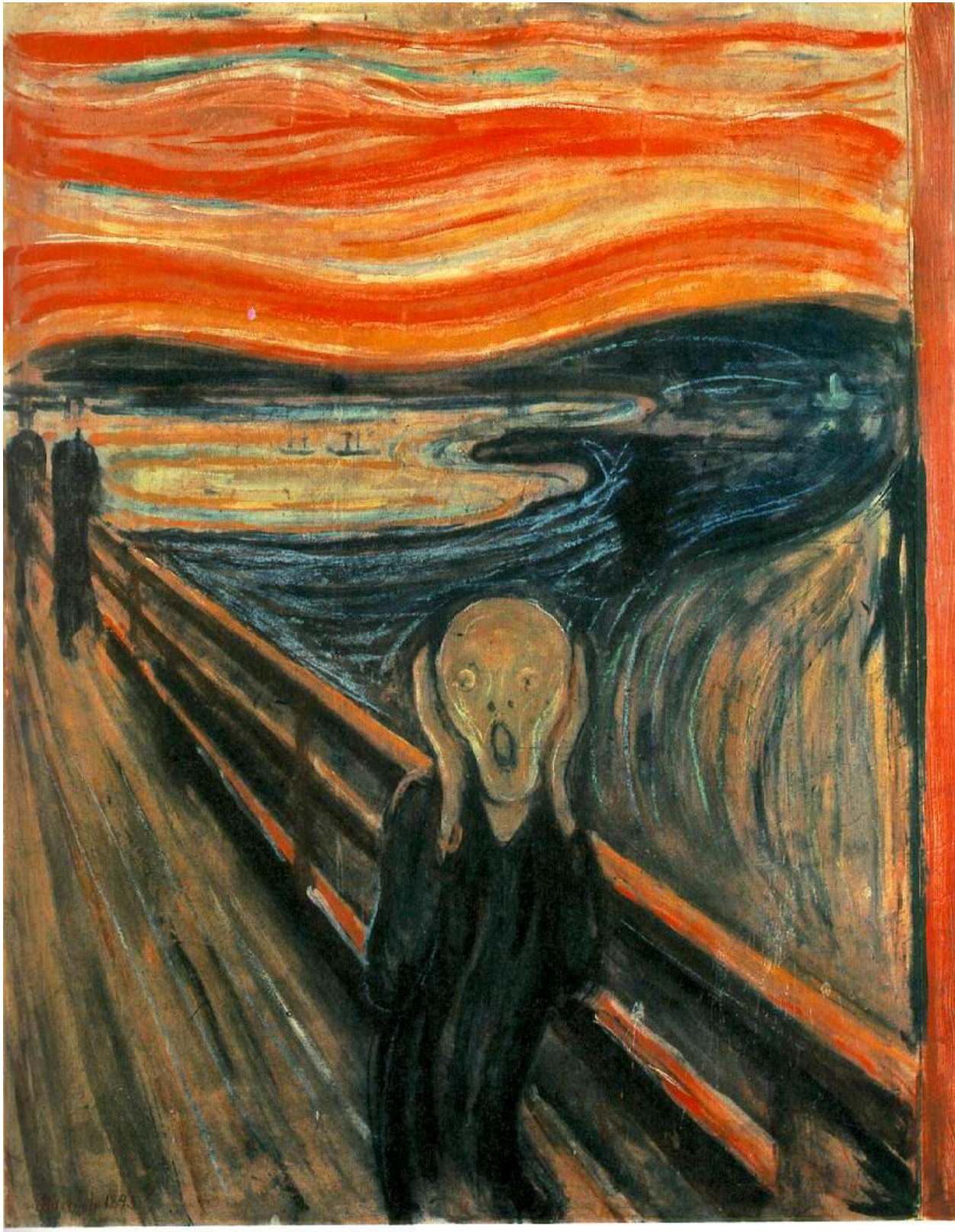


The Crisis Experience:

Opinions and ideas about doing business during the current financial crisis



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Welcome

Many things have happened in the past two years that have both changed our lives forever and also stretched our beliefs about what is possible in the world. As the President and CEO of Senteo, a multi-national but boutique consultancy, I have watched closely as both the business community and consumers have reacted to the current financial crisis.

In this paper, I hope to share some opinions and ideas from what I have seen happening and what the potential outcomes might be. I feel it is important to do so because this challenging environment has created both the opportunity for great success and the threat of great failure. Many of the things I have observed will position some businesses to become the winners of the future. While other things will most surely create a dying breed of businesses because they could not adapt or simply did not react quickly enough.

This paper turned out to be a bit longer than expected, but the content should prove to be extremely valuable to any business that puts it to use. In the following sections, you will find situations similar to yours and to others around you. You will find ideas that may make you adjust your plans for the future or even take a completely different approach to how you move forward.

Please enjoy the read, and, as always, please feel free to pass long any comments and questions. I always enjoy the dialogue that comes of them.

All the best,

A handwritten signature in black ink, appearing to be 'MR' with a long, sweeping underline that extends to the left and then curves back up to the right.

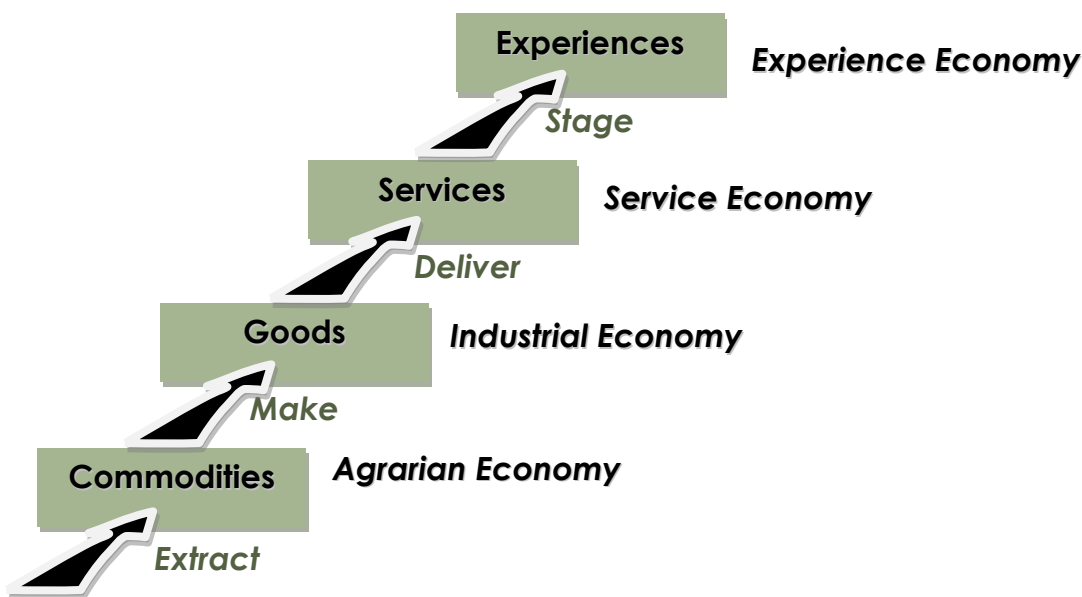
Michael Ruckman

Background

For years, I have been talking about the importance of the customer experience in retail businesses, especially in banking. I have even been teased because some people have heard me more than once, twice, or three times using the same example of the coffee bean taken from Joe Pine and Jim Gilmore's book, *The Experience Economy*.¹ The example, whether it is the coffee bean or something else, is used to illustrate the concept of the Progression of Economic Value (See Figure 1) which shows the change in economic offers over time due to development and innovation that has changed the nature of the offer.

The Progression of Economic Value starts from the days when most of the economy was based on things that we could extract from the earth. These were bought and sold mainly on the basis of price, and we called them Commodities. From there, with the industrial revolution, we saw these commodities being made into goods, which were more interesting to the consumer, but had a higher price tag due to the process of making them into goods. After that, we saw the delivery of services. In some cases, the services were used to enhance the offer of the goods, but in other cases the services became much more interesting for the consumer, and the goods were of secondary interest or were included as elements of the new services offer. These represented three very distinct economic shifts in our history and three distinct economies: The Agrarian Economy, the Industrial Economy, and the Service Economy.

Figure 1: Progression of Economic Value



¹ Harvard Business School Press, Boston, Massachusetts, 1999: *The Experience Economy: Work Is Theatre & Every Business a Stage*, B. Joseph Pine II and James H. Gilmore.

Over the past 10-15 years, we have seen a new economy emerging. It is based on the next level of this Progression of Economic Value: The Experience Economy. Businesses around the world have found that by enhancing the experience during customer interactions, by customizing and packaging their goods or services, and by creating positive and fulfilling relationships with their customers, they could generate more sales at a higher price with a higher level of customer loyalty. In many, many cases, the economic offer has already changed and the overall experience is more important to the customer than the mere sum of the parts that were compiled to create the experience. Indeed, customers have learned of this new form of experiential offering, and they have also changed their expectations. They have come to feel the absence of experiential elements and come to appreciate the presence of a positive and fulfilling customer experience. This is currently changing many industries around the world, and customers the world over are using their "power of choice" to choose the businesses that stage a better experience for them. As to the other stages of the Progression of Economic Value, once the customer has enjoyed the benefits of the next level, the previous levels just aren't so interesting anymore.

In 2005, after years of development, we at Senteo launched our customer experience methodology. The main reason for us to create this methodology is a very simple trend that we have seen in businesses for years: As businesses get larger, they must standardize their processes, control quality, and systemize many different aspects of their business in order to replicate the good things that they were doing when they were smaller.

Think of a small pie maker with the capacity to bake 30 pies per day. Then think of the development, standardization, and systemization required to take that capacity up to 3000 pies per day and maintain the same quality and uniqueness that was there before.

It turns out that this requires even more effort with customer experiences as they are more personal and emotional, and businesses are still struggling to understand what comprises their offering in this new Experience Economy where customers are more demanding and their expectations of entertaining and engaging interactions are most times left unfulfilled. In this environment, it is fairly simple to create a positive and engaging customer experience in one location or with one small business like our pie maker. But when that experience needs to be expanded, replicated, and rolled out across hundreds or even thousands of locations, much gets lost along the way. We have seen even the best customer experiences end up diluted, distorted, or completely destroyed by growth, expansion, roll-outs, etc. So with the understanding of this shift to the Experience Economy, we developed a methodology to help businesses to "operationalize" their customer experiences.

A quick example...

Imagine how you would feel as a customer of a small bank with one location in a small town. Everyone knows you when you walk in, they smile and say hello, you get a question about how your day is going, and a knowing grin when you comment that you'd rather be outside enjoying the weather than running errands. They handle your needs quickly and efficiently, and as you are leaving they remind you not to be a stranger, even though you can do almost anything through an ATM, the internet bank or the call center. You feel like you belong there. You still want to go back there from time to time even if you can do everything electronically. They always seem to have exactly what you need and they consistently surprise you with the way they fulfill your needs. You feel good about your relationship with them and you tell others what a great bank you have. If you had a choice, you would never leave this bank.

Now imagine you are transferred to another city for work, and you need to open a new bank account. The bank you found has everything your small bank did in terms of the services they offer, and they are big. They have branches on every corner, it seems. The price for their services is even a bit less than what you were paying at your old bank. You think you have made a good choice with this bank.

What happens next is a big question... Can this big bank also create a similar experience around the services that they are delivering for you? Can they make you feel that same sense of belonging and loyalty that the small bank did? Can they consistently surprise you (in a positive way) with the way they anticipate and react to your needs? Can they give you that same level of personal attention and spark that you had before? - Most likely, not. In most cases that we see around the world, we find that the larger the business is, the more challenging it will be to implement and manage a consistent and effective customer experience.

In any case, many businesses out there are acknowledging the need to develop and transform their businesses with customer experience in mind. This is the right change, and whether they are more or less aggressive with their developmental goals, it is always a positive change for their businesses. On the more aggressive side, we have seen businesses completely transform themselves to be customer experience oriented throughout their entire organization. We have seen others take simpler evolutionary steps and use service quality programs that include some soft experiential elements. We have also seen many, many different variations in between. We view all of them as positive for the simple reason that this is the future of how we do business.

The Crisis Hits

Up until the very beginning of the financial crisis in the second half of 2007, we saw businesses allocating more and more of their budgets (both operational and development budgets) to transforming or improving the quality of customer contacts with the goal of improving relationship quality and customer loyalty. This was visible in various different areas of business from process improvements and quality control to staff training and motivation programs. Mystery shopping, customer feedback, focus groups, etc. were used more and more frequently not just to measure the "satisfaction" of the customer, but to measure the quality of customer interactions and the feelings that the customer had toward the organization. New customer experience strategies were everywhere and new pilot customer experience centers were popping up wherever we looked. The time was right. Businesses, whether knowingly or simply by instinct, were embracing this shift to the Experience Economy.

Throughout the course of the past two years, we have seen many companies take decisions that have made us doubt their level of understanding of the importance of this shift to the Experience Economy. We have seen budgets cut or re-allocated to other areas. Strategies that were designed to be "the future of the company" were thrown out or forgotten, instead of being adjusted to meet the present challenges. Projects that were developmental or deemed speculative were disappearing everywhere we looked. And investments into the transformation of businesses for the Experience Economy have almost completely disappeared.

What has happened, whether right or wrong, is that businesses have been able to focus only on getting through the very short-term alive. The financial crisis brought about circumstances that no one thought possible three years ago, and everyone had to make the quickest shift possible into "survival mode". This has happened not only with businesses, but also with consumers. Businesses have retracted and become borderline protectionist regarding anything that they spend and anyone that they hire. Banks have become incredibly careful about who they lend to and how they lend. Consumers have become extremely careful about how they spend their money and are spending much less than before. Consumer confidence has gone down significantly, and trust in retailers has diminished. And, the worst possible developmental downward spiral has begun.

Let me explain...

In their fight to survive, retailers have cut costs in a number of areas in order to properly manage their cash flow and to compensate for the lack of financing available on the market. The areas that they cut first were all of the softer developmental areas, or those areas related mainly to the customer experience. They also reduced staff in most cases and in many cases cut salaries or bonuses for the staff that was not laid off. This left the remaining staff to take on a larger workload for less compensation. It is perfectly understandable to assume that the quality of interactions with customers will be diminished.

Now, what we found in the shift to the Experience Economy was that customers were willing to buy more, pay a higher price, and become more loyal to a retailer based on a positive and fulfilling relationship with that retailer. That positive and fulfilling relationship consists of a series of positive and fulfilling interactions with that retailer, and, logically, if those interactions become not so positive and not so fulfilling, then that customer will spend less, turn more price sensitive, and become less loyal.

All-in-all, this financial crisis, and the decisions that have been taken by businesses over the last 2 years, could possibly have taken us back about a decade in terms of the sophistication of buying and selling in the global marketplace. In the absence of engaging and enjoyable experiences, positive customer interactions, and customer relationships that were worth having, retailers have had to rely almost entirely on price as a way to motivate customers to buy their goods and services. And consumers have learned that they still have the power of choice as the retailers have become more desperate to win their business.

The Worst is Over?! – Are you sure?

Well, now that the worst is over, and various people “in-the-know” have declared that the financial crisis is almost over, there is a big question looming over everyone’s head: *What will our return to “business as usual” look and feel like, and what will it entail?* Will it be a fast recovery that leaves everyone on their feet again? Will it be slow and agonizing, leaving only the strongest standing in the end? Or will it be somewhere in between?

Many businesses out there are still suffering, many consumers are still jobless, many banks are still struggling, and now it is time for everyone to come out of their “survival mode” and start thinking about how to rebuild for the future. Many still believe that there is a long, long way to recovery and that in reality we have just hit the bottom.

All of this leaves businesses very cautious about the idea of spending on anything. Their development budgets are still very small or non-existent. Many companies are fighting to stay afloat with no financial support from the banks. Many banks are fighting with liquidity, bad debt, and collections. And all of them are trying to find the path that makes sense for the future. With all of this pain in the current business climate, is there even any time or meaning in thinking about customer experiences or the shift to the experience economy? It seems to be more of a “nice to have” rather than an element that will be key to survival and success in the future, right?

Is “Customer Experience” Still Relevant?

If we take a step back from all of this talk of customer experiences and the Experience Economy and just look at what is important to businesses, we can find some great guidance. I don't think anyone would deny that there are some fundamentals in business:

- we must attract buyers for what we are selling;
- we hope they buy more and more from us;
- we hope they remain loyal and do not go to our competitors; and
- we hope they refer us to other people that will also buy what we are selling.

Seems simple, right? Considering these fundamentals, and the market conditions that we endure today, we believe that **loyalty** will be one of the strongest drivers in the survival and future success of all businesses.

We have spent a lot of time studying the idea of customer loyalty, how it is measured, what it means, and the benefits that companies can enjoy if they are good at generating loyalty amongst their customer base. We found that there are literally hundreds of different definitions of customer loyalty and just about as many different methodologies for measuring the level of customer loyalty. Of all of these, however, there were two terms that stood out and that were common to all of the definitions: **renew** and **refer**.

- ✓ What is the likelihood that your customer will purchase from you again (renew)?
- ✓ What is the likelihood that they will recommend your company to others (refer)?

We also found that there are several elements that affect the level of loyalty that a customer feels, and most of them are of the “softer” more emotional side of the customer relationship.

Overall, we found that loyalty only becomes an issue when there is an ongoing customer relationship and that any customer relationship consists of a set of rational components and a set of emotional components (the softer side). Also, through previous exposure to these components, customers will form expectations about what future contacts could and should be like with a provider. The rational components are more about process of acquiring the good or service, the quality of usage of that good or service, the resolution of any problems related to usage, etc. The emotional components are more

about how the customer feels during any of the customer interactions, whether it is during sales or usage or problem resolution.

Also, there are some aspects in the emotional side that are not even related to the rational components at all: how the customer feels about ownership of the good or service; how the customer feels about the relationship with the company; how does their relationship with the company fit into their plans for the future and their personal development, etc.

A customer relationship exists through a series of interactions over a period of time. If a good or service is purchased once and then that customer never returns, there was no relationship. Also, sometimes, the relationship is not related to a single good or service, but, rather, the quantity of goods and services that a customer will purchase from the same provider over a period of time. We have found that the level of customer loyalty will be directly related to the quality of both the rational and the emotional components of the customer relationship and how well businesses can meet or exceed the expectations of customers in both of these areas.

If we take this back to the Progression of Economic Value, what we find is that the rational side of the customer relationship is more related to the purchase and usage of the good or service, and the emotional side is more related to the feelings (or experiences) that a customer has during contacts with the provider of those goods or services. Both are equally important in the grand scheme of things, but we find that the emotional side is much more powerful in creating customer loyalty, and therefore, we feel that there is a significant risk for businesses today if they do not place a enough focus on the development aspects of the emotional side of customer relationships.

I was recently having this discussion with a banker friend who insisted that there was no room in their budget to focus on the emotional side of customer relationships because their entire focus for the past 12 months and at least the next 6 months was on decreasing costs, increasing their deposit base, generating fee income, and collecting on bad debts. I asked him a couple of questions and the discussion turned quite quickly. In the end he agreed with me entirely that the emotional side of customer relationships was exactly what he needed in his bank.

So what did we discuss?

It turns out that, in an effort to increase their deposit base, they were paying much higher than market rates to attract depositors from other banks. I asked if their most loyal customers had stayed with them even at the lower rates that they had previously, and they had. I also asked if he thought that he would be able to keep the new depositors with lower rates without developing a relationship with them, and he agreed that it would be much more difficult and that they would probably just leave if they lowered their rates. He also agreed, that if he could develop the relationship with these new customers, and maintain

the good relationships with the already loyal customers, that he would be able to lower his cost on attracting those deposits as well as increase the stability and size of his deposit base.

When we discussed fee income, I asked how many of his depositors and credit customers maintained their "primary banking relationships" at his bank. Because of their previous strategy of focusing more on higher profit lending products, they had not paid much attention to building the primary banking relationships with customers such as current accounts, debit cards, savings, bill payment, etc. This day-to-day banking relationship tends to bring significant fee income from transaction fees, interchange fees on card usage and ATM usage, and, in general, will increase current account and savings account balances as people receive their salaries into their personal accounts and use these accounts for their day-to-day banking needs. He agreed that developing a better offer and focusing on the relationships with these customers would help to increase balances and generate more fee income. He also agreed that people with their primary banking relationships would be more likely to keep their deposits in his bank at a lower rate than was he was currently paying to attract depositors from other banks.

When we discussed collections, I asked what percentage of his credit customers also had loans or credit cards with other banks. He answered that about 75% had relationships with other banks as well. We then took a look at the default rates amongst his customers who had a primary banking relationship with his bank vs. those who did not. It turns out that those that had the primary banking relationship with him had a much lower default rate. Why is this? Statistically, people will try to keep the relationship clean with their primary bank, and if they are having financial problems, they are more likely to default on other creditors before they will default on their primary bank. Also, if they have defaulted, they are more likely to be consistent in repayment of a restructured loan balance or a settlement payment program if they are with their primary bank. He agreed that this would both help with his collections but also help to lower future defaults.

In our discussion, he also agreed that the effects that we spoke of would be directly related to his bank's ability to generate loyalty amongst the customer base. In general, it seems that a customer will default last on the bank to which they are the most loyal. It also seems that the more loyal the customers are, the more stable their balances are, the less sensitive they are to competitive offers, the more likely they are to purchase more from you and consolidate their banking relationship in your bank, etc. Overall, loyalty seems to be the key, and that will come only from a customer relationship filled with positive and fulfilling customer interactions. But banks for some reason still have not learned this. No industry has commoditized itself more readily than banking, because bankers came to view spending time with customers as costing money. The more time spent; the more money it cost, right? When in reality, it seems, the key to the banking experience is getting customer to spend more time, and to enjoy the time they spend.

This discussion with my banker friend was not the only one. I have had these discussions with many businesses in many different countries, and it seems that, with all of the crazy things happening during this

financial crisis, many business people have forgotten some of the fundamentals of relationships with customers and the benefits that they can bring. There have been many, many customer experiences to be had during this crisis, and a lot of them have been bad or even horrible customer experiences. In fact, I have heard of some customer experiences that made me cringe. The financial crisis has caused businesses to do things that they could not imagine 3 years ago, and, in doing so, they have possibly destroyed those customer relationships forever.

Customers who have been treated poorly during this financial crisis, for whatever reason, will not forget it, and they will not wish to repeat those negative customer experiences in the future. Therefore, all businesses out there must remember that the things they do today, during the crisis, will either make it easier for them in the recovery or harder for them. Those that have dished out the bad treatment and poor customer experiences will have a much harder time with recovery, and, in most cases, will not be able to rekindle the relationships with customers that they have lost or ignored during the crisis.

Every year, we publish a Customer Experience Index™ together with PricewaterhouseCoopers for the retail banking sector. What we found this year was shocking in many ways. The things that banks are doing to their customers in many cases simply defy logic. One, in particular, stood out when I heard about it as perfectly logical rationally, considering the current crisis, but completely dysfunctional emotionally. One bank that we visited had programmed their electronic queue to move people wishing to deposit money to the front of the line and people wishing to withdraw money to the back of the line. Seems logical, if you are seeking to increase your deposits and keep people from taking their money out of your bank. But if you were a customer and you figured out that your bank is very eager to take your money, but they don't seem to want to give it back to you in any convenient form, what would you do? Personally, I would take my money and not return to that bank.

What we are seeing is clearly a developmental set back in the shift to the Experience Economy. This has been caused by the financial crisis, but it cannot last for long. Now, more than ever, the need for positive and fulfilling customer experiences is apparent. Their importance in generating loyal customer relationships is clear and cannot be ignored. There is, however, a shift in thinking that needs to take place, and this shift will make the future developmental steps into the Experience Economy clear and defined for each business that survives this crisis. Those that understand this now have an opportunity to move forward and recover from this crisis faster than the others. They must do it carefully, but they must keep on track and in the right direction at all times.

Where do we go from here?

Things are going to get better. Next month? Next year? Who knows? We do know that this crisis, just like all of its predecessors, will not last forever. The key is to embrace a developmental approach that will work for the future and start planning now for the recovery that will come.

I have had several discussions with business people in the past year about crisis/recovery scenarios. Will it be the “V” scenario – fast drop and a fast recovery? Will it be a “W” scenario with several ups and downs? Will it be an “L” scenario that falls fast and then stays down for a long period of time? Or will it be the “U” scenario with a fast drop, a period that stays down, and then a faster return after the down period. In reality, no one knows, but whatever the scenario, all businesses should have a plan, and they should be ready to react and take advantage of the opportunities that will be present in the market.

It seems that for the past 12 months, most businesses in the world have been focusing on survival. Even businesses or industries that were never critically injured have gone about stockpiling cash and cutting spending sometimes more than necessary. Initially, this was completely understandable in the hysteria of the crisis and the uncertainty of the fall. Now, however, with things more or less stabilized, some companies are still cutting and hoarding with a level of overcompensation brought entirely by fear-based justifications.

No one ever argues with Joe Pine and Jim Gilmore's Progression of Economic Value because it makes such clear sense and can be traced back and illustrated over the past 100 years. Businesses and customers around the world have already had a taste of the initial stages of the Experience Economy, and I have never seen anyone deny that they would choose a positive, unique, and engaging customer experience over one that is not so exciting. People have demonstrated again and again that they are even willing to pay more for these experiences that have the emotional components tuned in to the overall interaction or relationship. Now more than ever, this shift to the Experience Economy is real, but, somehow, many businesses are missing the necessary planning and foresight to be ready for this. During times of crisis, we need our customers to continue spending, and we need to maintain their loyalty. Somehow, they seem a bit forgotten today.

For the coming 12-24 months, those that are ready for the recovery will be the winners of enormous, rapid, and profitable growth. On the other hand, those that are not ready might not live to tell the story of why they did not pay attention to their customers.

Economic Recovery vs. The Customer

Economic recovery... The “V”, “W”, “L”, and “U” scenarios that are so popular today all seem to depend on how fast people forget the pain associated with the bad things that happened during the crisis. Customers will likely not forget the situations and experiences that they had, but they will be desensitized to the probability of it happening in the future. How fast that happens is one element. Another is how efficiently businesses can work to improve their businesses in preparation for the recovery period and the future. In reality, there is a tremendous need for reform in many industries. A little stock market rally, though, and we all forget what we were supposed to change, and we get back to the big deals and speculations. Of these different scenarios, probably the most beneficial to many industries would be a “U” or even an “L”. This down time would force businesses to transform to meet the needs of the market and learn from past mistakes. Following this logic, the “W” would be the next best, then the worst scenario will be the “V” as the recovery will come too fast and all of the reform and improvements needed will be forgotten along the way. In this “V” scenario, we are all likely to forget what we needed to fix, and we’ll probably be back in the same type of crisis in the next 5-10 years. It seems there is a trend with this anyway, but let’s hope that this time we can remember what needs to be fixed even if we do have a fairly swift recovery.

The customer is a different story. From a developmental and competition standpoint, we might hope that customer expectations might be forgotten for a while and that the return of their expectations of higher quality interactions, pleasant and fulfilling contacts, etc. would return in the “L” or the “U” scenario. That would give us a bit more time to think and breathe and recover from the rough time that we had during the last 2 years. However, most certainly, these customer expectations will return very quickly in the “V” scenario. People have not forgotten what it feels like to be treated well, to feel important. They will very quickly return to their expectations of higher quality interactions and positive and fulfilling customer experiences. Because there was a taste of this in the past few years, and a growing absence over the past 18-24 months, we believe that these expectations will return with a “vengeance” in the form of *customer demands*, rather than simple *expectations*.

Consumers have been treated poorly over the past 2 years. They have clearly gotten the raw end of the deal in many, many situations. Banks lowering credit limits and raising rates at the same time, retailers not fulfilling promises, reduction of quality in many ways due to cost cutting, staff in stores that are overworked, underpaid, and not happy about it. All in all, the consumer has been very patient throughout all of this.

Retail Banking, we believe, has been one of the worst globally in the way that they have treated their customers. The stories of bank behavior towards their customers could fill a room. If I was a retail banker today (as I was in the past) I would be very, very worried. Bank customers have endured a tremendous amount of poor treatment over the past 2 years, and when things start to get better, they will not forget what happened. Also, many of them will seek out new banking relationships as a result of their recent bad experiences.

Over the next two years, we are anticipating a significant shift of customers from the banks that have treated them poorly to the banks that are ready to treat them well in the future. This will also happen with retailers and many other industries, and we see this shift as the final defining chapter of the crisis. Those that are strong will survive, and those that are not, will not. How do we define the bad and the good? It falls into a few categories:

1) **The Super Bad** – These are the companies that were bad with customers before the crisis, bad with customers during the crisis, and will still be bad with customers after the crisis. These companies will become obsolete unless they survive completely by chance.

2) **The Saints** – These are the companies that were good with customers before and during the crisis, and they will keep this level of quality in the future. These will be the companies that people will view as the faithful provider that has always been there and always will be there.

3) **The Rising Stars** - These are the companies that may have been working to improve the quality of customer experiences. They may have taken a hit to quality during the crisis, but they have not lost sight of the customer, and they are still trying to improve for the future. These companies will be the rising stars during recovery, and they will likely see an increase in market share as customers move away from the Super Bad and the next category, The Dying Breed.

4) **The Dying Breed** – These are the companies that may or may not have been doing well with customers before the crisis, but during, they have lost sight of the customer and done things that have seriously damaged customer relationships. As well, they have not planned and are not planning for any improvements to be ready for the recovery period. These businesses will likely die off unless they survive completely by chance.

Amongst all of this, there is a common theme that is very important to remember. The speed of the recovery seems to depend on how fast people forget about the bad feelings they had during the crisis, but customers will not forget the taste of the "good feelings" that they had before the crisis. Their expectations and the desire for quality customer experiences will return faster than most businesses will be ready, and this will create the venue for the winning businesses of the future. Customers will be seeking quality interactions, positive and fulfilling relationships, and unique and engaging customer experiences.

For this reason, I say again, those businesses that are ready will enjoy a flood of new and return business during the recovery. Those that are not will wonder what happened to them. Also, those businesses that have completely cut their development budgets, and stopped investment into the “soft” areas that are more related to the customer, will most likely fall into the category of The Dying Breed. It will be very difficult for them to move as fast as the businesses that kept sight of the customer even during the crisis and maintained their plan of action for the recovery period.

The Plan of Action

Everyone should have a plan for the future. Even though times have been tough, the future winning businesses will be those with a plan, and that plan must have the appropriate planning horizon. What is your planning horizon? Is it just getting to the end of the year? Are you planning for next year already? Are you planning for 3 years out? Or, is it just reacting to the things that will happen this week? Everyone may still be in different stages of thinking about the future, but as the recovery begins, the customers will not be so patient anymore.

Think about this... Banks have closed branches, retailers have closed stores, airlines have reduced their business class sections on the planes, restaurants have cut certain things from their menus, everyone has cut staff, etc. How ready will these businesses be for the future? Take banking for example:

One of our banking clients has just reduced their branch network by about 30%, and they are considering a further reduction. We all know that retail banking relationships are mainly established and maintained in the bank branch. We also know that the sales capacity of a bank is directly proportionate to the number of branches that they have and the number of sales people that work in those branches. When the recovery begins, and retail banking customers are out looking for a new bank, they will do so, for the most part, in a bank branch somewhere. But the banks out there that are cutting branches now will be limiting their sales capacity for the recovery period, which is where we expect this large shift of customers from the bad to the good. Not only that, but they will have taken a financial hit in many cases on the closure of the branch, and they may need to start building new branches as soon as a year or two from now to capture the market share that is seeking a new banking relationship. If the planning horizon is 3-5 years, they might take a different set of decisions than if their planning horizon only covers 2010.

I recently read in an article about the airline industry that one British airline is reducing the size of their business class cabins by up to 30%. I see that there will be a complete disconnect between the time it will take for the business class market to return to normal and for that airline to re-introduce the extra space and extra seats in the business class cabins. This will likely leave many business class passengers with a poor experience, and those passengers will likely migrate to the airlines that have maintained the larger cabins even throughout the crisis.

As well, looking at this from a different point of view, this could be a great opportunity for the airlines to create new relationships and generate a higher sense of customer loyalty. Imagine if, instead of reducing the size of the business class cabin by 30%, they offered their frequent flyers the opportunity to upgrade for a much lower price than normal. They could explain that they chose to do this because that frequent flyer has been such a good business class client in the past. They would likely strengthen the relationship with that passenger, and generate a higher chance of return on the next trip. They could also offer some promotions to passengers coming from other airlines in the same way. They would likely attract a large number of business class passengers from other airlines who, instead of taking this approach, have decided to simply cut the cabin size and maintain the same price.

As I said before, the global financial crisis has caused businesses to do things that, in many cases, defy logic. It has caused a chain reaction of events that may have consequences into the next 3-5 years for businesses and their relationships with their customers. Even after the recovery begins, the crisis will not be over for many businesses. We see that many will be left scrambling for a plan of action that will help them to compensate for the lack of planning today. Many of those businesses will become The Dying Breed; only some of them will survive.

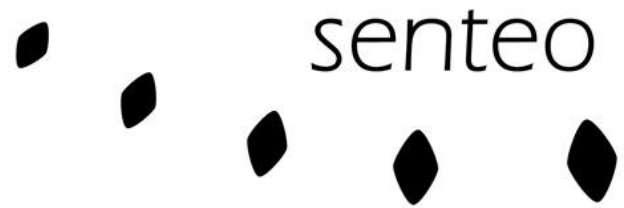
With all of this in mind, we have prepared a short list of the things that businesses need to do today in order to be ready for the recovery period and further. We understand that many businesses are still struggling financially, but having these items in place will ultimately help with the decisions that are taken along the way. Also, it costs nothing to think about what will happen in the future and develop a plan of action. And if it does cost something, it will most definitely be worth it.

- 1) Plan now for when things will be better – Even those that are struggling today can create the vision of how they see themselves when the crisis has passed.
- 2) Do whatever possible to further any developments related to customer experience and remember that this will be the key to capturing market share during the recovery period.
- 3) Use this opportunity to transform and build with a new approach for the future – businesses, most likely, have cut much during the past 12 – 24 months. When planning to build again, add on to this new lean structure in a way that promotes positive, unique, and engaging customer experiences.
- 4) Choose a development methodology that can be used throughout your organization and make sure that all departments are in line with the future of your business.

- 5) Make the implementation of this vision a priority for everyone in the company.
- 6) Be very vocal about the changes and how the company will develop in the future – both internally and externally.
- 7) Choose partners with hands on experience and a willingness to share their knowledge.

The success of businesses coming out of this global financial crisis will depend greatly on how well they manage the points listed above. In the next year or two, we will see businesses focusing more than ever on personal contact with customers and strong customer relationships. We will see a significant focus on building stores, bank branches, etc. in an effort to regain that contact with customers (even the need to quickly replace those stores / branches that were closed during the crisis). We will see the concept of customer loyalty become central to all businesses and they will understand that this loyalty comes from a series of positive and fulfilling contacts with their business. We will see the businesses that do well with this grow and prosper, and the others will either die or be taken over.

All-in-all, these will be exciting times. Opportunities will be endless for the few that planned well, and this will definitely be a time of both great success and great failure.



Senteo is a multinational consultancy with offices in Switzerland, Spain, United States, United Kingdom, and Russia. Senteo has helped clients in over 30 countries to design, implement, measure, and manage customer experience businesses. Working with banks, retailers, restaurants, professional services firms, telecommunications operators, shopping centers, and more, Senteo has achieved results in sales, profitability, customer loyalty, and employee delight that were previously thought to be unachievable. Senteo's client list includes such global names as Nike, Citibank, BNP Paribas, Renault, Marks & Spencer, Wembley Stadium, Vodafone, ING, Deutsche Bank, CB Richard Ellis, and more.

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