

From Captive to Captivating: The New Customer Journey Model for Companies

Abstract

From purely transactional to personalized and unique, customer experiences can extend far beyond the exchange of goods. Companies often focus on functional and transactional experiences because they're the easiest to understand. However, a large part of purchase behavior is subjective and occurs in the context of the emotional relationship between companies and their customers. Together, Wharton Customer Analytics (WCA) and C Space explored and quantified the strength of this customer-company relationship while identifying the commercial benefits of customer-centricity (Customer Experience Code <https://cspace.com/customerexperienced>). Using the simple clustering method, k-means, WCA led the process of identifying discrete levels of customer-centricity, and C Space augmented the analysis with new data on 160 companies. Together, WCA and C Space observed a significant relationship between the measure of a company's customer-centricity and its performance. In addition, this study proposed a novel company journey framework, in which companies evolve from having a highly transactional customer relationship to one that is emotionally relevant and, crucially, provides the levers for improving customer-centricity. The framework also links this journey to the more typical customer satisfaction metric, Net Promoter Score (NPS), and other measures of word-of-mouth (e.g., Earned Advocacy Score, or EAS). A recent illustration of this journey is the surprising transformation of the logistics industry, which saw a large gain in emotional connections between 2019 and 2020. UPS, specifically, positively traversed all emotional categories and grew from the bottom to the top in less than a year. The data reveals that UPS' response to the COVID-19 pandemic illustrated to their customers they are much more than a parcel delivery service.

1 Introduction

Customer loyalty, once established, doesn't just maintain itself. Traditional sources of competitive advantage are being disrupted and, today, any company runs the risk of being 'Uberized' (even Uber, itself!). The race is on to deliver customer experiences that reduce churn, increase revenue, and lower the cost-to-serve by outpacing customer expectations, even as they shift. While it may seem expedient to focus on aspects of the experience that are relatively easy to manage and measure, it is how customers *feel* about that experience that ultimately keeps them coming back. With the COVID-19 pandemic placing this relationship under an even brighter spotlight, it is now more important than ever for companies to become 'customer-obsessed.' But what does this really mean, and where does one start?

C Space had developed a method, the Customer Experience Code (CXC), to quantify customer-centricity based on the strength of the customer-company relationship, as evaluated by customers themselves. Early research used a CXC composite score to place companies into one of four groups, each showing significantly different levels of customer-centricity performance. This approach, however, was one-dimensional, and thus had somewhat limited diagnostic utility. To remedy that, WCA and C Space collaborated to enhance the existing method into a multidimensional approach using cluster analysis and other statistical methodologies. The result was a tiered framework describing four types of customer-company relationships: from relationships in which customers feel they're being held captive at the low end (many telecommunications companies reside at this level) to a reciprocal and synergistic relationship characterizing companies with the most customer-centric experiences at the other end (see Figure 1).

2 WCA: Foundation of the Customer Journey Model

The project began with a faculty-led group of Wharton Customer Analytics (WCA) students building upon C Space's initial framework. Originally aiming to define discreet levels of customer-centricity, C Space's original setup focused solely on the CXC score, defined as the simple average of the battery of customer experience questions. While overly simple by design, this approach laid the groundwork for further

expansion. Taking a multidimensional approach, WCA aimed to provide more meaningful insight to what drives the customer experience. The four-step analysis consisted of minimizing repetitive information, grouping companies with similar customer experiences, creating the framework, and finally providing an actionable path towards the next level of customer-centricity.

With more than 30 dimensions, the CXC questions capture the many facets of the customer experience, but many of these questions are highly correlated with one another. For example, customers who feel that a company speaks their language are likely to also feel that the company really “gets” them. Despite these questions being interrelated, the expanded framework contained the full list of questions.¹

WCA performed a cluster analysis through k-means on C Space’s CXC data from 2016 to 2019. Using this multi-faceted approach, differences between the initial one-dimensional framework and the more robust iteration began to emerge. This analysis was likened to a grading system; two companies can have the same grade of “B” overall, but what’s underneath? If a company is excelling in certain aspects but falling in others, which metrics have the most impact on the overall grade, and how can that be improved upon?

3 C Space: Continuation to the Final Model

After WCA’s completed its cluster analysis, C Space continued with the expansion of the framework. Using the data gathered, C Space recalibrated the framework and trimmed to a subset of the 30+ original questions. While the development involved all 30+ questions, the framework itself can properly function with fewer; we retained ten questions to form the core battery. By focusing on the questions that best illustrate the differences in a customer’s experience, the framework provides clearer insights and diagnostics for each company on their journey towards customer experience excellence. The recalibrated methodology put significant emphasis on the 2020 data, which was essential given the shift in customer experiences due to the COVID-19 pandemic, as well as a shift in survey methodology.

At this point, the analysis showed that the framework was application-ready. Similar to the work from WCA, C Space found that it is optimal to split the customer-centricity journey into four discreet levels:

- **Captive** is at the bottom, and is reserved for companies whose customers feel like they mainly engage with a company due to lack of choice
- **Transactional** is second from the bottom, detailing relationships where customers are only making a transaction, lacking emotional connectivity
- **Partnership** is the upper-middle level, in which customers have a fair, emotionally rewarding, and equitable value exchange
- **Synergistic** is the very best level of relationship – these are exchanges through which customers feel like the company is integral to who they are or what they hope to accomplish.

By ascending from one group to the next, companies can build upon strong principles of customer-centricity. Furthermore, this growth yields real business implications: on average, NPS increases by 15 points every time companies move up to the next level.

Let’s now take the real example of Company X (name obfuscated) to illustrate how this works. With the original methodology, Company X’s relationship with its customers was categorized as a *Partnership*, the second-to-best level. However, leveraging the WCA-enhanced methodology, it became clear that the old approach misclassified the relationship, which was actually *Transactional* (one level lower). Investigating

¹ This was done to ensure that the results could be interpreted simply within the real-world, as opposed to the world viewed through the lens of something like a principal component analysis, a technique used to reduce the number of dimensions from more than thirty to something more manageable, such as five.

further, the new methodology revealed Company X needed to mostly improve upon feelings of “trust” and “pride” (see Figure 2, left-hand side column) in order to develop a *Partnership* with its customers. The framework also revealed that Company X was already succeeding in making customers feel as if the company had their backs. This level of specificity provided by the framework helps to ensure Company X directs its resources at the areas needing improvement, helping to save time and effort. After addressing the jump to *Partnership*, Company X has naturally adjusted its focus to becoming a *Synergistic* company (See Figure 2, right-hand side column). The framework clearly provides insight on how to best achieve that growth. Like moving to *Partnership*, Company X doesn’t have to improve significantly on intuition, but needs growth in all the other components.

In addition to providing the shortest path to the next level of emotional relationship, the method developed by WCA and C Space provides a measure of where a company stands within its level. That is, how close is the company to moving up or down to the next level? The method examines historical movements by industry to measure the risk of a downgrade and to qualify if large jumps in CXC are idiosyncratic enough, therefore requiring the company’s attention. Finally, the framework provides a way for a company to get more granularity on the types of relationships its different customer base has with it. The framework allows companies to delve into multiple demographics such as gender, income, or ethnicity. As a striking example, the average of Nike’s scores indicates it has a *Transactional* relationship with its customers overall, however, this cumulative score does not reveal some more nuanced findings: Nike has a *Captive* relationship with white respondents, seems to have a *Partnership* relationship with Hispanic/Latinx American respondents, and a seemingly *Synergistic* relationship with Black/African American respondents².

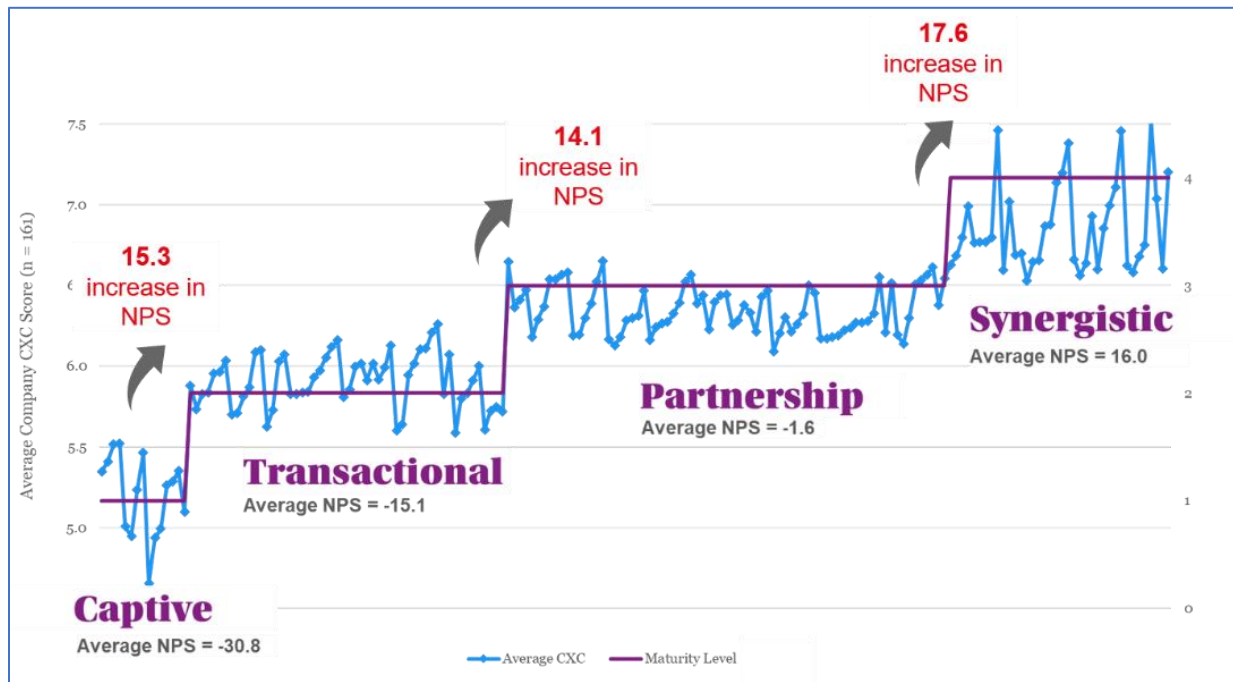


Figure 1: Map of Customer Journey, showing the four clusters in the model aligning with the NPS score and the average CXC. The higher the score, the better the relationship with the customers.

² The nuance introduced in the text for Hispanic/Latinx and Black/African Americans comes from a relatively low sample number of N=23 and N=21 respectively. The sample size for White/Caucasian Americans is a comfortable N=142.

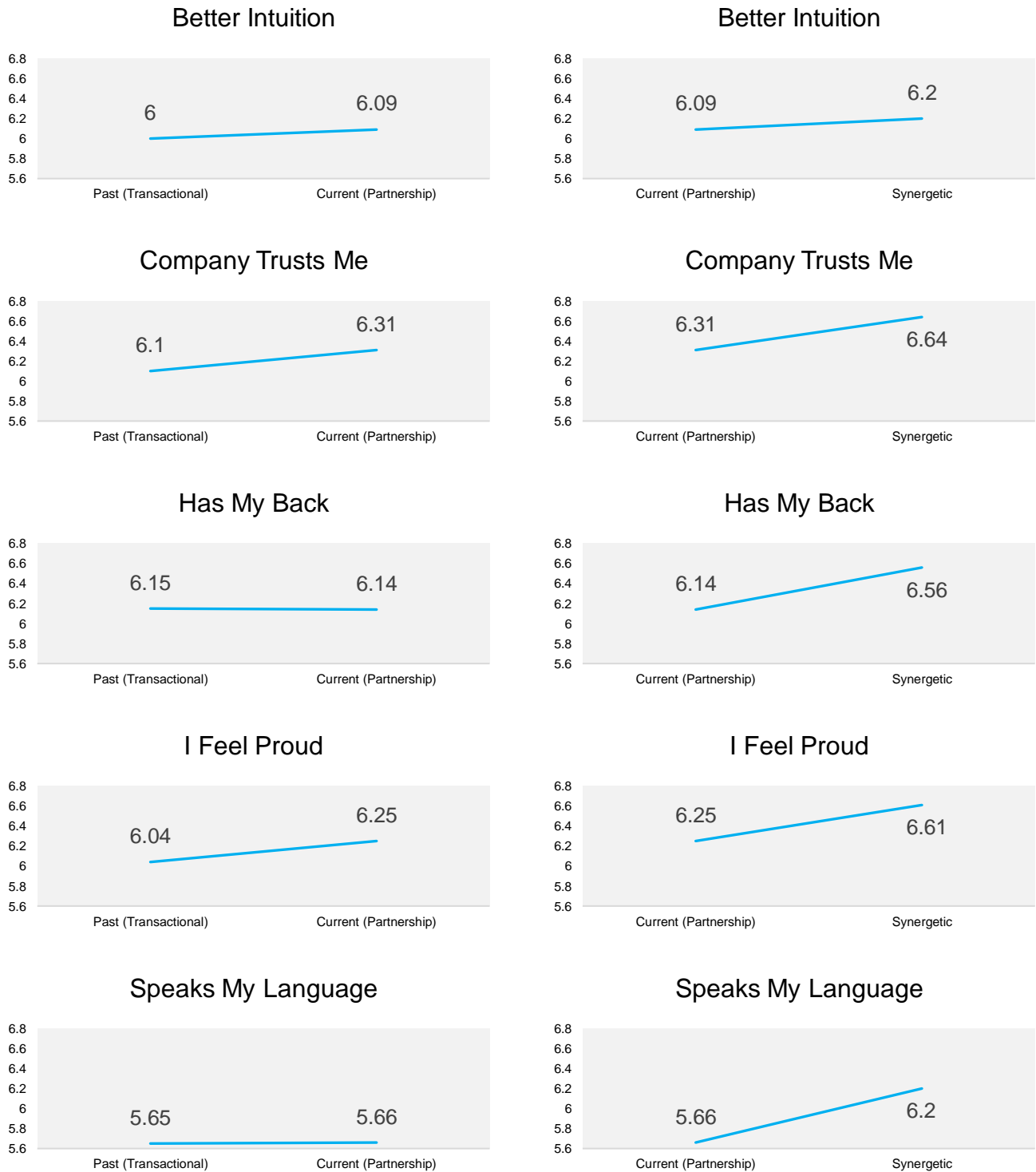


Figure 2: Example of real Company X, from its past segment of Transactional to current Partnership and aspirational Synergetic. The coordinates of its CXC score are shown on the y-axis of the different graphs. Only five dimensions are shown here for the sake of simplicity (those are, however, the five dimensions from the Typing Tool and explain 95% of the score). Company X starts as a Transactional company. The coordinates for partnership and synergetic represent the fastest path for Company X to achieve each level. Specifically, while a Transactional company, its customers were already rating it highly on intuition; it didn't need improve there to reach Partnership level. However, Company X needs to improve significantly on almost all other dimensions to reach Synergetic.

4 Case Example: UPS and the Power of Emotional Relevancy During COVID-19

Customers have different emotional relationships with different industries, on average. For example, airlines and logistics tend to rate at the bottom of the CXC scale, while automobile companies tend to be at the top. It is also common to observe industries or companies shifting by one notch from one year to the next. Noticeably, though, the logistics industry saw a large jump between 2019 and 2020 due to the COVID-19 pandemic. As an illustrative example, UPS crossed all the maturity segments and grew from a *Captive* company in 2019 to a *Synergistic* company in 2020 – placing UPS amongst highly emotive industries like beauty and automotive. The sudden jump of logistics is a sign of a significant inner shift in the emotional relevance of the category, but why?

Companies and categories that have previously had the most functional connection with customers became much more emotionally resonant in 2020. Simply put – during an ordinary year, deliveries mostly happen while the customer is out at work. They serve as background noise at best, an administrative burden at worst. In a world where people couldn't leave the house, though, deliveries had primacy. It is when a customer cannot physically get to the shop that they are much more aware of how that shop gets to them. In this context, customer-driver interactions became a social and emotional touchpoint.

Capitalizing on this recognition, UPS drivers forged relationships with the people they served, becoming part of their communities in authentic and emotionally tangible ways. While making deliveries, drivers took time to wave and chat with their customers, to ask about their health and welfare, and to play ball with their kids. They participated in celebrations like birthdays, even arranging birthday parades of UPS trucks for children. UPS had several successful social media mentions as a result. In return, customers have shown genuine love for their drivers, holding community-wide thank you parades, using GoFundMe to raise money for drivers in need, and organizing community events in which kids dress up as their local driver. While becoming a provider of essential services, UPS took on a new lifeline status.

5 Conclusion and Application of the Model

The process of building out a maturity model of customer-centricity was just as vital as the resulting model itself. The collaboration between WCA and C Space was incredibly fruitful, as C Space was able to further develop a much more robust version of the customer-centricity journey. This multivariate model represents a much more sophisticated and accurate tool to quantify and assign the emotional relationship customers have with a company. It lays a vital path for companies on their journey to the next level of customer emotional relationships and locates them specifically within their current level, providing context for how close they are to growing or falling to the next level.

Through further company-specific and industry-specific studies for our clients, this model will provide them with important conclusions, themes, and strategic directions as we delve deeper into their relationship with their customers as a whole, by segments, or compared to their competitors.