

8 Best Practices for Creating a Compelling Customer Experience

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Summary. How can a company best create a compelling customer experience? Based on the author's research involving thousands of companies and analyses of millions of customer data points from the American Customer Satisfaction Index (ACSI), the eight areas that... [more](#)

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Every interaction between a company and a customer is an opportunity. For the company, it's a chance to reinforce brand quality and value with the goal of achieving customer satisfaction

and loyalty. For the customer, it's a chance to provide input on their needs, satisfaction with previous experiences, and expectations for future engagements with your brand.

Your customer's journey involves every interaction with your company and its brands — every node (e.g., company), every actor (e.g., customer), and every link (e.g., exchange between buyer and seller) in that journey affects their satisfaction and loyalty. Customers want to experience and engage on their terms, and they expect seamless integration of online and in-person interactions with your company.

This raises the question: How can companies best organize and position their marketing, product development, and customer support to create a compelling customer experience? Based on a collection of my recent managerial research — involving thousands of companies and analyses of millions of customer data points from the American Customer Satisfaction Index (ACSI) — here are the areas leaders should focus on to create and manage compelling customer experiences throughout the customer journey.

1. Orchestrating the Marketing Ecosystem

Gone are the days when converting customers was merely a matter of beating your competitors. Today's competitive companies take an active role in orchestrating their position in a marketing ecosystem to influence the customer journey. Marketing ecosystems grow by co-evolving with one or more company's growth. This is fueled by digital technology, embracing knowledge, intelligent integration, and resource sharing for critical activity links within the ecosystem. Co-creation and resource sharing (e.g., customer data) related to creating a compelling customer experience positively push companies to grow with the ecosystem.

For example, Starbucks varies its approach to global expansion depending on the marketing ecosystem it's operating within. Because India is a heavy tea market, Starbucks opted to not

develop its offering within the coffee market. It relied on its joint venture partner's (Tata's) supply chain, distribution, fulfillment networks, and market-specific resources. Starbucks focused on leveraging its brand and resource complementarity with Tata in the growing Indian metro markets. Meanwhile in China, Starbucks gained insights from regional ecosystem partners that indicated that it's viewed as an aspirational brand for young middle-class Chinese individuals. This enabled the company to anticipate market developments and changing consumer tastes.

2. Aligning Company and Customer Needs

Marketing is fundamental to your company's efforts to create a compelling customer experience, so you must do more to ensure that managers and customer-centric employees (e.g., frontline customer service, sales, and customer experience management personnel) understand how customers perceive your company's brands, products, and services — and why.

Many companies have a lot of work to do to create a better alignment between the company's and customers' wants and needs. More often than not, managers underestimate customers' expectations and overestimate their satisfaction and loyalty to their brands. This is made worse because managers, on average, also underestimate the importance of customers' perceptions of quality in driving satisfaction, as well as the importance of satisfaction in driving both loyalty and complaints.

3. Delivering Amazing Customer Convenience

Customers want to be able to buy the product they need at a time and place that's convenient to them. They expect companies to solve this time/place convenience so that the purchasing experience is seamlessly part of their journey. Today's ever-accelerating demands by customers for convenience will be a benefit to agile companies and likely painful for unresponsive ones.

A company that can create a competitive strategic mix of speed, quality, cost, and flexibility can thrive in its marketing ecosystem and align with customers' goals more effectively. Such an alignment often enables companies to provide an amazing customer experience.

4. Reinforcing Digital Marketing

There are important differences between customers' online and in-person experiences. Online customers view the purchase value (i.e., product quality relative to the price) as a significant attribute when rating satisfaction, and they are more satisfaction-sensitive when making repurchase decisions. This means that online customers have to be satisfied at a higher level to repurchase a product, compared with brick-and-mortar customer who may repurchase a product, at times, even if they were not highly satisfied with their previous purchase. But the quality of the customer experience is a stronger driver of satisfaction in the brick-and-mortar scenario than online.

Social media is one way to align the company's and customers' needs, create an embedded and compelling customer experience, and facilitate high levels of customer satisfaction. However, customer-initiated posts have been shown to be the most important in influencing potential buyers, and there are limits to a company's ability to influence customers by initiating social media conversations about themselves.

5. Adjusting Customer Incentives

Countries, companies, and customers are increasingly concerned with sustainability. Leaders should consider the following questions: How much cost can be tolerated for sustainability efforts? And how sensitive are customers to the possibility of increased prices due to sustainability efforts?

Many companies implement sustainability initiatives and maintain competitive prices. Research shows that a company's costs and product prices can increase by 27% to 72%, and the

company can remain competitive in its industry. Price competitiveness is the fiercest in the United States — at most, companies can add a 27% price premium, on average, to products in the U.S. without a negative impact on a company's product-market performance. In South America, the price increase can be up to 69% above normal cost without significant detrimental effects on a company's product-market performance.

But increasing costs and prices should not be done in perpetuity. Creating compelling customer experiences can be a more viable strategy. Companies can offer a mixed-incentive bundle of sustainability options and let the customer choose. Such incentivizing increases the satisfaction positives of participants and eliminates the negative effect perceived by non-participants.

6. Cultivating Customer Evangelists

Many customers increasingly want to engage with brands. A company's reputation, its brands, and related science-based customer insights can be used to build trust as the foundation for such interactions. But a quality brand on its own isn't sufficient to create compelling customer engagement. Customer-centric companies develop a culture in which employees are encouraged to develop deeper and more long-lasting relationships with customers.

Customer service expert Shep Hyken talks about creating an amazing customer experience that leverages very satisfied customers as "customer evangelists." He says: "The customer experience comes in part from service, but in the larger sense it is everything created by any and all contact with your operation." If a company can maximize the positives from the interactions in every node (e.g., companies involved, supply chain partners, customers) in the customer journey, customers can be nurtured into repeatedly coming back and potentially becoming promoters and evangelists.

7. Handling Customer Complaints

Companies should appreciate customers who complain. But complaints take time and effort to resolve and can be a significant drain on the company's resources. The positive is that companies that handle complaints superbly can gain stronger customer loyalty than before the complaint.

Companies that take complaints seriously typically develop more competitive brands and are often better equipped than other companies to create a compelling customer experience.

Complaint handling has to be almost perfect (nine or above on a 10-point scale, where 10 is the best) for customers to come back and be as satisfied as before they complained. Based on ACSI data, very few companies can achieve this level of complaint handling. The reason is that a customer who complains to a company is negatively predisposed toward the company and its brands. Turning that customer into a satisfied and repeat customer is difficult.

Unfortunately, many dissatisfied customers opt not to complain. Over the last three decades, ACSI data show that 12.8% of customers formally complained to companies but, in reality, 30% of customers complained more informally about brands on social media. These non-complaining but disgruntled customers instead leave the company and buy substitute products. The takeaway is that it is often better to have customers complain than not complain (and simply leave) if the company can handle the complaint in a satisfactory way without draining resources.

8. Managing Product Returns

Between 5% to 10% of customers who buy products from brick-and-mortar stores return the products, depending on the industry. The returns rise to 15% to 40% for online purchases (with clothing and shoes bought online having returns of 30% to 40%). These data points are important since product returns are about to be an annual trillion-dollar industry. This puts pressure on companies to get it right from the start but also puts pressure on reverse logistics in companies' supply chains.

To create a compelling customer experience and offset the potential for these high and costly rates of product returns, companies need strategic insights into which factors increase customers' return propensity. For example, research has shown that shopping via mobile apps can lead to lower return rates than both brick-and-mortar and computer-based online shopping. Also, in product categories in which customers can learn from their return experiences — for example, clothing — product returns positively increase future purchases, because customers have gained direct experience with the products. These types of scientific insights can assist companies in leveraging customer learning and return management as competitive weapons in the customer journey.

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Creating and managing compelling customer experiences are becoming as important for a company as creating and managing the company's brands portfolio (i.e., products and services). A compelling customer experience, if achieved, will be evident in a company's performance metrics, such as positive effects on customers' mindsets (e.g., satisfaction, loyalty), customers' behaviors (e.g., acquisition, retention), product-market performance (e.g., market share), and financial outcomes (e.g., lifetime value).

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