

Value-Added Ecosystem and Customer Experience Enhancement Framework

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Abstract

Over last two decades, customer care and customer experience value creation have gradually become a strategic asset regardless of any type of business or market place. One of the major leadership responsibilities of the executives today is to develop operating models for deploying customer experience as a true differentiator. Based on our research findings, we present in this essay a framework to understand customer care and experience. We begin with discussion on existing concepts of Customer Activity Cycle and Customer Delivery Value Chain. These two approaches, respectively, give us objective and subjective means to identify value gaps where customer experience can be improved or enhanced. To provide a structured way to help management in choosing the right set of service enhancements for optimal customer experience, we define various viable potential offerings beyond the core product as “customer offer zones.” These zones give logical boundaries and the scope for a firm to communicate and direct their collective efforts on service enhancements. We also outline the opportunities and challenges in enhancing customer experience in each “customer offer zones” with relevant examples. Based on our assessment and generalization on cross-industry cases, we introduce a set of decision criteria that enable executives and practitioners to direct their collective efforts on customer experience value creation. Finally, we propose a generalized customer experience enhancement framework, which help management to illustrate how the existing customer services and customer experience programs concentrate in certain offer-zones and to check if such concentration is in line with the company’s vision. Our framework as a mapping tool as well will assist executives and practitioners in planning for future customer experience enhancement efforts.

Keywords: *Customer Care, Customer Service, Customer Experience, Value Creation, Value Chain*

INTRODUCTION

Over last two decades, the customer care and customer experience value creation have gradually become a strategic asset regardless of any type of business or market place. Today’s one of major ex-

ecutives’ duties is to develop operating models for deploying customer experience as a true differentiator. This is consistent with both recent and long-standing research findings. Treacy and Wiersema (1997) identify customer experience as one of the distinct modes to achieve market leadership in

their discussion of the modes to market leadership. Kalyanaram and Krishnan (1997) model and show the importance of customer interface and experience in successful product definition and customization. Sawhney (2006) describes twelve different ways for companies to innovate, and one of the celebrated dimensions for innovation to be customer experience. It considers everything a customer sees, hears, feels and otherwise experiences while interacting with a firm at all moments. In recent study of Rawson et al. (2013), they emphasize the need to embed customer experience into a firm's operating models and to build cross-functional processes to redesign and support total customer experience. Customer care and experience are often considered as main determinants of overall customer satisfaction and collateral innovation (Rust, Zahorik, & Keiningham, 1995; Dobni, 2002; Donovan et al., 2004)

A total and integrated customer care and experience has been a true corner stone for several corporate turnaround stories. A classic example is IBM's Global Services. IBM's Global Services team delivers its superior service by being the customers' trusted advisors and offers a constant solution which is the integrative of hardware, software and business insights. IBM acquired the consulting arm of PricewaterhouseCoopers (PwC) in 2002 and with the insights of 3,000 PwC researchers, and became better able to predict future developments in technology and how those developments will affect client organizations (Vandermerwe, 2004). Today's IBM Global Services Unit accounts for over 50% of total revenue. Kodak Co., in another interesting example, made its strategic shift from ordinary digital cameras business to offer services around digital photography in order to grasp the new opportunities in the market place (Financial Times, 11/29/2006.) Kodak has found ways to add significantly to its interaction with customers in the advent of digital technology. With the acquisition of Ofoto Inc., an online printing service which make it easy for customers to create online albums, to order photo prints, greeting cards and frames; and with the installation of 30,000 kiosks in retail locations; its digital camera business turned profitable two years after launch. Kodak's deeper presence within customer's activity chain played a big role in

its success (Sawhey et al., 2004.) Customer care and attention have also paid successful early entry and market share dividends to firms (Kalyanaram and Raguvir 1998, Kalyanaram, Robinson and Urban 1995).

Based on our research findings, we present in this essay a framework to understand customer care and experience. We begin with discussion on existing concepts of Customer Activity Cycle introduced by Vandermerwe (2004) and Customer Delivery Value Chain. These two approaches, respectively, give us objective and subjective means to identify value gaps where customer experience can be improved or enhanced. Several points of service enhancement can be explored and there is a need for a structure way to help management in choosing the right set of service enhancements for optimal customer experience. To achieve this, we define various viable potential offerings beyond the core product as "customer offer zones." These zones give a logical boundaries and the scope for a firm to communicate and direct their collective efforts on service enhancements. We also outline the opportunities and challenges in enhancing customer experience in each "customer offer zones" with relevant examples.

With a defined set of "Customer Offer Zones", the discussion proceeds to its application in today's business environment. How the maturity of business sector/product lifecycle can affect a firm in choosing the right set of customer experience enhancements is being discussed. And also we affirm that customer experience can be viewed as a function of customer offer zones and the mode of delivery of customer experience and services.

Consequently, we propose a generalized value framework that will help management to illustrate how the existing customer services and customer experience programs concentrate in certain zones and to check whether such concentration is in line with the company's vision or not. Also it will assist in planning for future customer experience enhancement efforts. This paper builds on the work by Kalyanaram and Sandhya (2011), and offers new insights.

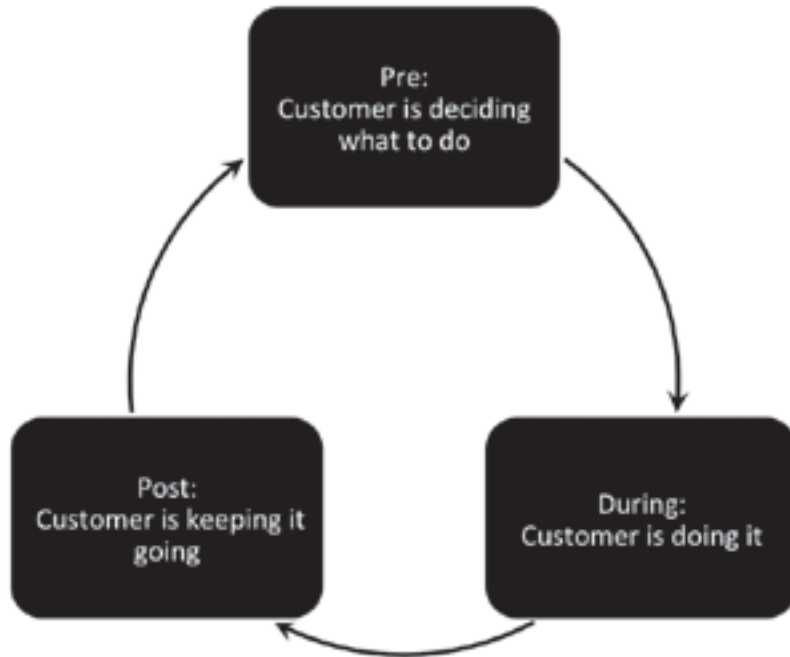


Figure 1: The Customer-Activity Cycle (Vandermerwe, 2000)

CUSTOMER EXPERIENCE AND CUSTOMER-ACTIVITY CYCLE

Customer experience is a function of parameters that go beyond direct experience from the core product. To enrich customer experience, Vandermerwe (2004) introduced “Customer-Activity Cycle” approach. The approach presents three stages - the *pre*, *during* and *post*, and argues for identifying opportunities for providing new kinds of value to customer at each stage of critical experience. At a renal clinic, for example, the business-director, collaborated with customers map all the treatment activities – *pre*: when customer are deciding what to do, *during*: when customers are doing what they decided on and *post*: when customers are maintaining the results (Figure 1.) She emphasized that any disruption in the flow of customer-activity cycle creates value gaps, or discontinuities, that opens access to competitors, unless the company fills the gaps first with value add-ons.

The activity cycle approach gives a customer-focus company an objective mean for exploring the value gaps and filling them with breakthrough values. It is broad and explorative, and firms needs clear vision on which activities it is willing to take

control of.

CUSTOMER EXPERIENCE AND DELIVERY VALUE CHAIN

Another more restrictive approach is to identify the customer contact points and create a Value Chain for the company’s customer support functions. In general for a typical telecom service company, a value chain constitutes service design, sales, delivery, account management, billing, etc., (Figure 2). This approach is more subjective and normally the customer experience enhancement programs can be viewed as extension of existing services.

The tasks in a value chain (Figure 3) begin with making critical and comprehensive product/offer’s information accessible to potential customer, the ability to try a product, etc. During the purchase stage, incremental value has to be created through the customers’ interaction of well-trained sale reps and retailers and, assuring of value delivery that meet customer expectation. And in post-sales stage, servicing product under warranty, maintenance and upgrades constitute the value chain.

In today’s mobile service industry, contract and handset renewal is happening every two-year period and it is imperative for service providers to main-



Figure 2: Value Chain for a Telecom Service Company



Figure 3: Customer Delivery Value Chain

tain customers for such cycles. The concept of “service replacement” has become a crucial element of customer care function. Service replacement happens not only for changing handset and contract period, but also for changing technology (e.g. 3G to LTE, NFC) and trends (e.g. use of handset as Health companion, intensive use of phone camera), etc. Those changes are to be properly informed to customers in unobtrusive way as part of Customer Care function and assist them in finding the best package that meets their specific needs. Failing to do so, the customers may feel that they are being overly charged for inferior service quality.

We suggest the practitioners to step back from viewing customer experience program as a chain of services/function to a holistic view for the full spectrum of customer contact points spanning across three major stages of customer value delivery chain. We define customer contact points as “*the interface between firms and its customers where interaction of human, product, service, communication in person or in any electronic mean, compliment and resonance*

happen.”

Every customer contact point is to be rich and meaningful. Customer experience is to be maximized by offering the best information to customers and by developing an ability to understand the customer exact needs and their expectations at each one of the contact points and, each and every temporal piece of customer activity as well. While this is not completely new to today’s executives, too often the effort has been segmented instead of being integrated. The goal is to build a bond and trust with the customers through the entire value chain. For example, even when a product is self-sustaining, it is vital to offer comprehensive and accurate information through labels or any other communication medium. In addition, it is essential for a company to maintain its unique customer contact for incremental value creation. By outsourcing on-site customer service to third-party providers, for instance, Dell could have lost control of its customer relationships. The company prevented that through strict vigilance, staying in close touch with customer

to discuss their needs and to access their experiences with the third-party providers. By maintaining this contact, Dell effectively made the providers' role less prominent. (Frei, 2006)

THE MATCH: CUSTOMER-ACTIVITY CYCLE AND DELIVERY VALUE CHAIN

Based on the Customer-Activity Cycle approach, a firm can identify a series of customer's *activities* and customer's needs in his/her purchase process. The question is how to fulfill such needs by a firm as value added services. Following the new definition of customer contact point, firms are to create or enhance customer care services for constant unbeatable value chain.

Gateway's example of entry to high-tech server market is illustrative. In 1990s, Gateway faced with eroding market share and decided to enter the retail market with exceptional retail environment. With experienced, helpful and abundant staff, Gateway's retail stores opened at convenient and high traffic spaces in 1996. Gateway overly succeeded at bringing customers to their retail stores. However, far too often, customers took their newly acquired understanding of what they needed and how to work with those high-tech servers, and placed an order with one of Gateway's low-price competitors. The company was shutting down the last of more than 300 stores in April 2004 (Frei, 2006).

Amazon online store is largely being praised for its excellent networking of customers. Ability for its customers to write and read reviews was a breakthrough for that time. Rich information for the products and sophisticated search feature drive high traffic to the online store. Utilizing its strong customer base and network, Amazon is able to create new features like "Customer Questions and Answers" and "Customers Who Bought This Also Bought." However, easy and simple process of placing order, rapid shipping and easy tracking, availability of various payment options and excellent return policy are major factors for customer's buying decision at the store. Many customers choose Amazon over other online stores for the reason of ease of use and payment security even when the price is slightly higher. To sum up, Amazon is quite successful in filling up all the value gaps in Customer Activity Cycle and in creating incremental superior

customer experience.

Firms are to assure that strong coupling of "customer experience enhancement for each customer activity" and "the customer care services" creates its own unique core value and happen at clearly defined customer contact point.

In order to provide systematic way to help firms in choosing activities and contact points for enhancement in line with company vision and mission, we propose Value Framework, which incorporate Customer Offer Zones (Experience Enhance Zones) and other decision criteria.

VALUE ADDED ECOSYSTEM AND CUSTOMER OFFER ZONES

Perfecting the customer contact points along a value chain is not enough to ensure the customer satisfaction. Customer will never get answer if they don't know what to ask. Exceling at handling an individual transaction does not guarantee customers' overall satisfaction of the product/service being used. It is imperative for a firm to assess what services are currently being offered beyond pure product offering and what kind of service or experience enhancement could ultimately meet consumers' expectation in the near future. In general, customer "experience" offerings should go beyond the pure products-related offering (e.g. basic installation/maintenance service) to an extended set of offerings (e.g. total solution, value added services). The set of extended offerings will create a value added ecosystem, which provides consumers both tangible and intangible benefits that go beyond the mere adoption/consumption/usage of the product. We define these extended offerings into five "customer service offer zones" (see Figure 4 for an illustration of the "offer zones.")

As we move from inner core "product" to outer zones "business ecosystem", incremental extended and enhanced values driven by related offering can be observed. We now define and discuss the opportunities and challenges in each offer zone of our illustrative framework in Figure 4.

Sticky Services

Dell's call center support hour for initial setup, various regular and extended warranties, free minutes for purchase of new SIM card, etc. can be included

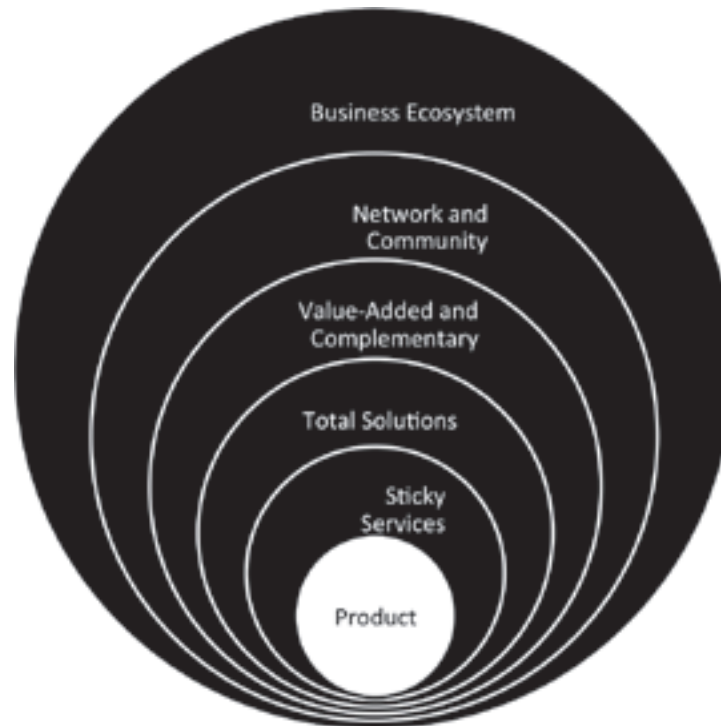


Figure 4: Customer Experience and Service: Customer “Offer-Zones”

in this zone. Customer services fall in this zone are in “must-have” category. Too often, customer may feel that the product is incomplete without these services. Hence, services (such as warranties) are moving from being a pure profit function to a built-in cost of doing business. Firms have the opportunity to customize the service package to appeal their product. Use effectively, companies can create a strong brand image and premium customer experience. For instance, Apple’s inclusion of earphones with volume control and call answering switch in iPhone and iPod appeals stylish and sporty young generation.

Total Solution

For products that require substantial work on setup, installation and maintenance, it is imperative for firms to fill up these value gaps by ensuring the extended services readily available through well defined channels. For example, in the consumer electronics sector, the emergence of home digital systems, high speed home internet and web-based TV channels have created a new opportunity for complex set of flat screen TVs, amplifiers, speakers,

networking devices and set-top boxes. To accelerate the adoption of these products, the ability to install and train the consumers is imperative. TRUE Corporation, as another example, is the largest cable TV provider in Thailand and it also offers ISP and Mobile services. With increasing demand for HD broadcasting contents, TRUE grasps the opportunity by offering home connectivity total solutions during the customers’ request on service upgrade. Its solution packages include different sets of HD channels, high speed Internet, a fixed phone line and a complimentary SIM card with monthly free call minutes.

Value added services complementary to products

Firms can create additional services that complement to its products and enhance customer experience. As an example, NTT Docomo Mobile in Japan offers a set of Mobile Apps to be downloaded and installed during the activation of new handset. The set includes apps called dVideo, dMusic, dBook, etc. and users are to subscribe the membership for viewing free contents as well as paid channels and on-demand movies. The subscribers receive extra

gigabyte of data package on top of their monthly traffic limit. Other popular services such as Weather and Disaster Alert, News flash, Mobile Wallet, Digital TV tuner, Travel and Transit Navi apps constitute unique customer experience. Nowadays, feature-rich device is an integral part of customer's selecting a mobile service, hence creating customized content tailored to the consumer's need increases the primary value of the basic wireless offering.

Creation of community and network

This goes beyond creating incremental value through complementary service. Amazon's customers contribute book reviews, ratings and answers, and many of online store's popular features are the results of customer suggestions. Here, the product or service plays an enabling role in the creation of community or network. LINE messaging app originally from NHN Japan is also a good example of this concept. As of Oct. 19 2012, 15 months since LINE was launched, LINE global user count topped 68 million (Kobayashi, 2012). On August 2014, Asahi Shimbun reported that Line messaging app approached 500 million users (Shino, Inada, & Aota, 2014). In comparison, Facebook needed six and half years to reach this user count. The main reason for winning over other messaging app is that LINE specifically caters to smartphone users and finger-based input. The company introduces very intuitive EMOJI "fun stickers" (later known as LINE characters), which are greatly applauded by smartphone users mainly consisting of young people. LINE's Fun Stickers provide a mean of communicating subtle or exaggerated expressions. Sharing of photos and videos in LINE is effortless. LINE's ease of use brings in elderly family members and close friends. Caring and sharing of networked users bring in new customers exponentially. Understanding exact needs of user and continuous effort on superior customer experience bring the Japanese company a great success.

The creation of community and network concept is not limited to IT and communication service companies. Baxter Renal UK, which provide treatments for patients with Kidney problems, created a community website called Kidneywise.com. The web site serves as a medium of communication,

which allow customers to give moral support to other renal patients. The site also features "buddy groups" that look for best practices and share the learning with hospitals and doctors (Vandermerwe, 2004).

Business Ecosystem

James F. Moore (1993, 1996) defines "business ecosystem" as "An economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world. The member organisms also include suppliers, lead producers, competitors, and other stakeholders. Over time, they coevolve their capabilities and roles, and tend to align themselves with the directions set by one or more central companies." The concept is now widely adopted in the high tech community. For instance, since iPhone was introduced in 2007, Apple has created friendly developer tools, user interface guideline, hand-holding assistant for end users by a chain of iStudio, Apple developer Conference, etc., to cultivate a strong ecosystem. Customer experience enhancement in this zone should be directed not only for the firm's direct customers, but also for suppliers, retailers, telecom service providers, developers, contents creators, artists and designers. The success of Google Android is also to be noted here. With strong and healthy connection with developers, open-source community and with "Open Handset Alliance" strategy, Google Android was able to chip off a substantial share of smart phone market spear-headed by iPhone.

In general, a firm should radically expand to outer offer-zones along with the growth of their business. However it is not necessarily mean that companies in mature phase must target their customer experience enhancement efforts to all the offer-zones. Even mega companies like IBM may stay within "total solution" zone and explore additional value gaps that can ultimately enhance customer experience.

WHAT SHOULD GO HOW FAR?

Assume that a firm has identified all possible customer activities and customer contact points. The question is how a firm selects some of them and discards others.

The first task is to clearly define, at what varying level, what customer experience enhancements the firm wants to intensify in each offer-zone. Some may prefer to stay in sticky service and total solution whereas some may go for value-added and community offer-zones. The choice is influenced and can be guided by following two criteria.

1. Maturity of sector/product lifecycle
2. Mode of service delivery

Maturity of Sector/Product Lifecycle

Creating optimal customer experience and services is essential in any industry sector and across sector/product lifecycle stages. Having said that, it may differ depending on the maturity of sector/lifecycle and how a company delivers its products and services. This section begins with brief discussion on the strategic implications in the mature phase, and subsequently in the growth phase of product/sector lifecycle.

Mature Phase of Lifecycle and Customer Offer Zones

In various case studies and scholarly articles, mostly in success stories, several firms have demonstrated the customer care and experience as a key driver for continuous value creation during the mature phase of a product/sector lifecycle. Such a strategy enables firms to think creatively beyond pure product rationalization and cost dimensions (business efficiency) to generate growth. IBM's historic turn around from the early 1990s fits this description. Over last 10+ years, the company has generated significant growth from its Global Services unit, which accounts for over 50% of overall company's revenue today. By leveraging customer service, and as well as by embedding its integrated solution within its product offerings, IBM continue to modify their corporate strategies as their markets and their customers' requirement evolve (Davies, Brady, & Hobday, Spring 2006). EMC is yet another examples of this trend. Following the dot-com crash, EMC revenues plummeted from \$7.1 billion in 2001 to 5.4 billion in 2002. The company responded by transforming the company from being a hardware-only to a hard-ware, software and computer service provider. EMC expanded its customer

service operation into full blown global professional services unit and, along with go-to-market strategy, EMC built partner program, teaming up with system integrators and value-added resellers to sell to and service customers. In just four years, EMC turned into nearly 13 billion, 36,000-employee giant (Field, 2008).

Growth Phase of Lifecycle and Customer Offer Zones

In the growth phase, firms are likely to view customer experience differently from the one does in mature phase. Unique customer service can be embedded-cost to differentiate its offering from existing or other niche competitors. Line App from NHN Japan is noteworthy example here. The company's pure customer focus and continuous customer experience improvement through addition of exciting feature brought its success of 500 million users within less than three years period of its business. In NHN Japan, each project runs only for one month, and focuses on a specific task. The company's business goals cover a maximum of six months ahead. This is because it always needs to build strategy best suited for ever-changing user response and moves by rivals (Kobayashi, 2012).

The success story of Apple's iPod is another example of how clearly focused customer service facilitated faster adoption of a premium portable music player. By providing complete information through flag ship stores with well trained representatives, call centers, value added service of iTunes, network, community and internet resources, Apple had enhanced the overall customer experience at points of purchase and throughout the series of temporal pieces in customer activities as well. With such superior customer services and value creation, Apple achieved customers' faster adoption of premium iPod devices.

Mode of service delivery

We have identified that mode of service delivery can also influence on a company's customer care strategy in choosing the right set of customer services and its target offer zone(s). Based on our assessment and generalization on cross-industry cases, we introduce a set of decision criteria that enable executives and practitioners to direct their

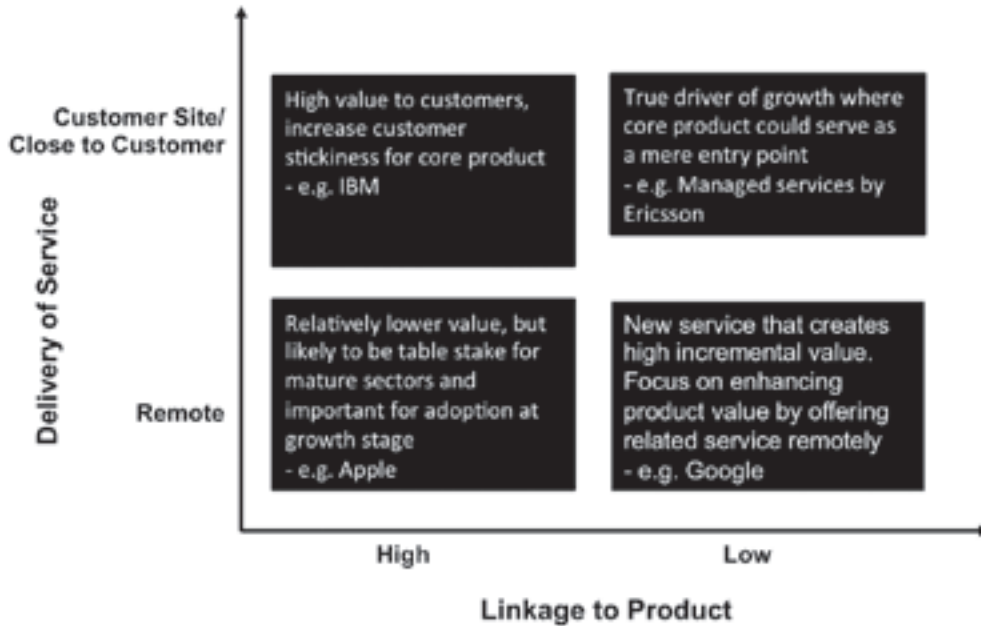


Figure 5: Mode of Service Delivery and Offer-Zones

collective efforts on customer experience value creation.

The approach is to relate aforementioned five “customer offer zones” and the mode of delivery of services. In general, customer offer zones encapsulate each set of customer services grouped by similarity in the degree of linkage to actual product. Figure 6 depicts the decision criteria in relation with offer zones and mode of delivery. The X-axis defines the degree of linkage of customer services to the actual product in decreasing order (from high to low degree of linkage). In other words, Left-to-Right represents smaller number of offer-zones to larger number of offer-zones spinning off from the core (see in Figure 4). When such linkage is high, the offerings are limited and close to core product (e.g. warranties, maintenance, installations). When low, increase number of additional offerings are made by means of network, community and ecosystem.

The degree of linkage to actual product can also be linked with previous discussion on the maturity of sector/product lifecycle. When the firms are in growth phase, it can be generally assumed that its service can be focus on inner rings of offer zones (closer to the actual product). Yet, if the firm is in a

mature business sector, it is imperative to exhaustively explore and constantly restructure its customer services by taking consideration of all possible offer zones.

The Y-axis defines the mode of delivery of services. It defines how a company offers its customer services to give optimal customer experience and unique values. Services can be delivered on direct channel outlets (on-site) or remotely through various means. It is driven by the relevance of the product and accompanying services and, the cost of delivery and company’s capacity as well. Reasonable correlation can be observed between service delivery means and the extent of interaction with customers. For instance, if a product or service is delivered on-site by the manufacturer or the sole distributor, the chances of learning customer’s needs and satisfaction are strong. Nevertheless, even if the product and services are being delivered remotely, companies can strengthen the extent of bonding with customers by maximizing community, network effect and strengthening the ecosystem. For instance, most of the Android users would have never met a single Google representative in his/her life. However, most of the problems the customer encounters would be solved by caring

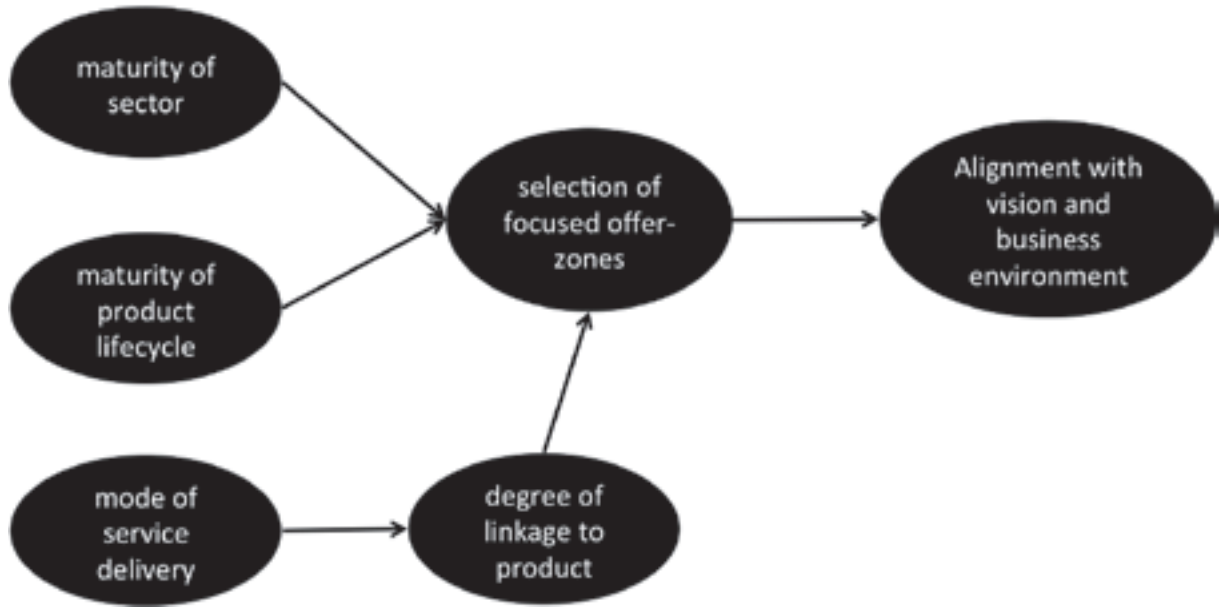


Figure 6: Conceptual Framework for Customer Experience Enhancement

networked community, professional support of handset sale representatives and the provision of relevant information in the right format.

Another set of examples is the delivery of managed services by telecommunication equipment suppliers. In addition to pure equipment sale, Ericsson and Siemens offer high value services such as remote monitoring and managing carriers’ network. Their customer services extend to field service support and financing of the carrier networks. Their “build-operate-transfer with traffic” solution reduces capital exposure risk, which is the primary concern of carriers in emerging markets.

To sum up, the choice of customer experience offer zones can be influenced by the maturity of sector/product lifecycle and existing mode of product/service delivery. This is not to debar executives from extending, creation or restructuring of a company’s customer services dimensions. This is to inform the risk and opportunities in creation of potential service offerings for optimal decision-making.

CONCEPTUAL FRAMEWORK FOR CUSTOMER EXPERIENCE ENHANCEMENT

This section outlines a conceptual framework that incorporates the concepts previously discussed. The following three hypotheses are presented based

on our assessment and generalization on cross-industry cases.

1. maturity of sector/product-lifecycle affects the optimal choice of customer service offer-zone(s)
2. mode of service delivery is a determinant for the selection of customer service enhancements having varying degree of linkage to core product
3. informed selection of focused offer-zones helps managers better align their service enhancement efforts with company’s vision and business environment.

Figure 6 depicts the constructs of proposed customer experience enhancement framework. Aforementioned hypotheses are incorporated as main constructs. The framework is largely preliminary and requires considerable refinements to become a strong model that can be empirically tested for validity. This paper will focus more on theoretical discussion and its application in the business.

APPLICATION OF THE FRAMEWORK

Framework as a tool for comparative analysis

Business in particular needs clear understanding of one’s own position of competitiveness, strength,

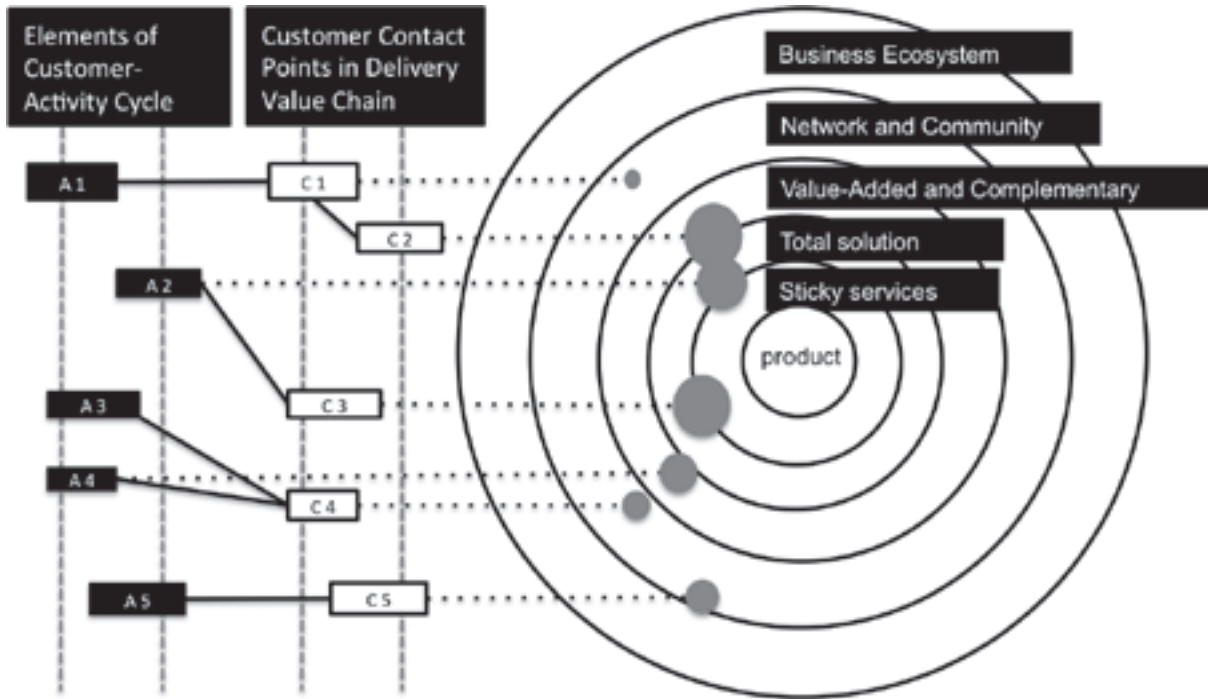


Figure 7: Value Drive Framework as a mapping tool

and customer service excellence. This requires clear picture of current customer experience offerings in comparison with competitors' and industrial benchmark. Customer offer-zones give a means to identify and assess ones' own customer service level as well as competitors' with logical boundaries. Admittedly, while comparing two companies' concentration of customer experience efforts in each offer-zones, it is to be acknowledged the difference, to some extent, due to varying business model, strategy and future outlook. However, it will give way to do gap analysis by each offer-zone and to plan for service enhancement.

Framework as a mapping tool for customer experience enhancement

In this section, we will illustrate our Customer Experience Enhancement Framework as a mapping tool that links pieces of Customer-Activity Cycle with Customer contact points, and Customer Offer-Zones (Figure 7). It will help the managers to identify value gaps in customer experience value chain.

By following the Customer-Activity Cycle approach, a firm can identify a series of activities their customers undergo during the purchase process

and/or during the use of products and services. And it is to link those activities with relevant functions of a firm's customer delivery value chain and to make every customer contact point rich and meaningful. When a firm identifies certain essential customer activity that is beyond the coverage of existing customer contact point and value chain, the management needs to decide whether they should create a new contact point or cover it through network and community effect. Here is to restate our practical definition of Customer Contact Point as "the interface between firms and its customers where interaction of human, product, service, communication in person or in any electronic mean, compliment and resonance happen." In this way, customer experience needs to be managed and enhanced across the entire delivery value chain.

On the other side, understanding of the various coverage of Customer Offer-Zones and having clear informed knowledge on how these zones are pertinent to the maturity of lifecycle and mode of delivery of products and services help the management to formulate the right set of customer experience value creation elements. Figure 7 depicts the mapping of activities and contact points, and then plot-

ting of their impact in relevant offer zone(s) to represent varying level of customer experience value creation.

The size of dots plotted in Offer-Zones shows contribution level of customer experience enhancement. This tool can be used to illustrate a firm's current position in customer experience value creation and its customer services' concentration in a particular offer-zone or a set of zones. Base on that, the firms are to adjust, create or enhance their customer experience quality in line with their business objectives.

EMPIRICAL MODELING: STYLIZED APPROACH

In this short section, we propose and briefly discuss an approach to empirically test our hypotheses in a stylized manner. More particularly, we suggest that testing empirical validity of the following two propositions, which are underlying principles of our model.

1. Greater number of customer touch points in product/service leads to more product/service innovation.
2. Greater number of customer touch points in product/service leads to greater product/service satisfaction.

To test these propositions, we propose that we collect primary data through two surveys: one, a survey of product designers and developers, and two, a survey of marketing executives from at least 30 firms across a variety of industries. We use at least 30 observations because the statistical results are likely to be robust at this number, though larger number of observations will add greater confidence.

The survey of product designers will be targeted to testing proposition 1. In this survey, apart from many other elements we will collect data on the following important variables:

- Number of opportunities for customers' to provide inputs (number of touch points)
- Number of credible product/service suggestions received from the customers for product/service design (number of improvisations/innovations)
- Data on covariates such as budget for the

product/service design, length of the design period, and measure on complexity.

Here, the empirical model will be as follows:

$$\text{Improvisations} = A + B (\text{Touch points}) + C (\text{Budget}) + D (\text{Time}) + E (\text{Complexity})$$

We will regress the number of useful suggestions for enhancement of the product/service on the number of touch points, and important covariates such as budget, time and complexity of the product/service. The magnitude and statistical significance of the coefficients will give us insight into the effects of various elements, including the effect of number of touch points on useful customer input. We expect the coefficient B to be positive and statistically significant.

The survey of marketing executives will be targeted to testing proposition 2. In this survey, apart from other elements we will collect data on the following important variables:

- Number of useful opportunities for interaction for the customer with the product/service/firm during and after the sale of service and/or product (Touch Points);
- Measure of level of customer satisfaction with the product/service (Customer Satisfaction);
- Data on covariates relevant to customer such as price of the product/service (Price), and measure of the complexity of the product/service (Complexity).

Here, the empirical model will be as follows:

$$\text{Customer Satisfaction} = A + B (\text{Touch points}) + C (\text{Price}) + D (\text{Complexity})$$

We will regress the level of customer satisfaction on the number of opportunities for interaction for the customer and other important co-variables such as price and complexity of the product/service. We expect, B, the coefficient of Touch points to be positive and statistically significant, which will advise that enhancing the number of useful customer interactions improves customer satisfaction.

There are important caveats to the regression approach. And among them, multi-collinearity among the independent variables is a potential

challenge. While there are several solutions to multi-collinearity, we recommend step-wise regression for the purpose of our study. The step-wise regression is useful in that it will tell us about the effect of various independent variables and help us improve the multi-collinearity issue.

There are caveats to the data collection. For instance, it is critical to construct a clear and compelling questionnaire/instrument to collect data. Ultimately, the data is self-reported data, and there are always some challenges to self-reported data. But these challenges are not unique to this study, and statistical methodologies can be applied to address some of these challenges.

While the approach proposed here is simple, it addresses empirical testing – albeit in stylized form – the fundamental principles of our model. Accordingly, we recommend this empirical approach to test the fundamental propositions of our proposed model.

CONCLUSION

Based on our research findings, we present in this essay a framework to understand customer care and experience. We begin with discussion on existing concepts of Customer Activity Cycle and Customer Delivery Value Chain. These two approaches, respectively, give us objective and subjective means to identify value gaps where customer experience can be improved or enhanced. To provide a structure way to help management in choosing the right set of service enhancements for optimal customer experience, we define various viable potential offerings beyond the core product as “customer offer zones.” These zones give a logical boundaries and the scope for a firm to communicate and direct their collective efforts on service enhancements. We also outline the opportunities and challenges in enhancing customer experience in each “customer offer zones” with relevant examples.

With a defined set of “Customer Offer Zones”, the discussion proceeds to its application in today’s business environment. How the maturity of business sector/product lifecycle can affect a firm in choosing the right set of customer experience enhancements was discussed. Following our discussion, we have identified that mode of service deliv-

ery can also influence on a company’s customer care strategy for choosing the right set of customer services and its target offer zone(s). Based on our assessment and generalization on cross-industry cases, we introduce a set of decision criteria that enable executives and practitioners to direct their collective efforts on customer experience value creation.

Finally, we propose a generalized customer experience enhancement framework, which help management to illustrate how the existing customer services and customer experience programs concentrate in certain offer-zones and to check if such concentration is in line with the company’s vision. Our framework as a mapping tool as well will assist executives and practitioners in planning for future customer experience enhancement efforts.

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