Building a Brand on the Touchpoints That Count
Brand investments that customers truly value

By Suzanne Hogan, Eric Almquist, and Simon E. Glynn

Successful brand-builders consciously resist investing everywhere that their brand touches their customers. Instead, they identify and then spend aggressively only on the interactions they know will have the most impact on revenue growth and profitability.

Business leaders have few illusions about the challenge of building a world-class brand. But that's not the same as knowing the most effective way to do it.

The challenge is to make sense of the kaleidoscope of factors in many corners of the company that contribute to brand equity. Elements ranging from product quality and customer service to Web presence, employee behavior, and community relations all shape customer perceptions over time. How to know which elements to focus on, how much to invest, and how soon?

The fixation with excellence in customer satisfaction doesn't clarify the issue. Many forums promise to reveal the success secrets of companies that have mastered "segment-of-one" intimacy, which explains much about the urge to assess best practices. The mistake, of course, is in thinking that *their* best practices can automatically become *your* best practices.

Equally seductive is the "do everything" approach—aligning every customer interaction in the hope that many small positives will add up to a first-rate brand experience. The consequences are predictable: poor use of resources; difficulty obtaining buy-in from the many constituents involved across the organization; and limitations on making quick wins that can foster confidence and generate support for broader brand-building programs.

Superior brand-building takes a more selective and deliberate approach. In our experience, leading brand-builders adhere to four principles that set the conditions for the customer experience practices that matter most to them:

1) *They identify the most important customers.* Premier brand-builders recognize that not all customers are equally important to current and future revenue growth. But it's their customer segmentation practices that truly set them apart. Major airlines such as British Airways and American Airlines, for example, despite other operational challenges, know exactly who their high-profit passengers are.

2) *They concentrate investment on the customer touchpoints that will do the most to raise profitable demand.* There are many ways in which a company can shape its customers' views. It's critical to analyze which touchpoints will have the greatest impact, both positive and negative, on customer behavior and brand loyalty and then reallocate investments to those few key touchpoints.

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This is where some of the major airlines have lagged their new low-cost competitors. By competing on all touchpoints, from onboard food to baggage check-in, they have built up a cost base that many customers don't value and, given the choice, won't pay for. No-frills airlines offer attractive fares by saving on these operationally expensive touchpoints. Industry wisdom holds that keeping customers out of the rain when boarding the aircraft is worth the expense of an air-bridge or jetway. At London's Stansted Airport, Ryanair saw this as less important to its customers than the better prices it could offer if the airport omitted air-bridges and passed on the savings. At the same time, good no-frills airlines still score highly on what their customers really value, such as clean cabins, comfortable seats, and on-time departure.

3) *They set realistic goals for implementation.* Brand exemplars are pragmatic about their chances of implementing wide-scale change management programs. They assess the organization's readiness for changing key customer touchpoints and then rally the relevant participants around those moves that will yield good results quickly.

4) *They constantly revisit their performance.* While they may start with specific programs to improve customer experiences, these firms work to build processes that can make such programs self-sustaining. They monitor what level of performance is enough for the critical touchpoints, and they keep tracking which touchpoints are important as industry standards and customer expectations change. When Virgin Atlantic was the only airline offering in-flight entertainment in economy class, the feature immediately became an important touchpoint. But now that Virgin's major competitors also offer entertainment, the importance has declined. There are still differences in the offers—the range and choice of movies, games, and so on—but these subtle differences no longer influence customers' airline choices so strongly.

An effective customer-experience program analyzes rich customer feedback to determine not just what customers say, but also what they do. So let's step back a moment to look at how customers get their ideas about a company and how they act in response.

The brand is the customer's experience

A person's feelings about a company can be shaped by something as rough and ready as word of mouth—the standard lore about one unhappy customer telling many others. Typically, though, it's the product of a series of direct and indirect experiences, each adding or subtracting from perceived status.

In effect, a brand is the sum of the customer's experiences with the relevant product or company. It is transmitted in every interaction with the customer over the lifetime of the relationship.

Consider the experience of shopping for a new car. You'll start with your own blend of perceptions, based on received ideas about the car and what you see on the street. You'll modify those views as you talk to others, including owners of the brand and model you're interested in, and as you read reviews and check the car's ratings in third-party reports. At this stage, the automaker whose reputation doesn't shine cannot rewrite history.

One of the automaker's first opportunities to affect the decision process is on its Web site. There it can present a personality, provide detailed information, lay out tantalizing incentives, and enable contact with a local dealer. Say you decide to visit that dealer. Here's a

high-impact touchpoint if ever there was one. You'll immediately downgrade the brand for these: dowdy 1960s-style building exterior; high-pressure salesmanship; grubby linoleum floor; blaring TV in the waiting room. Many an auto sale has been lost right there. (That's why manufacturers such as Nissan are revamping their dealerships in line with new brand strategies.)

Fast-forward to where you're taking delivery of the car: It's a boost to the brand if the closing price is what the dealer said it would be, the license plates are on, the gas tank is full, and your favorite radio station is playing as you get in. Subtract a few points if the salesperson asks you to give him all "excellent" ratings on the customer satisfaction survey you'll be receiving in two weeks.

Fast-forward another two years: Now you're battling the credit company over payments they claim were late and the dealer is arguing over the warranty terms as you're having the power steering repaired.

As the car example illustrates, a brand can be built up or torn down anywhere on that chain of touchpoints from earliest impressions to after-sales service. This applies in many industries ranging from airlines to banking (Exhibit 1).

Exhibit 1 **Develop a customer experience "touchpoint chain"**

Purchase and installation → Terms and conditions → Transact or use product → Routine customer service → Problem resolution → Receive bill or statement → Purchase same or other products → Recommendation and advocacy

Source: Lippincott Mercer

Even old-line manufacturers are starting to recognize that there is a customer relationship continuum—the "before," "during," and "after" service components of their product sales. That continuum is stretching as, for example, online channels open up. And many of those service relationship phases can overshadow the interaction with the physical product. Just ask any car owner.

Brand leaders such as Coach and Ritz-Carlton use these principles as starting points. They view all customer experience programs in hard economic terms. They continually tweak their analyses of best customers and optimal touchpoints to fine-tune brand-building costs as well as revenue generation. In effect, they subsidize investment in high-impact touchpoints with the savings made on those shown to have little impact on financial performance. For example, United Airlines has found that its highest-profit customers can cost it even less; they are more likely to favor low-cost automated ticketing services and to avoid interactions with airline check-in employees.

That's not to imply that brand leaders make stark "either/or" choices. In practice, they act like football coaches, fielding different players at different times to generate new and better plays. They ensure that the touchpoints that matter are synchronized to successfully convey the brand's promise.

Brand leaders also have enormous appetites for gathering data on customer opinions and behavior. They know what customer and operational data they have on hand, what data they can obtain at what cost, and how to mine the data for actionable direction.

It's instructive to study the processes and tools that brand leaders commonly use, all of which flow from the four principles described earlier.

Identify key customer segments.

When launching branded customer experience initiatives, many companies begin by assembling the volumes of customer data they know they already have. (They are often surprised by how much relevant data they have stored away in customer relationship management and finance systems.) That data can be filtered through disciplined customer segmentation approaches that break apart customer profitability by decile. Other measures will rank profit per customer over time and rate customers for their profit potential—both short- and long-term.

Citibank can say with a high degree of accuracy what every customer is worth in terms of revenue and profitability. Over the years, the financial-services giant has gathered huge amounts of data on its customers' behavior, such as the size of credit-card transactions or how much of a balance is paid off and when.
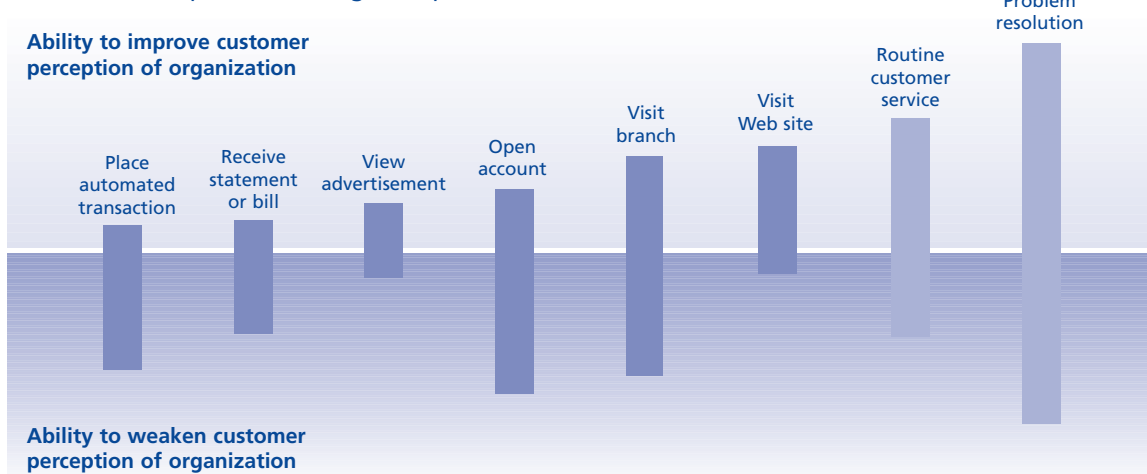
Identifying the right customers is a critical first step. Continental Airlines came back from the brink largely on the strength of a successful customer experience program that began with a clear idea of which passengers it cherished. The airline's pricing had been luring leisure travelers who were not as profitable as business fliers in terms of frequency of use and average fare.

Develop touchpoint chains and gauge those with the greatest impact.

The simplified touchpoint impact chart (Exhibit 2) shows at a glance that many touchpoints have little upside impact on brand equity but can destroy brand equity if they fail. A few touchpoints, such as problem resolution, can have a huge positive or negative impact. When carefully developed, this kind of analysis quickly pinpoints what to improve to reinforce the brand and—with return on investment in mind—what not to improve.

Exhibit 2 **Touchpoints can build or destroy brand equity**

Customer touchpoints, banking example

Ability to improve customer perception of organization

Place automated transaction
Receive statement or bill
View advertisement
Open account
Visit branch
Visit Web site
Routine customer service
Problem resolution

Ability to weaken customer perception of organization

Source: Lippincott Mercer

By applying regression techniques or more sophisticated methods such as structural equation modeling to the area of problem resolution, one can predict what a 25% greater investment in that area will produce in terms of overall customer experience and in terms of employee retention. The most important outcomes: figures for what the company will gain in total incremental revenue and profitability through improved customer retention, greater share of wallet, and cross-selling opportunities.

Our experience with similar analyses for many companies points to a sobering fact for modern service marketers: Most electronic forms of interactions do not delight customers, but they have a great potential to destroy brand equity if they fail. For example, after 20 years automated teller machines (ATMs) do not please us very much, but they irritate us when they are down for service. While Web sites may provide some delight today, they will probably be the same as ATMs in the future. The interactions with the greatest potential for delight are those that involve people, who can resolve customer problems, empathize, smile, and provide unexpected levels of service. Companies that entirely replace people with machines may run a great risk with their brands. For most companies, the answer is to manage the mix of people and automation: Machine interaction is fine for many transactions (cash withdrawal, airline check-in) as long as customers have other opportunities to meet the brand's people (when seeking finance advice or experiencing in-flight service).

In one case with a leading shopping channel, we worked with the firm to find out exactly what its customers value. This required sketching out and refining its touchpoint chain, to map every point at which its customers were affected directly by its products and service, and indirectly by the perceptions the company had created. A preliminary assessment helped draw out a hypothesis about which are the strongest and weakest links in the chain for each of the channel's key customer segments. A detailed questionnaire then asked customers to rate the brand on more than 100 criteria, ranging from specific service experiences, such as getting through on the phone, to more indirect perceptions, such as views about the channel's customers. Relating these scores to each customer's overall impressions and actual spend (known from the customer database and matched anonymously) showed for which touchpoints the customer perception was well correlated with spend and for which there was little impact.

The findings were quite specific and often not obvious. A hypothesis had been that the receipt of the parcel in the mail would be a moment of truth, when the customer opens the package and sees for real what she had previously seen only on screen. But it proved not to be. Ideas for spending more on the packaging and the opening moment were quickly put aside. While it was little surprise that the TV programs themselves were a critical touchpoint, the most interesting finding was that the TV presenters mattered most—more so than the programming formats. And within the experience of the presenters, there were specific insights about what sort of information and advice customers most valued (e.g., advice on how to apply cosmetics, but not what clothes to wear with the makeup).

Turn findings into project priorities.

With a clear sense of which touchpoint levers will have the most effect, there is still no guarantee that alignment with the desired experiences will actually happen. That is why brand leaders take care to prioritize their proposed initiatives by matching them against organizational barriers (Exhibit 3).

Exhibit 3 **Prioritize the initiatives that make a difference**

Touchpoint	Identified initiatives	Screen #1 Do we have the budget?	Screen #2 How strong will the internal resistance be?	Screen #3 What is the effort and time required to develop this?	Implementation plan
Problem resolution	**Call center improvement**				
	Replace call center staff	▶ ▶ ▶	▶ ▶ ▶		
	Expand call center	▶ ▶ ▶			
	Develop improved scripts	▶ ▶ ▶	▶ ▶ ▶	▶ ▶ ▶	**Immediate**
	Train call center staff	▶ ▶ ▶	▶ ▶ ▶	▶ ▶ ▶	• Train call center staff • Develop improved scripts
	Cut response time				
	Expand customer service department	▶ ▶ ▶			**Longer-term**
	Redesign workflow	▶ ▶ ▶	▶ ▶ ▶	▶ ▶ ▶	• Redesign service performance metrics
	Redesign performance metrics	▶ ▶ ▶	▶ ▶ ▶	▶ ▶ ▶	• Redesign problem resolution workflow

Source: Lippincott Mercer

Improvements in a call center, for instance, may call for programs ranging from increased training to outright replacement of employees. What kind of training is most effective? Is there budget for training? For layoff packages? How much will employees resist? Will it take too long? These kinds of queries are typical of the filters that must be applied to any proposed improvement.

Of course, there are crisis points where the improvement initiatives must get a green light. Some years ago, an Internet service provider was losing brand strength against a powerful local rival. Detailed analysis showed that a large portion of the brand gap could be closed simply by offering more reliable dialup Internet connections to reduce busy signals and dropped lines. On the strength of the first empirical data it had to scope the problem, the provider acted immediately and within weeks had begun to close the gap with its competitor.

Implement and monitor.
A successful implementation cannot be the end of it, because too many factors change too quickly. So the brand leaders are diligent about ongoing brand measurement, and they build and embed processes to act on the metrics to keep their customer experience initiatives firmly on track.

Gateway, now moving rapidly into consumer electronics, confronts different buyers and different channels than when it sold only personal computers and accessories. Outdoor activities retailer REI, moving onto the Web for the first time in the mid-1990s, knew it had to replicate core brand-building principles in its e-commerce practices. Like all brick-and-mortar businesses adding "e-tailing" operations, REI had to bring functional areas not known for their proximity to the customer, such as logistics, into the brand-building equation.

Whatever the change factors and whether they're market-driven or internal, managers need a continuous flow of insights into which touchpoints have what effects on which customers. Cutting-edge practice now sees a move to dynamic customer experience programs—for

instance, a gradual shift from analysis of past customer behavior to experiments with and predictions of future customer behavior. Leading practitioners are beginning to design in-market experiments from which they can quickly learn and apply course corrections.

Naming a brand "owner"

When the priorities are lined up and agreed upon, someone still has to press the "go" button. Historically, brand strategy has been the province of the head of marketing. With touchpoints in departments as far afield as finance, logistics, and third-party billing operations, the responsibility today is spread across much of the company. Can the chief marketing officer own the behavior and budgets of all parties who come into contact with the customer?

Today, the effectiveness of brand-building activities depends at least as much on the relationship between the head of marketing and the president or chief executive. It's a well-worn anthem, but without the blessing of the top operating manager, the marketing chief will make only limited headway with an integrated program. As one of our clients says, "Marketing is part of brand, rather than brand being part of marketing."

Like most change management programs, a new branded customer experience initiative should start with a named executive sponsor and with a project leader picked for his or her project wins

Not your typical bank branch

Branch banking long ago lost most of its hometown community feel. Citizens Bank knows which customer touchpoint can do most to bring it back.

A powerful presence in the northeast of the United States, Citizens has been expanding aggressively, buying smaller community banks and working to win back residential customers who have plenty of other financial services choices—and who had read one factoid too many about how much banks save by using automated teller machines.

Some time ago, Citizens had identified its primary customers and, by extension, one of its highest-impact customer touchpoints. Its targets are customers who use branches; hence, the acquisition trail that today sees the bank with more than 850 branch offices and 1,700 ATMs across the region. As such, constant consumer outreach is integral to Citizens' strategy. The bank's public face on its Web site and advertisements promotes its credo of treating customers very well. Its tagline: "Not your typical bank." Citizens Chairman Larry Fish makes much of the fact that service is the only sustainable competitive advantage his bank has.

Such statements are standard for many retailers today. But Citizens strives to put research money where its marketing mouth is. Each month, it makes 20,000 customer service calls throughout New England and the mid-Atlantic and it conducts another 1,000 monthly surveys by telephone, Internet, focus groups, and mall interviews. The objective is to discover what consumers care about most when they visit a branch office.

Citizens had found earlier that bank branches were its most critical touchpoint. But it needed more detail to drive action. Its 2001 brand communication plan called for Citizens to "break through the fog of uncaring, cold banks and increase brand awareness and improve customer satisfaction." Structured analysis of data from its regular monthly surveys confirmed that customers cared a lot about the look of the branch exterior, its interior, and the ATM environment.

Out of that feedback came a plan to pilot a branch office design that would reflect Citizens' declared brand attributes—defined by adjectives such as "respectful," "fair," "warm," and "appreciative." The bank stuck to a core brand-building principle by setting realistic goals for implementation. The right new

to date, for ability in mobilizing and energizing a potentially volatile cross-functional team, for the relationships built companywide, and for the respect he or she engenders.

The team will be built with representatives from marketing, sales, human resources, finance—any department that a first cut at a touchpoint impact chart will show to be important. Not all functions will need to be represented from beginning to end; selected roles will be core, with others brought in as needed. To ensure continued interest and endorsement from above, the team will have regularly scheduled debriefings for top management, with defined mechanisms for executive reports at other intervals.

But the brand leaders don't think of it in one-off terms. They long ago institutionalized their branded customer experience initiatives, with full-time project leaders and ongoing teams assigned to different tasks. So must every company that is serious about fully leveraging its brand.

Brand-building is a complex matter, molded by the signals and behaviors from many different departments within an organization. But its complexity must not be a barrier. By framing their approaches with straightforward principles and following through with determined data-gathering and analysis, the brand leaders show that it's possible to create and sustain an asset that can have real long-term value. ❖

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design could improve customer satisfaction and employee satisfaction, the latter factor being crucial if face-to-face encounters were to fully support the bank's brand attributes. It would also yield a repeatable prototype.

Lippincott Mercer designers crafted the prototype design for a new 6,500-square-foot branch in Belmont, Massachusetts. The design features a high-energy storefront appearance using bold graphics, 3D merchandising, and other techniques used by fashion retailers. Green signage appears to pop out of windows and walls. Large graphic posters will be updated twice a year. Throughout, the design employs maple wood veneers and a bright color palette that is not typical of a bank.

Customers also see large community bulletin boards as well as a scrolling ticker-tape display

Citizens' new Belmont, Massachusetts branch

featuring "Citizens of Belmont" facts about the town. Both tie in to Citizens' credo, which emphasizes the bank's role in the community.

The new branch opened in July 2003 and quickly won plaudits from local customers. Citizens' surveys point to significant gains on most of the bank's brand attributes. The proof is in the pennies: Since opening, deposit dollars have grown 71% at Belmont compared to just over 4% for its peer group, and there has been almost 37% growth in the number of accounts compared to 6.5% among peer branches. Citizens now plans to incorporate many of the design features into all of its new branches and to branches undergoing renovations. ❖