company sees customers contacting the company for support as controversial when it comes to value creation. On one hand this has to exist and the customers are welcome to contact the customer service. But on the other hand, as most of the contacts are seen as unnecessary ones, it is difficult to conclude that customer contacts are a good thing. As the majority of customer initiated contacts are a result of a problem in the service in some way. This most often means that the service provider has failed in some way, be it poor instructions or a failure in service. Interviewee B quotes Jeff Bezos's (the founder and CEO of Amazon) words, that customer contacts are fundamentally defects (Levy 2011). This means, that every time a customer calls customer service, the company has failed in some way. The case company does not follow this code, but sympathizes to some extent with the presented mindset.

To summarize the key points in this section, the company wants to be close to their customers, promote consistency in all of the company's actions and communication and to be able to solve more customer problems with a single contact. Value is created in customer contacts, but minimizing the customers need to contact the company receive top priority.

9 PROPOSALS AND DISCUSSION

This section starts with a summary of this Thesis, followed by the managerial implications and discussion about company cultural implications.

9.1 Summary

This Thesis investigates the appliance of Customer Experience Management (CEM) conceptual framework in telecom operator business. The research question is framed as; *How to improve telecom operator service by use of Customer Experience Management?* Additionally, the Thesis focuses on answering; *How do the elements in the conceptual framework of Customer Experience Management apply to and exist in the case company?* And; *What elements are missing where the company can improve when looking to adopt the holistic business mindset of CEM within the company and its customer service functions?* The study started with a literary review of CEM conceptual framework and was followed by leading employee interviews in the case company and an analysis of other relevant research data. The study is scoped to the customer service functions of the company.

To answer the original research question, CEM offers a set of business drivers that can help telecom operators to increase the meaning of their services to end consumers. This is done by shifting the company's focus from the detractor customers to the promoter customers and by seeking differentiation with the delivered customer experience aspects of the service. The CEM elements are mostly evident within the case company, but not all company functions follow the same business drivers.

This study proposes a set of managerial implications that can help the case company to identify the elements of their customer service that need improvement from the point of view of CEM conceptual framework. The main discovery of this Thesis is that the company has a group of CEM-minded individuals that can be used as change agents, if the company decides to incorporate CEM in the company's strategy in a holistic way. Recommendations also include an improved focus on promoter customers, appointment of a Customer Experience Officer (CEO) and an improved articulation of the desired customer experience.

9.2 Managerial Implications

This section is targeted to the managers of the case company, based on the finding of this study. The Managerial Implications (MI) are to be treated as recommendations that should be considered when striving to increase the influence of customer experience as the driver of the company's operation.

MI-1, Decision of incorporating CEM in the company strategy in a holistic way. CEM is a type of business paradigm that functions best if utilized as a holistic approach to every function of the company. The case company communicates the delivered customer being one of their major focus areas, but there are clear areas to improve as not all company functions have customer experience as their main business drivers.

MI-2, Unifying the message of desired customer experience. During this study it was discovered that the message of the desired customer experience is different depending on the unit in question. Thus, the company is missing a strong and unified message that all managers are committed to. The interview discussions revealed that not all management in the case company think alike when it comes to the question of Customer Experience Management. In the middle management, there are experts who understand the elements of CEM and see their significance as business drivers. But at the same time there are those who rely on different set of drivers. The optimal state would be that all the company employees are personally responsible and accountable for the delivered customer experience and would articulate the message in a similar manner.

MI-3, Creation of the CEM task force from the already available CEM-minded personnel. This originates from the fact that there are individuals within the case company's middle management who have undeniably seen the positive results of applying CEM related elements in a telecom service business in their previous and current employments. Here lies an opportunity for the case company, for these individuals can be used as change agents in the overall change management process. There are two known ways to realize the benefits of CEM: either by personally seeing the positive effects it brings to work and results, or via developing a genuine interest to the topic and studying of the business concept. The case company is fortunate to have a set

people available that can play a key role in the overall change management of the company. That is, if the decision is made to take such a course.

MI-4, Appointment of a Customer Experience Officer (CEO). It was discovered during this study, that there is a high level management layer missing that would encompass the customer experience aspect over all the different functions of the case company. Examples of this can be found in the service initialization processes, where the responsibility for the overall process is not clearly allocated. Today, different company functions are responsible for their own output, but there is no-one responsible of the service experience as a whole. Thus, a Customer Experience Officer could be appointed to fulfill this role

MI-5, More focus on promoter customers. It is a trend in the telecom operator business that a company's limited resources are more often put on the detractor customers when fighting against churn and not as often on the promoter customers. The company should continue to explore how to move some of their focus from the detractor customers to promoter ones since that can be one factor where the company can differentiate itself from competitors. The key to succeed in this task, is to find an emotional connection with the customer base. A telecom operator company O2 has for example found a way to do this via the established O2 arenas, where the customers of the company have a pre-emption to tickets being sold to events taking place in these arenas. This is one way for a telecom operator company to create positive emotional meaning to being a customer of the company.

The presented managerial implications were validated by the researcher's mentor. The mentor has over 10 years of experience in the telecom business, and over half of that time in a management position. The mentor is in close business relations with the case company, thus possessing good knowledge of the company overall. The managerial implications received critique in the way they were presented, as the main goal for these implications is propose and encourage change for better. Overall, the content of the proposals received good feedback and was generally approved.

9.3 Company Cultural Implications

In this research, there were several company cultural implications discovered. These implications are described in this section.

The case company acquired a smaller telecom company few years ago. Based on the interviews, this can become a significant factor in terms of adopting the CEM business mindset in the case company. Several leaders from the small company have now been scattered in different parts of the case company and this results in having people who think alike in different parts of the case company organization. The acquired company can be seen to some extent, as a pioneer company in terms of having customer experience as a driving force in how the company operates. In this company, customer experience was the driver for the company's success and largely sculptured its organizational structure and processes. It was also seen, that a solid customer experience is a cost efficient way to serve customers, as it gives the best possible quality of service but also minimizes the amount of energy the company needs to use for solving customer problems in the end. The relation to this way of working was also seen in the impressive profit margins the company possessed at the time of the acquisition. Overall, it can be said that the company was built around the customer experience and all witnessed that it was the right way to run the company, which was also translated into results both operationally and financially.

Eventually, the acquisition of the smaller operator company has had an impact on the case company's CE focus in the recent years. It started with admitting that customer service units cannot alone make the company CEM focused, but it requires the entire company to change. It became obvious that adopting a CEM mindset in the whole company requires information, training, support and tools for it. The structures of the company and its processes need to be aligned. Most of all, the ideology needs to be focused on the same goal in order to become a CEM focused company.

In terms of organizational culture, CEM is seen as a kind of mindset that cannot be forced or preached to anybody to adopt. There are practically two ways to make staff believe in the effects of Customer Experience Management as a business driver. The first is if an individual has been working according to this mindset and seen the results it brings. The second option is if the individual has taken a genuine interest to the topic

and studied it. This study revealed that not many people think about these aspects in their daily work. However, if the effects are made evident in terms of how this certain way of working positively affects the every-day work and results, then the mindset can be successfully adopted.

9.4 Evaluation of This Study

As discussed earlier, this study attempts to take an overall look of the case company, but at the same time, has a strong focus on the customer service functions of the company. The customer service focus was chosen because the function is seen as part of an organization where CEM is most distinctly evident, according to the CEM theory. This choice of focus was also validated by the case company and the researcher's colleagues as the best company function to study using this framework. Customer service is also often considered as the common place to start improving on the customer experience in companies that desire to develop into a CEM focused company.

The methods and instruments chosen for this study were largely determined by the fact that the researcher was conducting a study in a customer company with limited access and mandate. The researcher had very limited access to case company's internal material and often had to wait long periods of time before receiving the material.

The researcher has a telecommunications engineering background, therefore had regular consultation from his senior mentor from sales department. Studies made abroad by Ericsson ConsumerLab were reflected upon with the interviewees in order to verify the correlation between the U.S. and the Finnish telecom operator business. A small number of interviews made in this study restricts from generalizing the research results. However, the issues of validity were diminished by having the end results and proposals checked by the mentor, and the obtained feedback was used for finalizing the proposals.

The initial plan was to have some more interviews take place in order create a broader perspective on the existence of CEM as a business mindset within the case company. However, the final number of interviews proved to be suitable in terms of the data gained and the time limitations set for this study. All the interviewees had a positive approach to the topic of the interviews.

The methods used in this study can be replicated in future studies or used to study any other organization or the study can serve as a general pre-study of the present state of customer service. The broadness of this study can be increased in future studies both vertically by including the customer service personnel and higher level management and horizontally by including research and development, marketing, and sales functions.

Consumers experience all service via the same fundamentals. Over 50% of those fundamentals are based on intangible emotional responses, and the rest can be considered as the physical performance of a service. In markets where the physical performance has reached a high level, the next domain for competition is addressing the emotional aspects of the service. This means a fundamental change in highly technology focused service areas, such as telecom operator services. Technological performance matters, but the emotional customer response to that performance matters more. By this transition technology focused companies begin to serve humans, instead of serving technology.

References

- Business Monitor International (2012). Finland Telecommunications Report Q1 2012. London: Business monitor international ltd.
- Bates C. (2007). What is a Brand? [WWW Document] http://www.sideroad.com/Branding/what_is_brand.html (Accessed 07.04.2012).
- Case Company Study A (2011). A customer relationship research for mobile customers. A study made by the case company's business Intelligence unit.
- Case Company study B (2012). NPS in Customer Encounters. A study made by the case company's business Intelligence unit.
- Creswell, J. W. (1994). Research Design: Qualitative and Quantitative Approaches. Thousand Oaks, CA: Sage Publications
- Dixon M., Freeman K., Toman N. (2010). Stop Trying to Delight Your Customers. Boston, MA: Harvard Business Publishing.
- EPSI Finland (2012). [WWW Document] <http://www.epsi-finland.org/fi/About-Us/this-is-epsi.html>. (Accessed 06.05.2012).
- EPSI Rating Finland (2011). EPSI Industry Report - External Customer Perspective, Mobile Operators in Finland. Helsinki: EPSI Finland.
- Ericsson ConsumerLab study A (2012). Optimal Consumer Experience, An Ericsson Consumer Insight Summary Report. Stockholm: Ericsson AB.
- Ericsson ConsumerLab study B (2012). Smartphone Usage Experience in Finland 2012. Stockholm: Ericsson AB.
- Ericsson white paper (2011). More than 50 billion connected devices. [WWW Document] <http://www.ericsson.com/res/docs/whitepapers/wp-50-billions.pdf> (Accessed 26.02.2012).
- FICORA (2011). Viestintämarkkinoiden Puolivuosisikatsaus. Markkinakatsaus. Helsinki: Viestintävirasto.
- Goodman, J (2009). *Strategic Customer Service: Managing the Customer Experience to Increase Positive Word of Mouth, Build Loyalty, and Maximize Profits*. New York: AMACOM.
- Levy S. (2011). Jeff Bezos Owns the Web in More Ways Than You Think. [WWW Document] http://www.wired.com/magazine/2011/11/ff_bezos/all/1 (Accessed 26.02.2012).
- Lincoln, Y. and Cuba, E. (1994). *Competing Paradigms in Qualitative Research*. London: Sage.

- Lane N., (2011). Mobile marketing can cut churn
<http://www.telecomseurope.net/content/mobile-marketing-can-cut-churn> Accessed 06.02.2012
- Levlin J. (2012). EPSI Rating Finland, an e-mail discussion, spring 2012
- Löytänä J, Korteso K. (2011). *Asiakaskokemus - Palvelubisneksestä kokemusbisnekseen*. Helsinki: Talentum.
- Maxwell J. A. (1996). *Qualitative Research Design: An Interactive Approach*. California: Sage
- McGarvey J. (2011). Current Analysis: Customer Experience Management: Identifying Market Drivers, Understanding Primary Objectives, The Early Competitive Landscape. Paris: Current Analysis, Inc.
- Meyer C. and Schwager A. (2007). Understanding Customer Experience. Boston, MA: Harvard. Business Publishing
- Patton M. Q. (1999). Enhancing the Quality and Credibility of Qualitative Analysis. Health Services Research.
- Payne A., Frow P. (2006). Customer Relationship Management: from Strategy to Implementation. Granfield: Westburn Publishers Ltd.
- Reicheld F. (2003). The One Number You Need to Grow. Boston: Harvard Business School Publishing.
- Shaw C. (2007). *The DNA of Customer Experience*. New York: PALGRAVE MACMILLAN.
- Shaw C., Ivens J. (2002 revised in 2005). *Building a Great Customer Experience*. New York: PALGRAVE MACMILLAN.
- Smith H. and Wheeler J. (2002). *Managing the Customer Experience: turning customers into advocates*. Harlow, FT Prentice Hall
- Soy, S. K. (1997). The case study as a research method. Unpublished paper, University of Texas at Austin. [WWW Document]
<http://www.gslis.utexas.edu/~ssoy/usesusers/l391d1b.htm>. (Accessed 25.3.2012)
- Verhoef P., Lemon K., Parasuman A., Roggeveen A., Tsiros M., Schlesinger L. (2009). Customer Experience Creation: Determinants, Dynamics and Management Strategies. New York: Elsevier Inc.
- Walden S. (2011). Marketing and Neuroscience, What Drives Customer Decisions? Chicago: American Marketing Association
- Wilson A. (1998). The role of mystery shopping in the measurement of service performance. Bradford: MCB UP Ltd

Yin, R. K. (1984). *Case study research: Design and methods*. Newbury Park, CA: Sage.

Appendix 1

The Elements According to CEM Literature

According to the conceptual framework of CEM, a truly CEM focused company:

- Prioritizes loyal customers and rewards customer loyalty. (Not all customers are equally valuable)
- Considers customer's emotional elements in doing customer segmentation.
- Understands the influence a customer has on his/her surroundings. (social dimension)
- Considers customer experience in decision making.
- Understands, that having the best customer experience, is the best way of keeping - and acquiring new customers.
- Company is able to articulate the company's desired customer experience. This is communicated all the way from top management to all functions and employees of the company. And all functions communicate and delivers the same message.
- Has specific guidelines and ways of working in how to drive the desired customer experience.
- Aims to solve customer experience pain points both reactively and proactively.
- Measures customer experience in all touch points of the service.
- Sees the significance of customer experience in all contexts of the company's business.(new customers, old customers, existing customers, churn prediction, profitability etc.)
- Strives to unify the customer experience in all service touch points.
- There is someone clearly responsible of customer experience within the company.

Appendix 2

CEM Interview questions

Business Intelligence Manager, BI & churn prediction

Questions relating interviewee's position and experience:

- Tell me about your background and experience in the field?
- How long in position?
- Previous assignments?

- What exactly are your responsibilities in the company?
- Relations to different functions of the company? Especially customer service units?
- Relationship to management group?
- Analysis of internal data vs. Analysis of external data? In what proportion each?

- Let's start by talking about a research made by Ericsson Consumer lab concerning customer experience management in Telecom operator Business. How well do you see these results correlating with Finnish Telecom operator business?

- Then we'll discuss the churn figures reported in your annual report?
- How is this figure calculated?
- Are the figures comparable to with for example these figures originating from the UK? Telecom Europe article.
- How would you describe the significance of churn to your business?
- Top 3 why a customer changes an operator?
- What is being about this?
- Improvement of what function plays the most significant role?

- What are your means for competition? How are you trying to differentiate yourself from the competition?

- Can you define in your own words, what kind of customer experience you want to deliver to your customers? [Element: is able to articulate clearly?]
- Who communicates this goal? How is it communicated?

- In what contexts does the term come up?
- (contexts eg. churn talk, profitability talk, acquiring new customers, holding on to existing customers)

- How is this visible in your business? How is this implemented? How instructed?
- Unification of experience?
- How is this seen in decision making? [Element: influence in decision making]
- Who has ownership?

- How have you segmented your customers? [Element: segmentation, customers social footprint]
- Based on what info do you segment? (CEM clusters of emotions)
- What data is being used for this?
- How is this seen in your actions?

- How do you reward customer loyalty? [Element: loyalty, prioritization, acquiring new customers]
- How is this seen in practice? Are all served equally?
- What concrete measurements do you have for determining customer loyalty?

What other measurements?

- Cust satisfaction, Cust loyalty, service quality, what touch points, (NPS, CES, social media, VoC, Mystery Shopping, e-mail/SMS surveys, Phone interviews)
- What kind of questions? Can I see them?

- Concerning your perceived service quality by customers, what pain points have you pinpointed?
- How are trying to fix them? [proactive/reactive] [eg. billing spikes?]
- What challenges? What obstacles? Why?

- How do you measure how customers experience your service?
- Where, how, why, when?
- How about process level?

- In what channels you seek to control your customer experience?

CEM interviews, customer service, middle management

Questions relating interviewee's position and experience:

- Tell me about your background and experience in the field?
- How long in position?
- Previous assignments?

- What exactly are your responsibilities in the company?
- Relations to different functions of the company? Especially customer service units?
- Relationship to management group?
- Analysis of internal data vs. Analysis of external data? In what proportion each?
- What does your work include on a daily basis?

Can you give an overview of your customer service function on a high level?

- Let's continue by talking about a research made by Ericsson Consumer lab concerning customer experience management in Telecom operator Business. How well do you see these results correlating with Finnish Telecom operator business?

- Then we'll discuss the churn figures reported in your annual report?
- How would you describe the significance of churn to your business?
- Top 3 why a customer changes an operator?
- What is being about this?
- Improvement of what function plays the most significant role?

- What are your means for competition? How are you trying to differentiate yourself from the competition?

- Can you define in your own words, what kind of customer experience you want to deliver to your customers? [Element: is able to articulate clearly?]
- Who communicates this goal? How is it communicated?
- In what contexts does the term come up?

- (contexts eg. churn talk, profitability talk, acquiring new customers, holding on to existing customers)
- How is this visible in your business? How is this implemented? How instructed?
- Unification of experience?
- How is this seen in decision making? [Element: influence in decision making]
- Who has ownership?

Question about the customer service function:

- In what channels? (phone, mail, SOME, web pages)
- How does the customer service process work? How is the work divided? How organized?
- What kind of cases do you get the most?
- What kind of feedback channels do you have? How collect? What happens to feedback received during phone calls? Is there a trigger for cust sat or cust exp survey? What is the trigger?
- Do the feedback come to you? What kind of feedback? What happens then?
- What kind of goals does your uniots have in terms of service quality? Wjhat kind of accomplishments? In what areas are biggest needs for improvement?
- What is being done to these problem areas? Why so? What challenges? What obstacles?
- Transparency of information? Eg. Does support see all that billing does? Chal- lenges concerning this?
- In customer service function, how is customer experience seen in decision mak- ing? In what contexts does it come up? (contexts, eg. churn talk, profitability talk, acquiring new customers, keeping existing ones.)
- Do you feel that cust service is the thing your company is trying to differentiate from competition?

Elements

- Do you want the customer to call you?
- How have you segmented your customers? [Element: segmentation, customers social footprint]
- Based on what info do you segment? (CEM clusters of emotions)

- What data is being used for this?
- How is this seen in your actions?

- How do you reward customer loyalty? [Element: loyalty, prioritization, acquiring new customers]
- How is this seen in practice? Are all served equally?
- What concrete measurements do you have for determining customer loyalty?

What other measurements?

- Cust satisfaction, Cust loyalty, service quality, what touch points, (NPS, CES, social media, VoC, Mystery Shopping, e-mail/SMS surveys, Phone interviews)
- What kind of questions? Can I see them?

- Concerning your perceived service quality by customers, what pain points have you pinpointed?
- How are trying to fix them? [proactive/reactive] [eg. billing spikes?]
- What challenges? What obstacles? Why?
- How do you measure how customers experience your service?
- In what channels you seek to control your customer experience?

CEM Interviews, customer service, lower management

Questions relating interviewee's position and experience:

- Tell me about your background and experience in the field?
- How long in position?
- Previous assignments?
- What exactly are your responsibilities in the company?
- Relations to different functions of the company? Especially customer service units?
- Relationship to management group?

Can you give an overview of your customer service function on a high level?

- Then we'll discuss the churn figures reported in your annual report?
- How would you describe the significance of churn to your business?
- Top 3 why a customer changes an operator?
- What is being about this?
- Improvement of what function plays the most significant role?

- Let's start by talking about a research made by Ericsson Consumer lab concerning customer experience management in Telecom operator Business. How well do you see these results correlating with Finnish Telecom operator business?

- Can you define in your own words, what kind of customer experience you want to deliver to your customers? [Element: is able to articulate clearly?]
- Who communicates this goal? How is it communicated?
- In what contexts does the term come up?
(contexts eg. churn talk, profitability talk, acquiring new customers, holding on to existing customers)

- How is this visible in your business? How is this implemented? How instructed?
- Unification of experience?
- How is this seen in decision making? [Element: influence in decision making]
- Who has ownership?

Question about the customer service function:

- In what channels? (phone, mail, SOME, web pages)
- How does the customer service process work? How is the work divided? How organized?
- What kind of cases do you get the most?
- What kind of feedback channels do you have? How collect? What happens to feedback received during phone calls? Is there a trigger for cust sat or cust exp survey? What is the trigger?
- Do the feedback come to you? What kind of feedback? What happens then?
- What kind of goals does your units have in terms of service quality? What kind of accomplishments? In what areas are biggest needs for improvement?
- What is being done to these problem areas? Why so? What challenges? What obstacles?
- Transparency of information? Eg. Does support see all that billing does? Challenges concerning this?
- In customer service function, how is customer experience seen in decision making? In what contexts does it come up? (contexts, eg. churn talk, profitability talk, acquiring new customers, keeping existing ones.)
- Do you feel that cust service is the thing your company is trying to differentiate from competition?
- Do you want the customer to call you?

Emotions

- What kind of emotions your customer service wants to evoke in your customers?
- What kind of cognitive imprint do you want to create?
- What kind of value do you want to create customer encounters?

Questions relating to customer service employees:

- How are the bonuses formed?
- Are customer employees able to deviate from standard procedures, if it is required to deliver a more successful customer experience? If so, what kind of occasions? What kind of deviations?

- Do everyone get the same training? What is included? (if not common training, how about unifying the experience?)
- Ho is recruiting done?
- How are human skills evaluated (reaction to emotions, negotiation skills, anger management, how is seen recruiting criteria's)
- Psychological tests?

Elements

- Are you able to acknowledge customer loyalty during service calls?? (duration of customership/value) Do you recognize loyal customers? Are all customer equally valuable?
- Is customer segmentation seen in customer service situations? Value based (CLV) ja need based (or motive based))
- Is social status of customers seen in customer service visible in customer service situations?
- How would you describe the proportion of proactive vs reactive customer service? How much are you able to be proactive?
- How do you see customer expectation as compared to you delivered customer service?

CEM haastattelut, Research Responsible

1. What kind of research does you company do?
Customer satisfaction, customer experience, service quality?
What kind of research has been made before, has this changed?
When did you start researching from the point of view of customer experience?

3. Does the research made by Ericsson ConsumerLab correlate to Finnish operator business?
4. What kind of customer experience data do you have?
5. What kind of measurements do you have? (NPS, CES, SOME, VoC, Mystery Shopping, e-mail/sms surveys)
6. Do you have the EPSI exptended customer satisfaction research available?
7. SOME research, SOME management?