Balance market leading CX with cost to serve in order to build a [*sustainable*] business

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The modern customer now expects a tailored, multi-channel experience whether they are shopping for new trainers or buying a subscription on behalf of their business. That experience needs to be seamless and the data created from the experience should be structured and stored to allow deep insight. Business to Business (B2B) and Business to Consumer (B2C) organisations can learn from one another. Whilst some B2B organisations have completed this transition, the vast majority are struggling to make digital and organisational transformation keep up.

Personalised experience

Personalised experience but same product (Feeling of personalisation Subscription to the same journal or book access, but personal interaction and 'agent' Medium cost to serve (medium volume, medium price focus)	**Personalised experience and personalised product** (Truly tailored services) White Glove (Tailored Suit equivalent for products and 1-2-1 service interactions) High cost to serve (low volume, high price focus)
Generic product and experience (Zero personalisation) Subscription to the same magazine for everyone Lower cost to serve (high volume focus)	**Personalised product with generic experience** (Product-focused personalisation) Medium cost to serve (medium volume, medium price focus

Generic product / *Personalised product*

Generic experience

Personalised experience

Personalised product focus

Organisations have to balance building standardised capabilities vs. more specific tailored journeys. Those who get it right are clear on their organisational priorities and make the right decisions on what to standardise vs. what needs to be a more tailored or specific solution. Sometimes the tailoring of an experience can be created through a combination of a seemingly tailored experience, rather than one that is truly tailored to the individual. The most tailored offerings normally incorporate a combination of a tailored service (exp) with that of a tailored product. This, therefore means you need to think across those two spectrums when building meaningful, sustainable and 'apparently' tailored experiences vs. those that truly are custom-made. For example: a tailored suit from a tailor in your home vs. a 'part based car that is built with the support of a great car salesman, who knows there are only truly 5 different customisations for the car - yet the customer feels like it has been made just for them. The latter is the sustainable, and most importantly scalable, option.

There are some key principles to consider when deciding what to standardise vs. tailor:

1. **Balance created market leading customer experience with cost to serve.** SME B2B customers want a low touch, fully digital experience if the price point is right compared with high touch key accounts that expect a white glove service. Considering the needs of different segments may even open up completely new customer sets or markets.

2. Whilst there are often differences between brands and business units in cosmetic areas of the customer journey, for any given archetype, **complexity should be limited to areas that truly differentiate the business**. E.g. product and price are often differentiating, whereas how the shopping cart works or pipeline stages are unlikely to be. It is the business that manages to create the illusion of a tailored product or service that is creating a sustainable - and scaleable - way of building an offering set.

3. **Organisations should shift to customer-centric operating models away from more siloed product-based operating models.** Customer-centric organisations are better placed to successfully serve their customers. Delivering a single view of the customer is critical for personalisation, cross-sell, and up-sell. This enables a more scaleable approach to the tailoring of your products - if you understand the variations of your 'persona' customers then you can build services and offerings that feel that they are 'made for me' even if they're made for 1000s. A single platform does not need to be implemented to transact with the customer to achieve this but capabilities need to be organised technically and physically around the customer's journey. Digital tools to suit the typical B2B buyer personas, such as decision maker / budget holder, payee/billing, end users, should be considered commonplace.

4. **Every customer is really a subscriber.** Offering customers choice and flexibility in how products are purchased, packaged, consumed, and billed combined with the ability to change this more regularly to suit their needs is more expected now with the rise of the subscription economy.

5. **Reflecting your personalised customer approach into your internal organisation, in compensation and targets.** Recognising that being customer-centric changes the organisation and requires reconfiguration of targets, compensation and teams to ensure that there aren't conflicting goals in play.

Balancing CX and Cost to Serve

Customers want to buy things in the easiest way possible, but also in a way that 'feels personal' or at the very least connected with previous interactions and context. One day that might be through zero contact, the next via online chat, and on another occasion it might be in person. This is commonplace in B2C interactions today and B2B interactions are expected to follow suit. Organisations must be able to accommodate the new world of, at the very least, multi-channel, but ultimately omni-channel to allow customers to use and switch between the channels they prefer.

This is an opportunity to reduce high cost of sale routes and open up lower cost options to complement them. Successful businesses are able to guide customers to the most cost-effective channel to ensure profitability. There's no use in having an in-person sales experience for a product when the ROI is negative due to high cost of sale. Categorising customers by their likely purchasing and consumption behaviour and evaluating the best experience alongside the most effective cost to serve can ensure the balance is right. This may help you judge if you need to create a truly 'tailored' vs. 'shared/generic' type of experience and product offer.

We believe that in the majority of B2B sectors, customers can be categorised into three high level brackets. This will allow organisations to tailor experiences for:

1. **Key accounts -** depending on the size of the business, this group could be between 10-200 customers and is likely to make up 60-80% of an organisation's overall revenue.

2. **Large/Mid Size -** cost of sale is likely to be high with a high contact sales model and is also likely to be where the majority of detractors will come from because organisations are unable to cost effectively provide the same white glove service as key accounts.

3. **Small SMEs/Individuals -** these buyers are likely to be high in numbers but provide only a small percentage of overall revenue. They will likely cost the most to serve per seat without significant digitalisation and self-serve tooling. For high touch sales organisations, this category of customers can be disregarded but could be the difference between loss making and profitable years if managed correctly.

Let us consider these customers in terms of their worth to us in annual revenue vs their cost in number of transactions. Organisations need to consider how best to service these customers in order to reduce the cost to serve and ensure they are profitable.
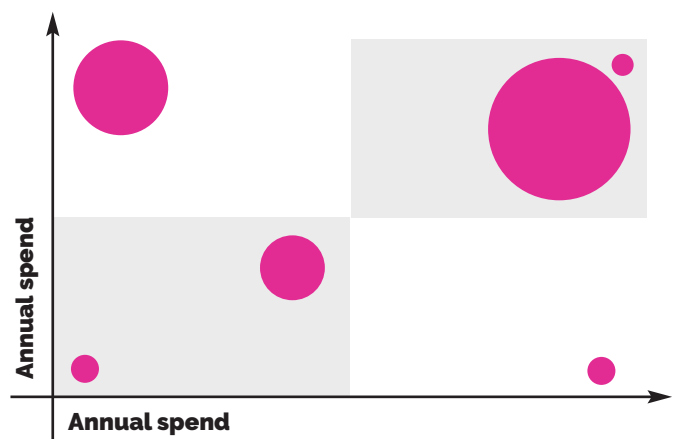

The chart above shows the distribution of customers, with the size of the circle indicating the average transaction size. Those in the top left are more likely to be highly profitable due to the low number of transactions vs. the high revenue per transactions and overall annual spend. Therefore, a high contact experience could be provided for these individuals without them becoming unviable. For those in the top right,

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this may also apply but consider a multi-channel model for the small circle set where transaction amount is low. Allowing some self-service would increase profitability and, if implemented correctly, more likely increase customer satisfaction than decrease it due to a faster response and ability to transact digitally for some items.

Of particular concern in this picture would be those in the bottom right, with a high number of transactions, low annual spend, and a low per transaction value. Without significant self-service and digitalisation, this group is unlikely to be profitable. You may even price this group out of the market without considering a different model or approach (such as tokenisation or pay as you go compared to a high all-in monthly or yearly cost).

Complexity should be limited to areas of most value

Are you spending in the right places?
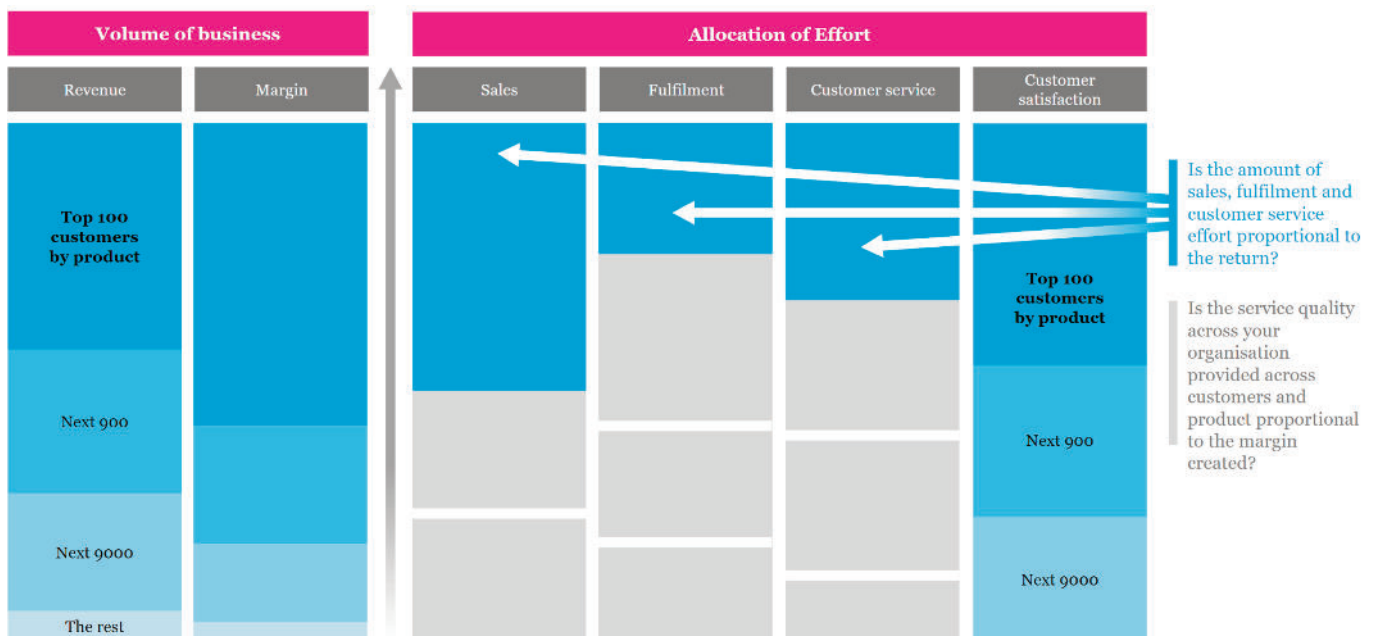
One size certainly will not fit all. Differentiating customers' interactions with brands by investing in the right areas for them is critical to ensure a profitable business.

Many organisations will see the central corporate functions (HR, finance, legal, IT) as clear opportunities for synergy across brands and centralise these. Many organisations will also stop there. However, most customers do not require bespoke services in how they are marketed to, how their orders are processed, how their payment details are collected, or how they seek support.

The products themselves and some of the wraparound capabilities may need to differentiate in order to be competitive. Balancing the cost of the product tailoring vs. that of the experience and white glove experience is critical to the cost management whilst still creating the sense of prioritised personal service. It is still advisable to consider ways to reduce cost of sale by standardising elements of these capabilities such as content and knowledge management as an example.

Central technology has a broader role in an organisation now to develop end-to-end capabilities in much closer collaboration with the business.

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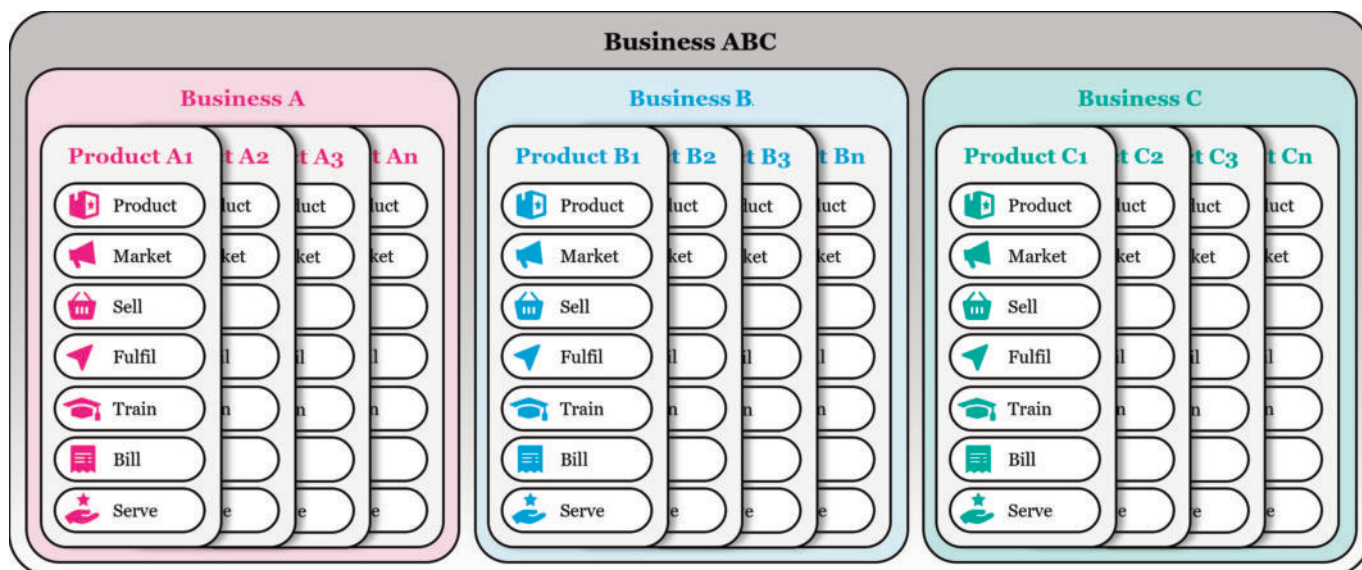[CLARASYS]

The product to customer transformation

There are clear benefits to customer-centric - the customer is more likely to have a higher NPS and therefore higher retention, it is easier to cross sell, and the overall cost of sales can be reduced. To bring customer-centricity to life, from a customer perspective, the experience should meet or exceed expectations at every touchpoint. It should feel consistent, empathetic, personalized and frictionless (e.g. single login and access to previous data for quick resolution or low time and effort for sales/service).

From an internal perspective you systematically gather customer data, turn data into insight, use insight to drive changes to product, service, experience, embed CX insight capability across the business. But it is hard, we've seen many organisations get their teams to agree to a new unified customer experience, and then seen many of them fail to execute, as their overall business objectives aren't aligned. To deliver a unified CX, the organisation has to move to something similar to Figure 2:
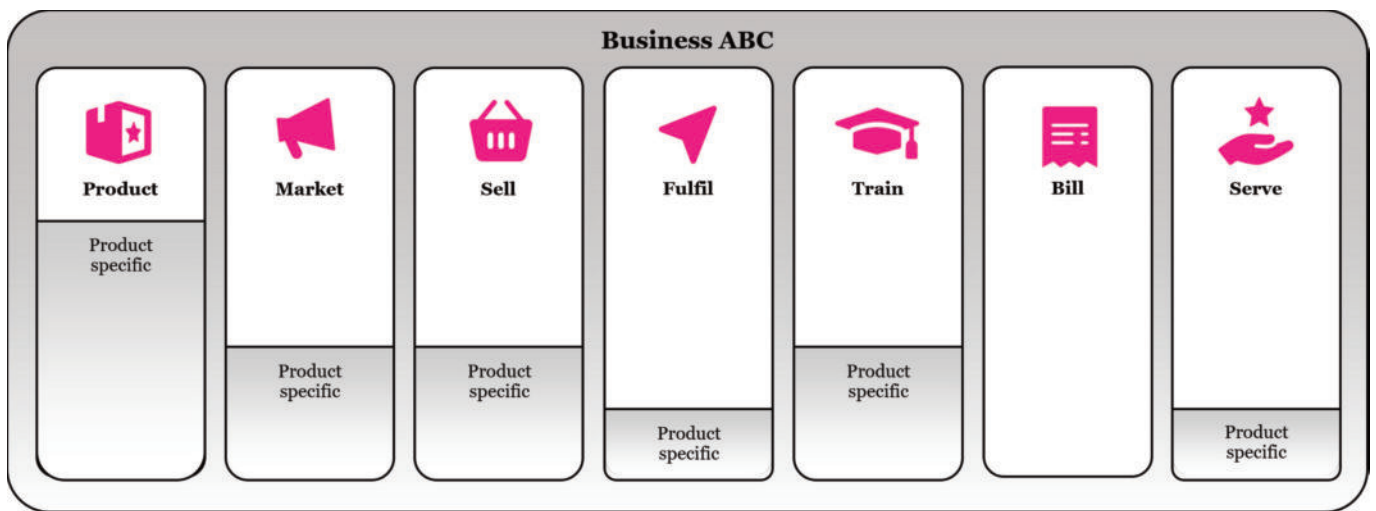
Organisations that are product-centric often struggle to cross-sell and understand who their customers are and what they want. In one global FS organisation we worked with, clients complained that they met representatives on consecutive days who had no idea that anyone else was talking to the client. These organisations struggle to scale, as resources are constrained within each product silo. Change is difficult as there are many stakeholders to engage.

We see particular challenges for organisations that have grown by acquisition. Simply agreeing a unified customer experience and attempting to transform to that customer experience typically results in failure as the underlying businesses have different incentives, cultures and customer understanding. Figure 1 illustrates an organisation that has grown through M&A. If you're a customer that just takes one product, then there's a chance you have a good customer experience. If you buy more than one product then you will interact with more than one underlying business, with different experiences, and potentially end up with multiple profiles, multiple bills, and very different journeys which can be frustrating if the first experience sets high expectations.

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In this model, much of the difference between the interaction with the customer has been minimised. In our view, there is not really a good reason for a different experience to sell, for example, two digital products. They may be differentiated on price and content, but they don't need to be differentiated on experience. However, a company may choose to differentiate the experience by type of customer, due to the value of the customer, as we discuss below.

Product development is always going to be very specific to the product, but even here there are common elements that can be abstracted to improve efficiency such as purchasing, DevOps capabilities, and common authentication services.

We suggest that the underlying marketing infrastructure in terms of technology and people across products should be the same, but the marketing content and brand will differ. Marketing teams contain product specialists to ensure the content aligns to the product's differentiation.

Similarly, within Sales and customer success/training, a generalist specialist model allows cross sale and account management to work well, whilst ensuring that product specific expertise is delivered.

Ideally, fulfilment does not vary according to product; or at least only varies per product class - e.g. all physical items are fulfilled in the same way and all digital items in the same way, or through a model where the customer pays different amounts for different levels of fulfilment.

Service organisations have long operated in a multi-layered resolver organisation with first line generalists supported by gradually more specialised second and third tiers. Generalists and specialists have to work well together but this doesn't always happen.

The challenge to this model is that over time, silos develop between each of the functions which means companies don't make as much money and customer demand is not satiated. It also requires significant thought to be able to allocate cost to the appropriate product. **One issue we frequently see in this model is the need to be able to prioritise between products and decide whether to implement change that favours one product over another. A standardised process, with product-driven attributes should handle most complexity, otherwise the prioritisation process becomes too complex. That standardised approach has to be agreed with the product organisation on the understanding of the incremental cost of serving products differently.**

Transforming to get to this model requires alignment of compensation models that foster collaboration and a potential redesign of the organisation to accommodate the customer archetypes we discuss next.

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Every customer is really a subscriber

The cost of customer acquisition is high, so the goal of every B2B business is to retain profitable customers. One-off transactions can act as gateways to subscription products or can be treated usage. Thinking of all customers as subscribers allows greater flexibility in approaches to pricing and products.
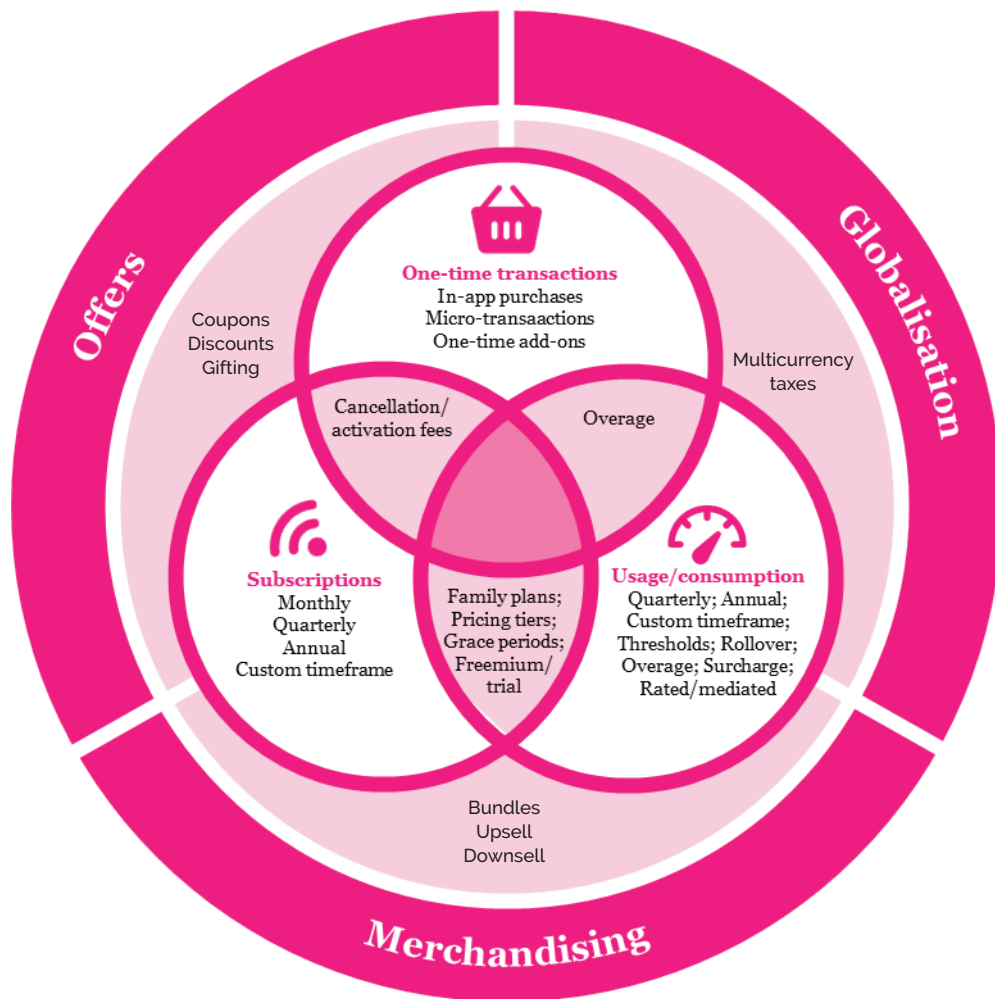
The largest circles merit critical consideration too. Yes, it's likely that an assisted sale is required, but perhaps they also want to start the experience digitally.

Those in the top right definitely need a different experience from those in the bottom left.

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Not all B2B customers are the same

Here are five example customers and how organisations might consider serving them and why. We'll then look at the capability required to deliver them.

1. **Individual trader** - B2C-like retail experience. In this scenario, we expect a low level of low value transactions in order to offer competitive pricing and we want to reduce the cost to serve. In addition, forcing a small business through a highly personalised customer experience designed for a large organisation can be frustrating for the small organisation. An example of this is when a customer tries to buy something and the only route has been to talk to someone. We have experience of working with customers where small firms never get their leads answered. That's a shame for both parties. The customer misses out on the product and the supplier loses the revenue.

2. **Small business** - B2C-like retail experience (with attention to support channels). The difference to the individual trader is that we expect more volume and more users. They may need help to understand the more complex aspects of the product, but are never going to be in a company's top 100 customers, or even the top 10,000. If we want to provide them with a product, then we have to make sure it is largely self-serve and there are appropriate channels to answer queries.

3. **Mid-size business** - digital B2B, with optional human support. There's no one size fits all at the mid size. Each business will have a different footprint and therefore deserves a different experience. Some may actually fit the smaller customer experience better, whilst others may have complex requirements and be of such value that a different approach is offered. Organisations and technology need to be able to support the different demands.

4. **Large business** - national - account managed, with digital tools. This size of business may be a significant source of revenue, therefore it is important to plan how to work with them to optimise the relationship. That experience should be focused on customer success, using technology to remove the mundane administrative tasks from their experience.

5. **Major multinational business** - Potentially has a dedicated account management team, provided the relationship is valuable enough. It's important not to fall into the trap of enforcing organisational design on the customer. For example, it's very frustrating for a US business to be forced to deal with the UK just because that is how the supplier is organised. This is a complex, multi-tiered relationship, but be careful not to assume that everything requires human contact. It's highly likely that the business

   a. contracts through a face-to-face relationship
   b. manages the ordering of content via an API, eCommerce or open entitlement.

Secondly, it's important to differentiate between the experience of the person selecting and contracting and the end user of your service.

This varies considerably between the size of customer. In an SME, all of the roles below may be the same. In a Fortune 500, it's highly unlikely that this is the case and in fact additional roles may be involved. That means you need to consider both the scenario where they are combined into one role, where the customer will want to be able to do everything once, without having to repeat steps, vs the situation where you need to brief different people and split out the journeys that are specific to them.

- Purchaser/Sponsor - the customer who is responsible/accountable for buying the product and driving the decision

- Procurement - control the way that products are purchased

- End user - uses the product or service once purchased

- Support team - deals with queries and incidents with the product or service once live

- Product administrator - manages access to the product or service

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A consistent approach to compensation and sales organisation

As we discussed above, the smaller customer is understandably often ignored in favour of the larger customer. We suspect there are two cannibalisation fears at play:

- Making prices transparent to enable ecommerce drive sa fear that large customers will want the same deal; assuming the offer to the smaller customer has to be at a different price point.

- Driving customers to an online sale from an account managed sale, albeit a poor customer experience, impacts the incentive plan of those sales people.

There is a clear value proposition for small businesses to introduce enterprise pricing plans - tiering the product (whether functionally, or through support, number of users, integration and sso) and providing differentiated access.

Designing the right incentive plan is key to overall success. If we can change our channel strategy and grow SME business at low marginal cost whilst improving the service to the middle and the top end customers and benefitting our employees well-being, doesn't that mean we're likely to make more money rather than less? Perhaps the better served middle now delivers more revenue and as a result the take compensation is the same. Or perhaps the formula needs tweaking to make it the same. This isn't a reason to ignore white space in a customer base.

A sales organisation that wants to serve the full breadth of customers described above will need to offer something from the following:

- Digital assistant - human assisted chat to help close out sales and resolve issues

- Teamed account management - for those customers with relatively low revenue, but who are on a growth path or have complex product sets, and a number to call to discuss

- Dedicated account management - to make sure all customers are getting the best out of the product

- A focused account team - for the largest customers who expect and deserve truly tailored handling.

Don't forget customer success and service

Frequently, the importance of tailored customer success and service are overlooked. These are critical in retaining customers, and the best subscription organisation have retention rates greater than 80%. On-boarding is critical - one of our clients could prove that a lack of onboarding result in higher churn. We believe that it is critical to avoid false economies, it may seem expensive to onboard relatively low value customers, but if you can increase your retention rate by 10% through that activity it will pay for itself. Again, tailoring the onboarding process and the customer service experience to the type of customer will be key in achieving ROI and a high NPS.

Conclusion

Tailoring and personalisation doesn't just belong to the product that you deliver to your customer, but the way in which you market, sell and deliver that product. We believe that personalisation is the key to achieving better outcomes for customers, where you've made the decision to serve the whole market and the design of the organisation must deliver on the personalisation promise. We also believe that the decision to serve the whole market is nuanced and some organisations would be better to focus on one clear category of customer.

About Clarasys

Everything we do at Clarasys is focused on creating [*engaging*], [*smart-working*] and [*connected*] experiences that increase efficiency and dependability, loyalty and reward.

We innovate and improve end-to-end experiences in workplaces to help employees achieve more. Experiences that bring businesses together enabling them to collaborate and expand. Experiences that successfully serve customers, helping brands' reputations grow. And experiences in government services that help citizens live well.

Our clients trust us to deliver better ways of doing things because of our different way of doing things. The Clarasys experience is 100% collaborative, making us effective at the centre of a partner ecosystem. We apply a uniquely agile approach and are skilled at transferring knowledge for effective, sustainable services.

We are [*The Experience Consultancy*]. End to end, through and through.

For more information, please contact us at info@clarasys.com

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