



CX

as a Source of Competitive Advantage

By Luca Griseri

There is a notable absentee in the debate around how organisations can create and sustain competitive advantage: the topic is widely discussed (as one would expect given its importance) but it is often analysed in terms of marketing, branding, advertising or innovation (NPD) and very little in terms of how managing customers' experience and expectations can deliver¹ sustainable advantage.

CX WAS NOT INVITED TO THE PARTY

Broadly speaking, and to grossly simplify what is a nuanced debate, there are two views on competitive advantage. Traditionally (think Michael Porter or the Resource Based View approach), **competitive advantage was conceived of as long-lasting: in order to attain a long-lasting advantage, organisations would focus on their internal capabilities and resources; they would chase cost-leadership; innovate their products, or adopt a focused position.**

A more recent approach considers the idea of seeking long-lasting advantage out of tune with today's reality, where technological disruption provides opportunities for competitors and new entrants to attack the incumbents. In this context, instead of a long-lasting advantage, organisations should aim to acquire *transient advantages* (note the plural), which individually are short-lived but cumulatively still enable the overall organisation to prosper.

A PARTIAL PICTURE

Irrespective of which of these two options one sides on (personally, I think that there are merits in both), what is striking is that CX is largely absent from both positions.

If the traditional view, for example, focused mostly on cost-strategy, positioning or NPD (and viewed resources from an internal point of view and not in terms of how customers experience them), the most recent debate the analysis focuses mostly on positioning, advertising and branding.

I think this is a serious miss on many levels because by concentrating the discussion on NPD, branding and advertising and neglecting CX, we achieve a partial view of how consumers engage with organisations – and therefore of how organisations should build competitive advantage.

Crucially, neglecting CX ignores what has become more and more apparent: **in an era where consumers are exposed to so many messages, when brands do not fully control communication anymore and sharing experiences on social media is so easy, one of the last ways to differentiate is by meeting service and product expectations.**

¹ For an example, see the debate in the latest issue of the Harvard Business Review (Jan- Feb 2017).

CX IN A WORLD OF TRANSIENT ADVANTAGES

Of course, simply recognising the need to include CX in the discourse will remedy some of the shortfall of the traditional view of competitive advantage, which was internally-focused.

However, integrating CX in the context of transient advantages requires more nuanced considerations. A fundamental objection could be that, if managers need to keep their organisations agile enough to seize the next source of advantage, it does not make sense to invest time and resources on CX-delivery tools, as these normally take time to be deployed and embedded.

While the rationale of such thinking might seem tempting, at closer analysis these are not valid objections and are not obstacles to using CX to obtain competitive advantages.

In a context of transient advantages, resource allocation is more important than ever. So, organisations should focus on delivering the levels of service that meet customers' expectations and ensure the optimal trade off of resources and customer satisfaction, without tying excessive resources and preventing organisations from exploiting new sources of advantage. In line with this, CX measurement tools should allow to identify the optimal service delivery levels. At Ipsos, we define this as helping organisations optimise, rather than maximise, the customer experience: in other words, finding the delivery inflection points which meet expectations without requiring too many resources or time to implement.

More tactically, faster and more modular measurement tools need to be adopted so that customer feedback is delivered faster to stakeholders – again, an essential requirement in a context of a fast-moving competitive landscape. Tools such as Enterprise Feedback Management (EFM) are particularly useful.

Finally, CX programmes should be centred around long-lasting customer experience drivers: those factors which, because they meet essential consumers' needs, are likely to remain unchanged even when the sources of competitive advantage evolve. For example, at Ipsos Singapore we have started weaving Behavioural Science thinking into our CX programmes to help clients quantify the fundamentals of experience and service delivery. I call these fundamental dimensions (such as fairness, status, drive) 'CX codes' and we have developed ways to measure them consistently.

REMARKS

Ultimately, the reason why we still have such partial views of competitive advantage is that we often think inside-out: we see creating advantage through products/technology (NPD) or the message that we want to communicate (branding and advertising), rather than the journey that our customers go through or the benefits they seek.

Only too often we create artificial boundaries between experience and perceptions, rather than help organisation see how the two influence each other. **And yet, in the ever-more complex reality of today's competitive landscape, advantage (whether long-term or transient) cannot be achieved through CX, brand, advertising or NPD on their own.** Instead, it requires holistic and joined-up thinking, which understand and quantifies the impact and opportunities that these different elements offer and identify how they can be integrated in a holistic discourse.

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