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# CUSTOMER ENGAGEMENT

S T R A T E G I E S

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## The Four Stages of Customer Interaction

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# CUSTOMER ENGAGEMENT

## S T R A T E G I E S

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### Table of Contents

- I. [Introduction](#)
- II. [Four Stages of Customer Interaction Overview](#)
- III. [Ask the Following Questions](#)
- IV. [The Four Stages of Customer Interaction](#)
  - a. [Initiation](#)
  - b. [Integration](#)
  - c. [Intelligence](#)
  - d. [Value Creation](#)

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# CUSTOMER ENGAGEMENT

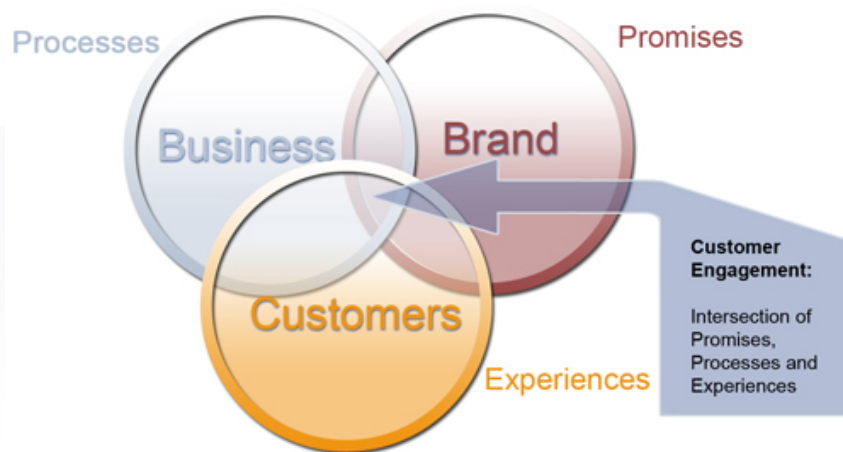
## S T R A T E G I E S

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### Introduction

**Customer Engagement Strategies** analyzes, assesses, designs and builds strategic customer experience and relationship programs and processes. Its Four Stages of Customer Interaction methodology is used to align Customer Experiences with Brand Promises through appropriate Business Processes. This results in customer interaction practices that are essential for long-lasting, profitable customer relationships.

## Customer Engagement Defined



Customer Engagement is the state of alignment of Brand Promises, Business Processes and Customer Experiences. Disconnects between Brand Promises and Customer Experiences are caused by misaligned Business Processes. These misalignments create “hot-spots” that are moments of truth when the customer experience falls short of the Brand Promise. The Four Stages of Customer Interaction help vendors develop the vision and processes to ensure their Brand Promises are realized as Customer Experiences throughout the customer life-cycle.

Each of the Four Stages of Customer Interaction defines what customers should be *feeling, thinking and doing in each stage, as well as a desired end state.* The Four Stages of Customer Interaction are:

1. Initiation
2. Integration
3. Intelligence
4. Value creation

The Four Stages result in a new model for ensuring Brand Promises, Business Processes and Customer Experiences are 100% aligned. The Four Stages also pinpoint directional change necessary to generate the customer knowledge needed to create new value for the customer and vendor alike. The roadmap also clarifies which customers warrant long-term investment and which ones do not.

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# CUSTOMER ENGAGEMENT

## S T R A T E G I E S

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### The Four Stages of Customer Interaction

In order to develop relationships with customers that result in repeat business, referrals, profitable relationships and high life-time value, the following statements must be core to customer facing activities and processes:

- Every interaction with customers (or lack of interaction) tells customers how much they are truly valued
- These interactions are moments of truth are when a customer learns if promises made to them (the brand) will be honored or not
- In order to create great experiences for customers, companies must know what they want customers to feel, think and do at every stage of the relationship
- The most unsatisfied customers can be a company's greatest resource for innovation. Customer engagement failures must be pursued aggressively to find out how to create great experiences and value WITH – not for –customers
- Business Processes must enable Brand Promises to be realized as Customer Experiences

Every action a company takes – from answering the phone at the front desk to the most complex product installation – makes a statement about how that company values customers. These moments in time are when a brand comes to life, when promises made are either kept or broken. Jan Carlzon, former President of Scandinavian Airline Services called these instances “moments of truth”. He defined them as “any time a customer comes into contact with any aspect of your business, however remote, the customer has an opportunity to form an impression.”

Moments of truth, when repeatedly resulting in positive outcomes and experiences, lead to customer loyalty. But what is customer loyalty? Is it repeat purchases by a customer? Is it a customer who gives a vendor a second chance if the vendor falls short on delivering the appropriate experience? Is it a customer who refers others to a vendor?

Loyalty is all of that and more. Customer loyalty is a state of being that is defined by behaviors and experiences on **BOTH** sides of the relationship – vendor and customer – that lead to a state of value creation for both parties. Loyalty can't be measured by repeat business alone. A customer may not have a viable alternative to a vendor currently, but the moment they do, they're gone.

Frederick F. Reichheld has found through his research that for most industries the best measure of loyalty is whether or not customers are willing to refer a company to a colleague or peer. If they are not willing to do so, they are at best passive detractors – even if they are still purchasing goods or services.

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# CUSTOMER ENGAGEMENT

## S T R A T E G I E S

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### The Four Stages of Customer Interaction

Reichheld found that customer loyalty results in higher profitability – by as much as 95% – by reducing customer defections by as little as 5% depending on the industry (“The Loyalty Effect: The Hidden Force Behind Growth, Profits and Lasting Value”, 1996, Harvard Business School Press.)

Regardless of how you define customer loyalty and how you measure it, the question really is how does a company ensure its Brand Promises are realized as Customer Experiences? The link between Brand Promises and Customer Experiences is, of course, Business Processes. The Four Stages of Customer Interaction are designed to enable companies to ensure their Business Processes create the Customer Experiences their Brand Promises promise.

The Four Stages of Customer Interaction are:

1. **Initiation** – the active management of welcoming (on boarding) a new customer and beginning the relationship (starting the work for which a company has been hired, implementing a product or service, etc.)
2. **Integration**– the active management and assessment of the product or service after the initiation stage has been completed, i.e., development/building/creating is complete and production usage has begun. The ultimate goal of the Integration stage is achieving operational excellence
3. **Intelligence** – the active management of accumulating all previous learnings from the Initiation and Integration stages, conducting additional fact-finding and research, assessing performance of the customer and the vendor, the vendor deciding what level of further relationship investment is warranted from a financial return standpoint, and developing a deep and keen understanding of the customer’s long-term strategic goals
4. **Value Creation** – the active management of developing a partnership with the customer to become an inextricable part of the customer’s performance, find opportunities to drive innovation, create new value, and gain recommendations from the customer for new business

The Four Stages of Customer Interaction help companies establish internal and external experience expectations that are easy to communicate and understand, measure, and manage, and will have a direct impact on their financial performance. The Four Stages also provide a framework for developing and implementing all customer facing processes and solutions.

The attributes and processes of each stage of customer transformation result in a specific customer experience. Each stage results in an experience designed to lead to the next stage, ultimately resulting in achieving value creation for both parties. The experience in each stage is comprised of three action states and an end state:

- **Emotional** – what the customer should be feeling
- **Intellectual** – what the customer should be thinking
- **Behavioral** – what the customer should be doing (including customer behaviors the vendor wishes to change)
- **Culminating Status** – the state of the customer at the end of a specific stage which enables the transition to the next stage

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# CUSTOMER ENGAGEMENT

## S T R A T E G I E S

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### The Four Stages of Customer Interaction

Reality, of course, is not as neat and tidy as management theory. There is much overlap between stages that will be different for each customer and likely different for different projects with the same customer.

**The process of implementing the Four Stages of Customer Interaction begins with several questions, including:**

1. Has a company clearly defined the Emotional, Intellectual and Behavioral objectives for all customer facing processes and programs?
2. What are the most important moments of truth where a company fails to live up to expectations?
3. Are Customer Experiences truly the realization of Brand Promises?
4. What processes are in place to ensure customers are having loyalty building experiences throughout the customer life cycle?
5. How easy is it for customers to provide meaningful feedback?
6. What customer needs are not being met?
7. What is the financial impact of existing customer-facing processes?

Profitable, long-term customer relationships require the development and implementation of, and adherence to, customer interactions that welcome customers into the fold in an organized, considerate way; ensure operational excellence is achieved; provide opportunities to learn about customers strategic goals; and, ultimately enable customer and vendor to achieve a state of mutual value creation.

# CUSTOMER ENGAGEMENT S T R A T E G I E S

## Stage 1 - Initiation

Initiation is the active management of welcoming (on boarding) a new customer and beginning the relationship, i.e., starting the work for which a company has been hired or delivering the product that has been purchased.

Attributes	Customer Experience
<ul style="list-style-type: none"><li>• Welcoming information and materials provided and explained to customer</li><li>• Robust project processes and communications protocols established</li><li>• Delivering the right information to the right people at the right time</li></ul>	<ul style="list-style-type: none"><li>• Emotional:<ul style="list-style-type: none"><li>○ Satisfied with vendor selection</li><li>○ Confident about the likelihood of success</li><li>○ Anxiety-free start-up with no sense of being overwhelmed</li></ul></li><li>• Intellectual:<ul style="list-style-type: none"><li>○ Understand process and timeline</li><li>○ Focused on how to maximize success</li></ul></li><li>• Behavioral:<ul style="list-style-type: none"><li>○ Actively engaged with vendor and participating in process</li><li>○ Communicating clearly about issues</li><li>○ Customer is meeting deadlines and managing their end of project successfully</li></ul></li><li>• Culminating Status:<ul style="list-style-type: none"><li>○ Preliminary project phase done</li><li>○ All signs are go for operational deployment or release or announcement, etc.</li><li>○ Client and vendor implementation teams working well together</li><li>○ No surprises</li></ul></li></ul>

# CUSTOMER ENGAGEMENT S T R A T E G I E S

## Stage 2 – Integration

Integration is the active management and assessment of the product/service after the Initiation process has been completed, i.e., development/building/creation is complete and production usage has begun. The ultimate goal of the Integration stage is achieving operational excellence.

Attributes	Customer Experience
<ul style="list-style-type: none"><li>• Project is completed from implementation standpoint</li><li>• All components are operational</li><li>• Delivering the right information to the right people at the right time</li></ul>	<ul style="list-style-type: none"><li>• Emotional<ul style="list-style-type: none"><li>○ Satisfied with process and progress</li><li>○ Anxiety-free transition to operational stage</li></ul></li><li>• Intellectual<ul style="list-style-type: none"><li>○ Educated and knowledgeable of all impacts of project; no surprises</li><li>○ Understand next phase and/or steps</li></ul></li><li>• Behavioral<ul style="list-style-type: none"><li>○ Customer is communicative</li><li>○ Customer continues to meet any deadlines and provide appropriate performance updates</li><li>○ Customer understands and follows proper support channels</li></ul></li><li>• Culminating Status<ul style="list-style-type: none"><li>○ Project results are acceptable to customer (at a minimum)</li><li>○ Customer receiving benefits of project being operational</li><li>○ Customer's customers receiving benefits of project (if applicable)</li><li>○ No surprises</li><li>○ Willing to consider and/or offer referrals</li></ul></li></ul>

# CUSTOMER ENGAGEMENT

## S T R A T E G I E S

### Stage 3 – Intelligence

Intelligence is the active management of accumulating all previous learnings from the Initiation and Integration stages, conducting additional fact-finding and research, assessing performance of the customer and the vendor, and developing a deep and keen understanding of the customer's long-term strategic goals. The ultimate goal of the Intelligence stage is knowledge creation.

Attributes	Customer Experience
<ul style="list-style-type: none"><li>• Customer and vendor are sharing information in an effort to glean as much information about operational excellence experience as possible including how customer's customers are being impacted by experience</li><li>• Vendor learning customer's strategic goals</li><li>• Vendor learning what needs are not being met for customer (i.e., new opportunities to provide solutions)</li><li>• Delivering the right information to the right people at the right time</li></ul>	<ul style="list-style-type: none"><li>• Emotional<ul style="list-style-type: none"><li>○ Satisfied</li><li>○ Trusting</li><li>○ Willing to share more and more information</li></ul></li><li>• Intellectual<ul style="list-style-type: none"><li>○ Considering other ways vendor can help</li><li>○ Analyzing learnings to understand opportunities for innovation</li></ul></li><li>• Behavioral<ul style="list-style-type: none"><li>○ Sharing information</li><li>○ Considering and/or referring vendor to colleagues and peers</li></ul></li><li>• Culminating Status<ul style="list-style-type: none"><li>○ Have gathered information necessary to consider value creation through innovation and/or considering other products or services form vendor</li></ul></li></ul>

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# CUSTOMER ENGAGEMENT

## S T R A T E G I E S

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### Stage 4 – Value Creation

Value Creation is the active management of developing a partnership with the customer to become an inextricable part of the customer's performance, find opportunities to drive innovation, create new value, and gain recommendations from the customer for new business. [Note that some customers will be perfectly happy and loyal without driving innovation and creating new value. Those customers should still be sources of referrals.]

Attributes	Customer Experience
<ul style="list-style-type: none"><li>• Applying learning to drive innovation</li><li>• Creating new products, services, relationships, revenue, cost savings</li><li>• Creating new or optimize standard operating procedures and communication channels</li><li>• Delivering the right information to the right people at the right time</li></ul>	<ul style="list-style-type: none"><li>• Emotional<ul style="list-style-type: none"><li>○ Fully trusting</li></ul></li><li>• Intellectual<ul style="list-style-type: none"><li>○ Actively focused on innovation</li></ul></li><li>• Behavioral<ul style="list-style-type: none"><li>○ Partnering for innovation</li><li>○ Staff are working in conjunction with vendor on innovation projects</li></ul></li><li>• Culminating Status<ul style="list-style-type: none"><li>○ New processes, services, products developed with vendor</li><li>○ Clear intellectual property understanding</li><li>○ Actively referring colleagues and peers to vendor</li></ul></li></ul>

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# CUSTOMER ENGAGEMENT

## S T R A T E G I E S

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### Solutions

Customer Engagement Strategies offers the following program solutions. In addition, custom projects are developed to suit specific needs not met by these solutions.

1. **Customer Hot Spot Audits** - Audits identify "hot spots" in customer experience, i. e., relationship areas where a problematic gap exists between brand promise and customer experience. Results are achieved through in-depth interviews, surveys, focus groups and face-to-face meetings with customers, both current and lapsed. Audits involve the assessment and modification of existing or develop new customer-facing Business Processes to ensure those processes support Brand Promises being realized as Customer Experiences. Projects range from specific "hot spot" remediation to full-scale Customer Engagement Strategy development and deployment
2. **C-Suite Engagement Programs** – Custom developed educational programs are used to attract customer CEOs, CIOs, and other CxOs. By stimulating the emotional and intellectual and creating unique experiences in the appropriate venues, vendors are able to build relationships at the highest possible levels inside customer organizations. C-Suite Engagement Programs can also be used to invite prospective customers to demonstrate the value of building a relationship with a particular vendor.
3. **Customer Experience Audits** – Audits identify "hot spots" in customer experience, i. e., relationship areas where a problematic gap exists between brand promise and customer experience. Results are achieved through in-depth interviews, surveys, focus groups and face-to-face meetings with customers, both current and lapsed.
4. **Strategic Customer Advisory Boards** – Vendors must have clear and powerful communications channels designed to solicit, elicit, and take action on customer feedback. A Customer Advisory Board enables the most strategic customers to share insights and recommendations with each other and with the senior management from the vendor organization.
5. **Customer Referral Programs** – The true test of loyalty is whether or not customers are willing to refer a vendor to peers, colleagues, and friends. Developing a formal customer referral channel will make it easy and worth while for customers to make referrals, allow vendors to gain the benefit of referrals, and will also serve as a clear measure of true customer loyalty.
6. **Leadership Summits** – Custom developed educational programs designed to develop and enhance leadership skills and breadth of knowledge of new and existing leaders. Audience types may include employees, customers, community leaders, and other company stakeholders. Business practitioners, academics, consultants, national and international government leaders and other world-class thought leaders are recruited to present content
7. **Green Business Driver Summits** – Custom developed educational programs designed to explore climate change and its impact as a business driver. New market opportunities, new ways to serve customers, new ways to produce existing products, and new ways to provide existing services may all be explored. Audience types may include employees, customers and other company stakeholders. World-class climate change thought leaders are recruited to present content.

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### Contact Customer Engagement Strategies

To learn more about The Four Stages of Customer Interaction and Customer Engagement Strategies, Inc., please visit <http://www.customerengagement.com/>, email [info@customerengagement.com](mailto:info@customerengagement.com) or call 781-559-8202.