

Using technology to drive strategic improvement in consumer experiences at the LEGO Group

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Introduction

Getting closer to customers is a top priority for CEOs, according to the IBM 2010 CEO Study. Yet many companies do not approach this in a coherent, strategic manner, but create initiatives that each optimize an element of the consumer experience, but fail to deliver an overall impact on the business.

This essay argues that to deliver a premium consumer experience, and turn it into a strategic advantage for the company, requires not only adopting a set of key metrics and tools, but using technology to deliver scale and real-time feedback loops and lastly, coupling it with strong leadership within the company. This will pave the way for a transformation of the company to become increasingly consumer-driven, itself a pre-requisite for success when approaching the second strategic opportunity area: using social media to amplify positive consumer sentiment and drive the sustainable growth of a brand.

The challenge of managing the customer experience and touch points

Wikipedia defines consumer or customer experience as the sum of all experiences a customer has with a supplier of goods or services, over the duration of their relationship with that supplier. Touch points, furthermore, occur every time customers come into contact with, or 'touch' a brand, and anything associated with it. Individually or in groups, these 'touch points' define the customer experience.

The explosive growth in online connectivity, customer choice, and sources of information, combined with the fragmentation of traditional and new channels – such as mobile and social media – means that understanding what happens at customer touch points, is simultaneously becoming harder, and more important to ensure sustainable growth of a brand.

These developments point to the urgent need to both understand the quality of the experience customers have at critical touch points, and also to the need to respond quickly to issues customers have, including fixing the experience, before social media channels fuel a backlash on the company resulting from a bad consumer experience. Heffneman and LaValle (2010) articulate the challenge well:

In order to drive sustainable, profitable organic growth and competitive differentiation, organisations must better integrate and align the way they treat customers with their go-to-market strategy and branding at each touch point of the relationship. Achieving this is a continual, uphill battle as competitors increasingly raise the stakes. Customers' expectations continue to rise – largely through their experiences with a boundless commercial world... given the vast number of customer interfaces companies have to manage – multiple channels, front-line employees and customer segments – the key challenge is to create the right experiences at the right time in the right way for the right cost (Heffneman, LaValle, 2006)

The promise of a single score

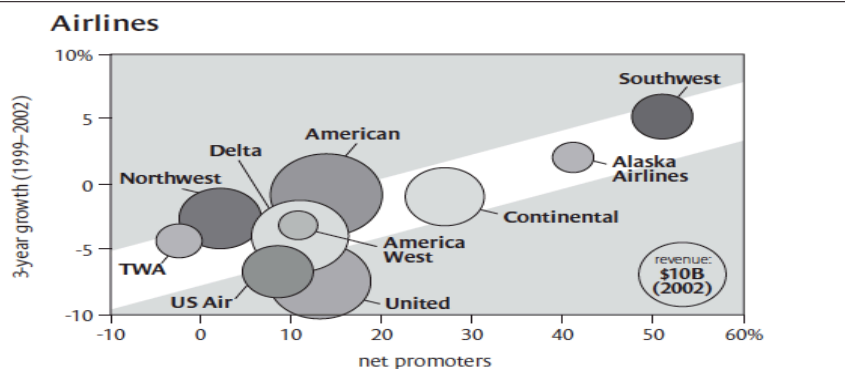
Heffneman and Lavalle recognize that customer experiences have emotional characteristics, which companies historically struggle to deliver. “The customer experience is more than an analysis of hard metrics about speed, availability and information. These tactile performance measures are critical, but real progress in shaping the customer experience has to involve the emotive aspects of high impact interactions. The key to achieving emotive success is understanding the customers' needs and expectations. By doing so, companies can understand what the most important interactions are – the moments of truth – and prioritise delivery on these interactions”. (Ibid, 2006).

Fred Reicheld, in his article “The One You Need to Grow” for Harvard Business Review in 2003, sparked an entire industry around the measurement of a simple metric of asking consumers how likely they are to recommend an experience they have had to friends and family, which Reicheld termed the Net Promoter Score. He clarifies some common misconceptions around loyalty and defines it as the willingness of someone – a customer, an employee, a friend – to make an investment or personal sacrifice in order to strengthen a relationship. Consequently, for Reicheld, true customer loyalty brings value to the business beyond repeat purchases in that loyal customers buy more, are less likely to switch to competition, and are more likely to engage in positive word of mouth, thus lowering customer acquisition costs, and overall these ‘promoters’ help drive top line growth by enlisting customers as the ‘marketing department’.

Reicheld argues that old methods of measuring customer loyalty weren't very effective in that what consumers said in surveys often did not match actual behaviour. Instead, asking customers about their likelihood to recommend, touches a much more deep seated human need – our desire to be 'internally consistent' as psychologists call it – the need to act in accordance with our beliefs. By asking customers to recommend something we are in effect asking customers how willing they are the gamble their own reputations with their friends, family or colleagues on the quality of experience these may have with a company. Customers' desire to protect their own reputations and look out for their loved ones, yield a more truthful picture of what they actually think about a company based on the experience they had, than merely asking about their satisfaction.

The Net Promoter Score is calculated on a scale from 0 to 10 (from extremely unlikely to extremely likely) by taking the percentage of respondents who gave a score of 9 or 10 (promoters) and deducting the percentage of respondents who gave a score of 0 to 6 (detractors). The resulting score – the Net Promoter Score – can be calculated per touchpoint or aggregated to a company level score.

Reicheld further argues that companies' growth is directly correlated to their Net Promoter Scores and that this should be the reason to monitor and develop touch points to produce higher NPS ratings from consumers (Reicheld, 2003).



Reference: Reicheld, 2003

Heffneman and LaValle introduce a more nuanced view to understanding customers' experience and especially to address the challenge prioritizing time, resources and investment to address the touch points that truly have a significant impact on business:

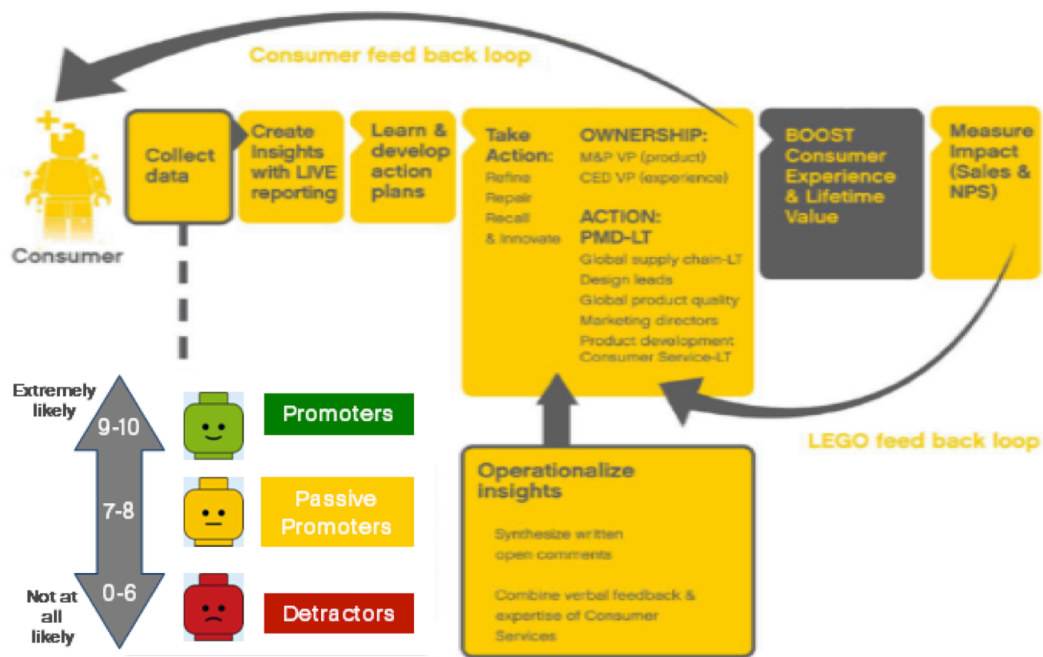
Different interactions have different effects on customers. Some interactions are very intensive, emotionally taxing, involved, time-consuming, enjoyable or otherwise very important to customers. Other interactions are mundane, unnoticed or otherwise unimportant. Understanding the difference between important and unimportant interactions enables innovative companies to achieve two very distinct goals: 1) improve the customer experience where it counts and 2) prioritise investments, resources and effort against only the most important interactions, thereby increasing ROI.

Creating feedback loops to fuel continuous improvement and consumer advocacy

Technology, especially online platforms and survey tools become essential enablers in automating real time monitoring of consumer feedback. While multiple vendors offer solutions for Customer Experience Management (CEM) or Customer Relationship Management (CRM), the challenge is often to open up the tools for broad adoption within the company and ensure that metrics truly drive action.

Customer feedback loops, or Voice of the Customer programs as they are also called, are essential in ensuring continuing organisational focus on customer experience.

Technology plays a vital role at each step of the process, but only by combining the tools with leadership and organisational processes, can the effects of becoming a customer-driven organisation be realised.



Reference: C. Weckstrom 2009 © LEGO Group

At the LEGO Group the following process ensures a continuing focus on customer experience at important company touch points:

Whenever customers conclude an experience with the company, they have the opportunity to respond to the Net Promoter Score question and a few diagnostic questions, which help explain the issues behind the customers rating. Online and mobile survey tools are essential, including integration into telephony systems to enable monitoring of each customer touch point, but also comparison of performance across.

Analysis of insight provided by live reporting tools and text analytics, development of action plans and escalation to stakeholders for decision and action is a critical next step. The decisions and actions are taken to boost customer experience and lifetime value, and their effectiveness further measured through sales and Net Promoter Score results.

Progress and improvements are communicated back to the business through daily, weekly and monthly reports and further action taken if improvements do not materialise.

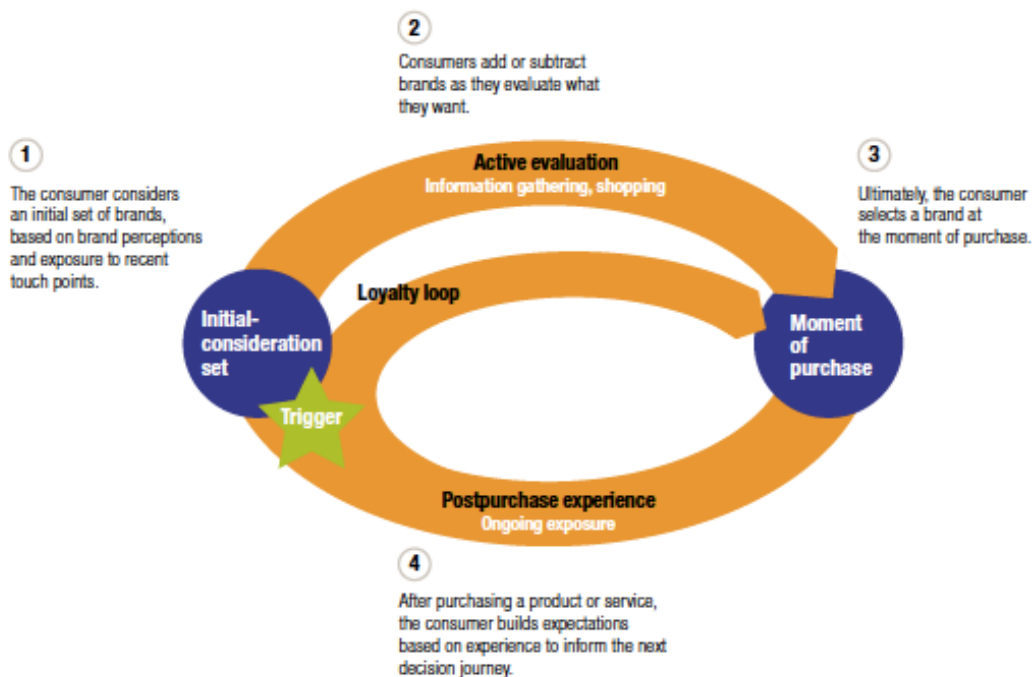
Increased automation of analytics and communication further frees up staff to deliver the customer feedback loop. In important customer touch points, managers are obliged to respond directly within 24 hrs. to customers, who have given a negative score and who have given their permission to be contacted.

Especially the last step, contacting customers to recognise their feedback, explain what has been done to solve the problem and to ensure it doesn't occur again, has proven to be a powerful way for the LEGO Group to convert detractors to promoters.

Strategically, the process creates a continuous, outside-in-perspective to continuous improvement, essentially driven by what customers value and thus helping the company to maintain focus on what is required from a customer experience point of view, for the company to maintain its premium positioning. Delivering a strong experience at touch points further serves to create barriers to entry, deepen the relationship with customers and enhance the perception of value.

This becomes especially important as the nature of how consumers make decisions is changing. The proliferation of media and products, combined with a shift away from one-way communication – from marketers to customers – toward a two-way conversation and increasingly to peer-to-peer conversations, excluding the company altogether, means that experiences at customer touch points increasingly determine customer decisions, beyond traditional marketing messaging and channels.

The consumer decision journey

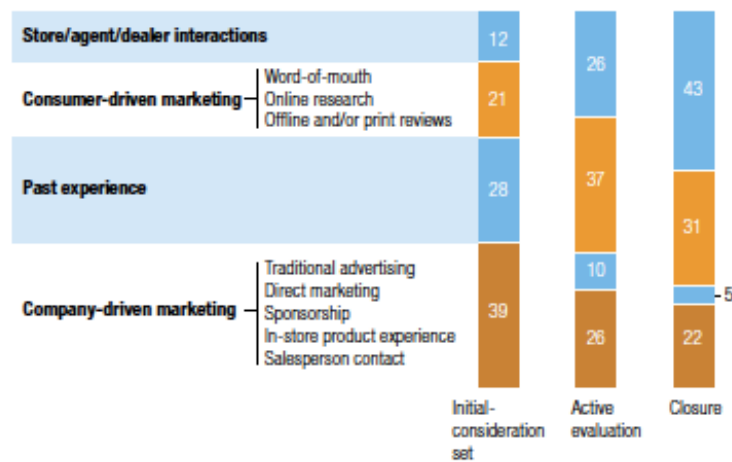


Reference: Court et al (2009). McKinsey quarterly.

Court et al (2009) point to the necessity to not only align all elements of marketing – strategy, spending, channel (and touch point) management, and message – with the journey that customers take when they make purchasing decisions, but of integrating those elements across the organisation. “When marketers understand this journey and direct their spending and messaging to the moments of maximum influence, they stand a much greater chance of reaching customer in the right place at the right time with the right message. (Court et al, 2009)

Where it counts

Most-influential touch points by stage of consumer decision journey, for competitors and new customers, % of effectiveness¹



¹Based on research conducted on German, Japanese, and US consumers in following sectors: for initial consideration—autos, auto insurance, telecom handsets and carriers; for active evaluation—auto insurance, telecom handsets; for closure—autos, auto insurance, skin care, and TVs; figures may not sum to 100%, because of rounding.

Reference: Court et al (2009). McKinsey quarterly.

The graphic above shows the extent to which past experience dominates customers initial considerations, combined with word-of-mouth, online research and offline and/or print reviews or what the authors term ‘consumer-driven marketing’. In the phase of active consideration and even at the point of closure, these two dimensions dominate decision making and further shows the importance for companies to actively invest in ensuring the experience at their touch points lives up to customers’ expectations.

Creating internal leadership around customer experience

To master the scale and opportunities that technology delivers to monitor and improve the customer experience at every touchpoint, strong internal leadership is an essential component.



Bruce Temkin, a leading researcher of customer experience highlights four areas that in his mind define the ability to turn customer experience into a competitive advantage for a company.

Purposeful leadership – define what the organisation wants to achieve around customer experiences and touch points, act consistently in pursuit of this goal.

Employee engagement – Align employees with goals of the organisation, train, communicate and measure employee engagement.

Compelling Brand Values – define, communicate and above all, keep brand promises.

Customer connectedness – Infuse customer insight across the organisation, focus on target segments, build a voice of the customer program and develop user-centric design skills.

Harnessing social media to amplify word-of-mouth

Ultimately – by virtue of the increasingly social nature of the customer journey – the payback for a strong process for managing customer experiences at touch points is the most authentic of all advertising: word of mouth by passionate customers. Jack Morton Worldwide (2010) talks about leveraging customers as the ultimate marketing channel, as “...no matter how digital our communication channels become, it’s ultimately the influence of real people, particularly those who’ve had really great experiences, that fuel the real growth for a brand (particularly when they leverage digital channels to maximize reach)”.

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