# Activating customer experience for competitive advantage in the manufacturing industry

**EY industry perspective**

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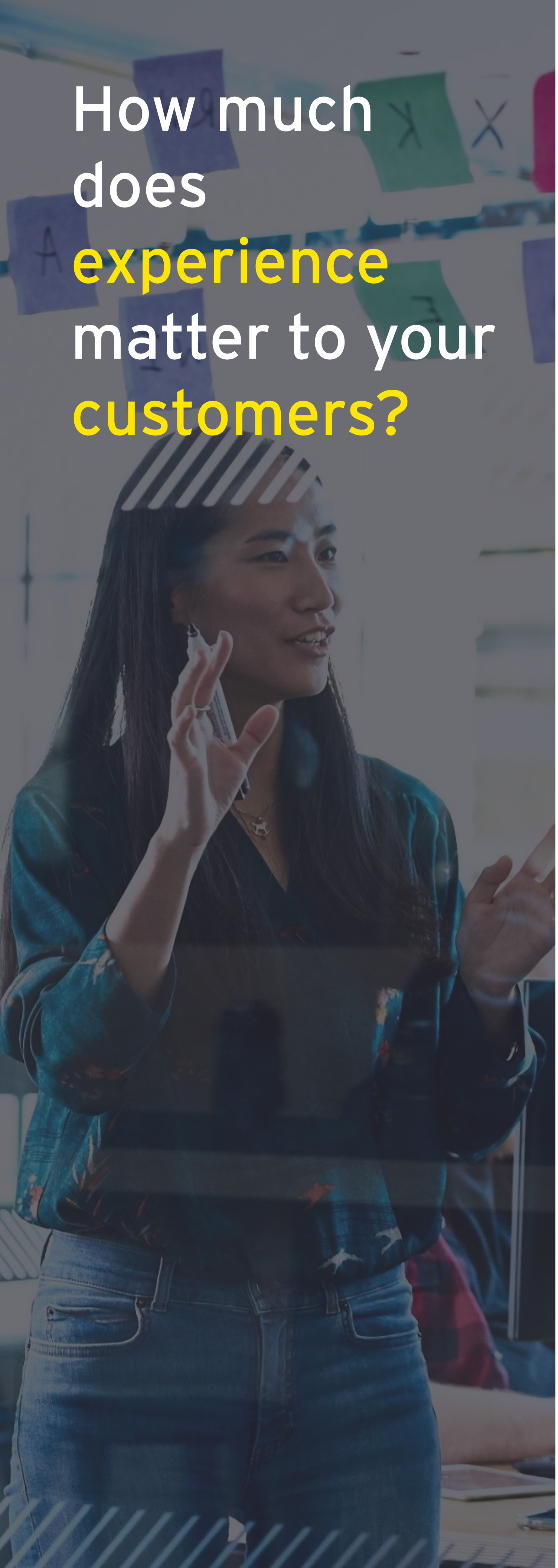
Building a better working world




## Our market perspective

Customer experience (CX) design in business-to-consumer (B2C) markets is a mature concept, but in business-to-business markets, it is still an emerging discipline. Advanced manufacturing buyers' expectations have been dramatically raised by their experience as consumers, and this has created an imperative for all companies to raise their CX game. For market leaders, this creates an opportunity to achieve competitive advantage.

CX practitioners often talk about improved experience being a valuable end in itself, but it is often difficult – especially in advanced manufacturing – to justify a significant investment without a reasonable expectation that it will change customers' buying behavior.

Because of complications in advanced manufacturing markets, such as longer sales lead times, different buyers vs. users and product commoditization, demonstrating the relationship between an improved customer experience and a positive change in behavior can be challenging. As such, the way that we think about the value of customers' time, and the impact of their loyalty needs to evolve. Even the question of who the customer is needs to be further refined.

1. We must think of time differently
2. We must think of loyalty differently
3. We must think of "the customer" differently

# First, we must think of customers' time differently

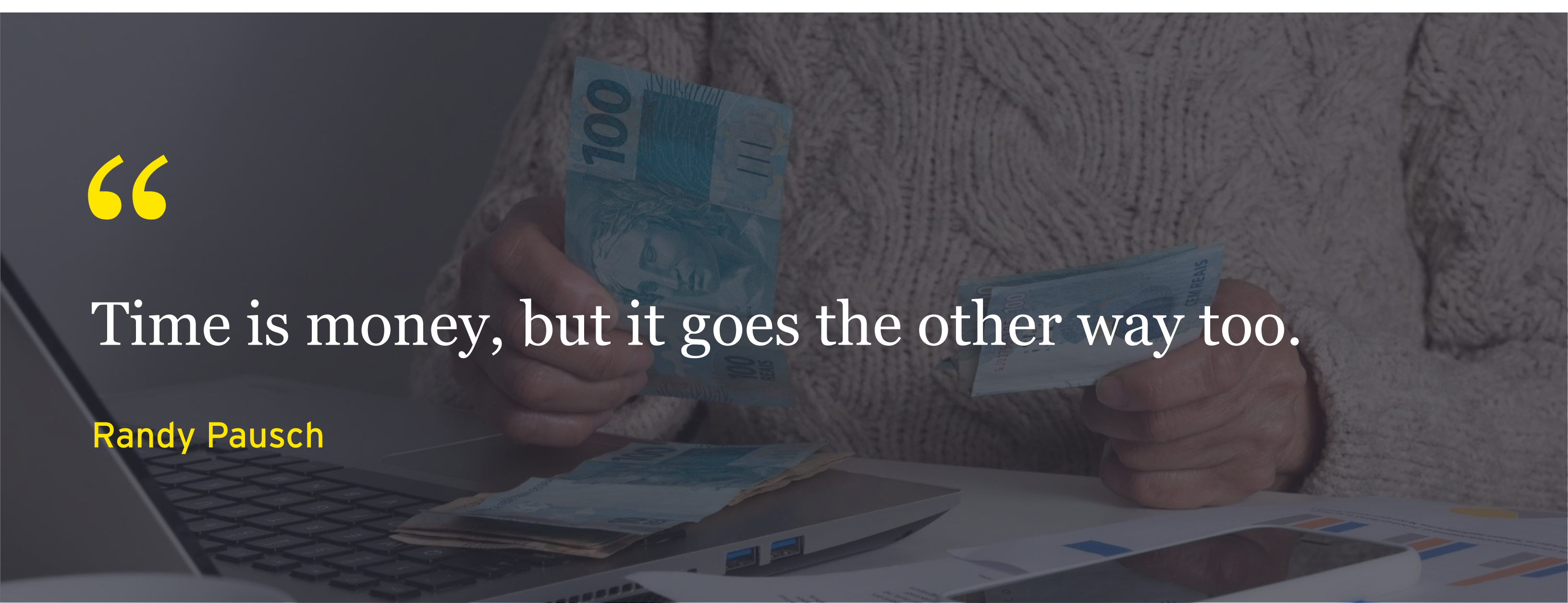
For B2C customers in developed markets, the value of an hour of time as compared to the total transaction cost is relatively small in most cases. Most routine transactions cost no more than the equivalent of a few hours of their labor, and even fairly large transactions usually cost no more than a few week's wages.

For these consumers, the time-value of going to the store — getting ready, finding wallet and keys, fighting traffic, finding parking, locating an item, checking out, paying, then getting back home — can easily exceed the cost of the transaction, especially if only buying one or two small items. It's no wonder that ecommerce has flourished, as an easy order and payment could easily cut half or more off the total cost (price + time) of the transaction. The trade-off in time and delayed satisfaction (days for delivery vs. minutes for retail purchase) is seen as a very fair compromise. For a consumer, a delivery delayed by a day has negligible impact, as the next best option in the case of an imminent need is to just run to the store and buy the product.

In contrast, in advanced manufacturing, a single order can be valued at over one year's average full-time equivalent cost. For these buyers, the time-value of entering an order is relatively minimal (although this can certainly be a hassle-filled experience). However, the time-value of the wait for delivery is compounded exponentially across the sum of all the people and physical assets that may be idled, slowed or deployed sub-optimally as a result of slow delivery or delays. For these businesses, a delivery delayed by a day can be catastrophic for their operations. Similarly, response times to inquiries or time to resolve issues is also of critical importance.

On the other hand, over-servicing customers who do not have strict time constraints will simply cause unnecessary cost for your company. For customers who maintain safety stock, just-in-time delivery may not be value-adding, and delivery times only need to be predictable at a monthly level. In these cases, timeliness may be of less value than surety of supply.

For these reasons, as CX practitioners in advanced manufacturing, the way that we consider and value our customers' time must be more carefully considered than in B2C markets.



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Time is money, but it goes the other way too.

Randy Pausch

# Second, we must think of customer loyalty differently

Loyalty is a largely psychological construct to artificially narrow the perception of the acceptability of the next-best option. For most individuals, the functional differences between smartphone platforms, grocery stores, clothing brands and cars is negligible. However, in all these examples, B2C customers often show strong preferences, much of which can be attributed to branding and the perception these choices project to others.

Advanced manufacturing customers are less prone to these types of psychological influences in their buying decisions, although individuals within those organizations may profess otherwise. A customer with a long-standing relationship with a supplier is unlikely to accept a higher price for a product in the absence of some other differentiating factor or mitigating circumstances.

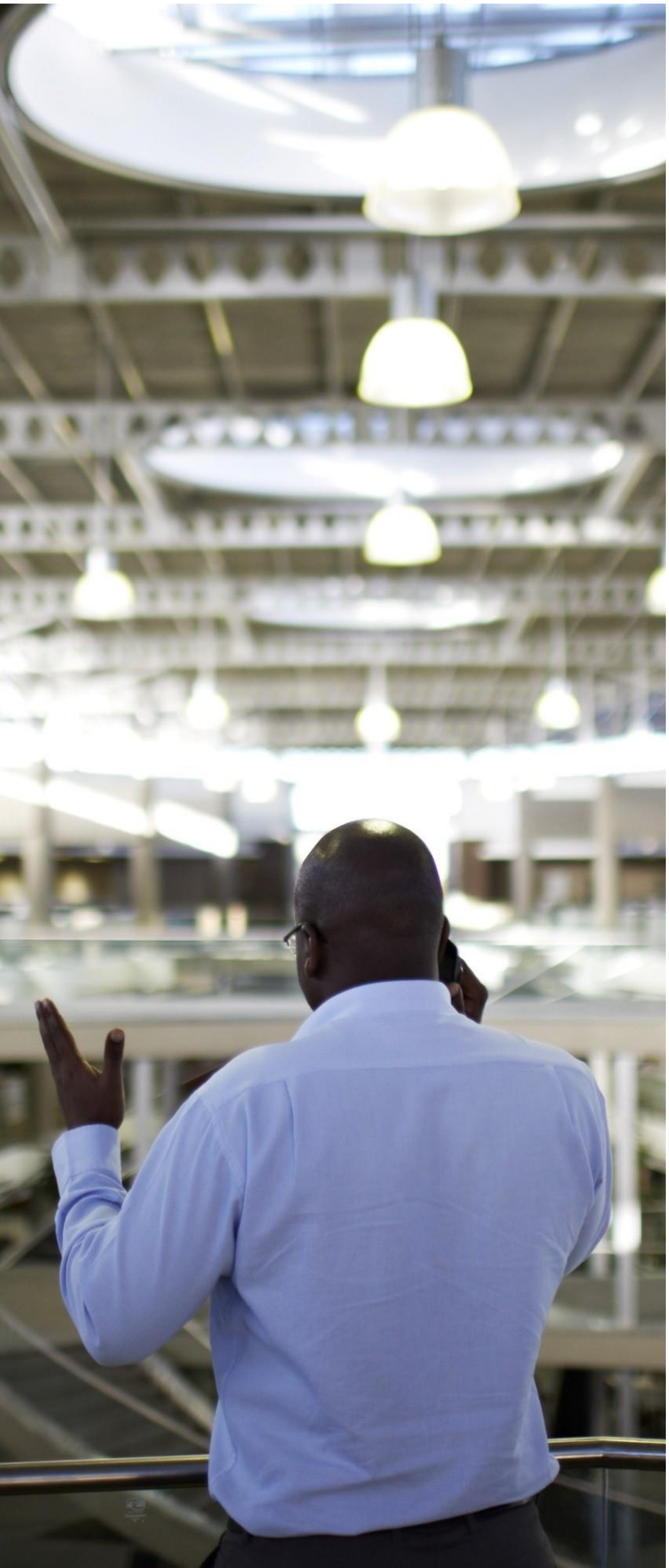
While developing loyalty may sound like an uphill climb in advanced manufacturing, businesses actually have more concrete and actionable ways to influence customer loyalty than in B2C markets.

For example, from a risk management perspective, the ability to quickly and effectively recover from problems that arise during the fulfillment cycle has concrete value. Minimizing the negative impact on your customers' business will be remembered.

Another example of this is in the ability of the supplier to lend know-how to the customer. Shifting the transaction from "I need to buy product x" to "I need to solve problem y" can allow a supplier to lock in above-market rates, even for commodity products, on the expectation that the same level of support and experience will be available at some point in the future.

The examples are myriad, but they often share a common theme — integrating more deeply into the business of the customer, being a solution-provider rather than simply a provider of materials will drive meaningful loyalty. This is essential to understand for advanced manufacturing companies to build differentiated customer experiences that can drive competitive advantage.

# Third, we must think of “the customer” differently



Despite the fact we do it constantly, speaking of “the customer” as a monolith is a dead end. Customers vary spectacularly in preference and influences, and failing to account for these can lead to the failure of even the best-intentioned CX program.

For B2C customers, segmenting and differentiating consumers is a mature concept, especially with the advent of (potentially intrusive) digital tracking capabilities. More so than ever before, a company can micro-target a combination of product, message and experience to an individual. This is especially true when the person being targeted is both decision-maker and consumer of the good.

For advanced manufacturing companies, the methods are still more art than science, but the underlying approach remains the same — the right product, the right message and the right experience can win the day. It merely requires understanding what is “right” for that particular customer.

One complicating factor is the relationship of the decision-maker to the consumer of the product. It’s not unusual, especially in large businesses, for the consumer of the product to have minimal buying authority and, similarly, for the buyer to have minimal hands-on experience with the supplier or the product. For this reason, understanding that the “customer” is actually multiple personas requiring distinct consideration is critical to the success of a CX program.

# Closing thoughts

As customer experience expectations have been raised by the B2C world, advanced manufacturing companies need to raise their game to make sure that they remain relevant in the marketplace and competitive with their peers.

To unleash the full power of experience management, manufacturing companies need to evolve how they think about customers' time, what drives loyalty and how to interact with different individuals across customer organizations.

The ability to incorporate this line of thinking with modern advances in data science and communications technology will drive opportunities for advanced manufacturing companies to generate customer experiences that create a lasting competitive advantage.

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