



## **Leading in Extreme Circumstances**

Managing today, preparing for the “new normal” afterward



This document is a companion to the video brief and podcast located at <http://ocxcognition.com/leading-a-cx-program-in-extreme-circumstances/>

# Agenda

01

Setup

02

A framework to guide thinking

03

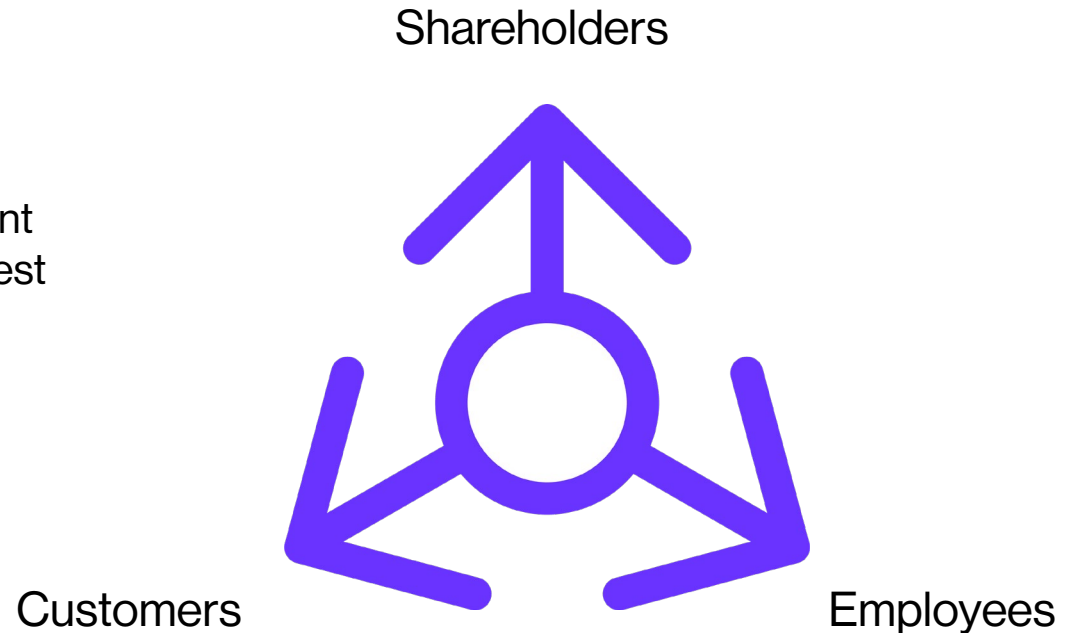
Three phases to consider





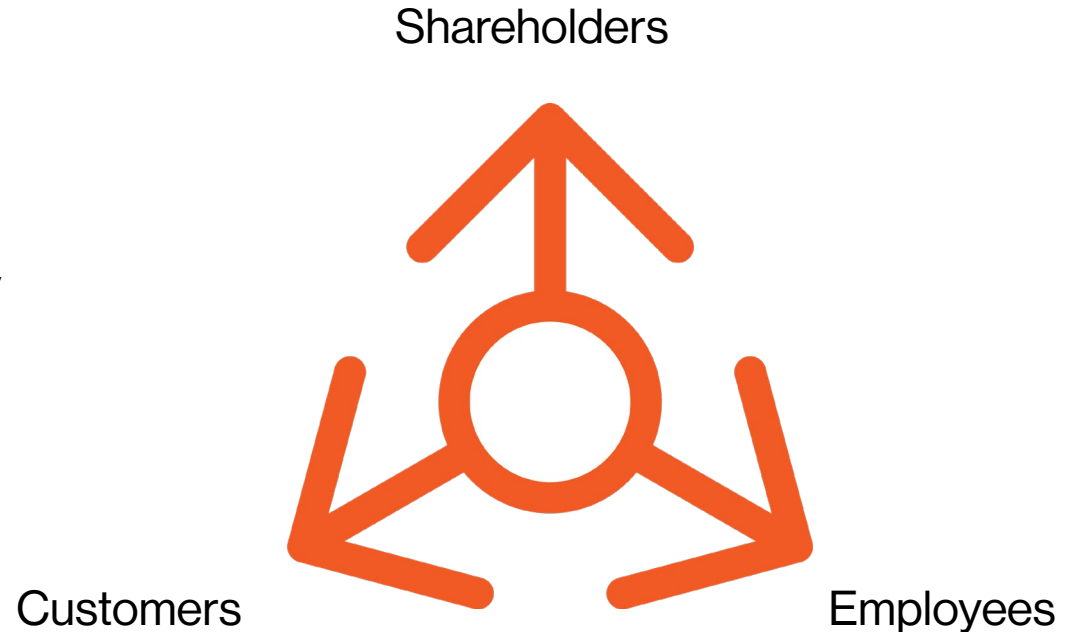
# High performing companies achieve alignment

- All three groups have a common interest
- Measurement informs the degree of alignment and performance against that common interest
- High alignment performers achieve breakthrough financials



# During periods of volatility, alignment is under stress

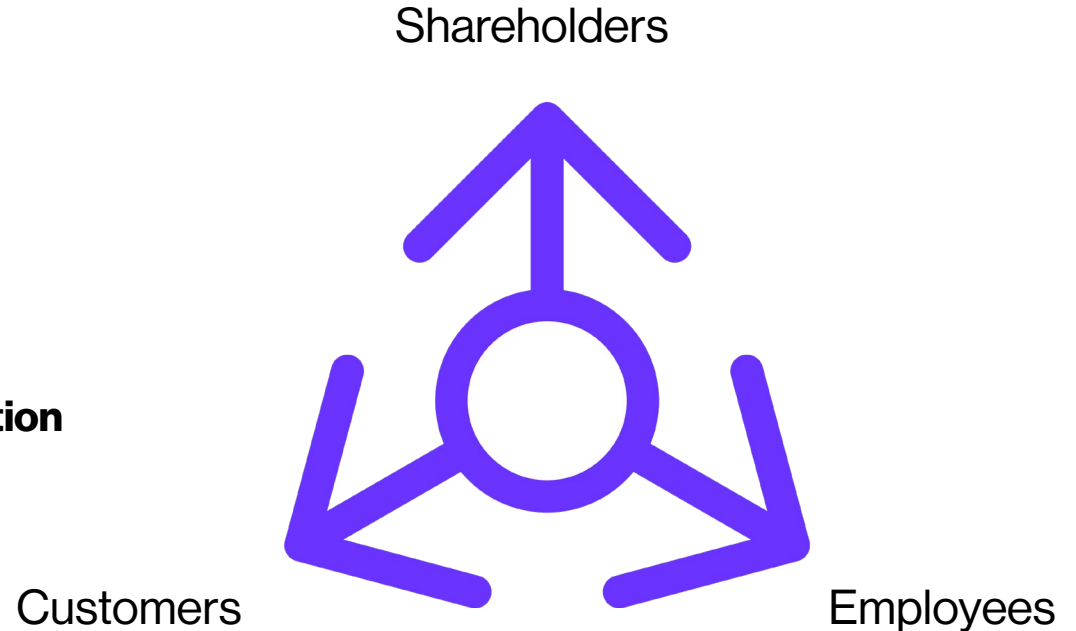
- Shareholder performance is damaged
- Employees suffer losses, income and jobs
- Customers lose alignment with the company



# Companies seek a new equilibrium

- Anticipate what that will look like
- Set new expectations
- Rapidly execute transition to future state

**This is the foundation of CX strategy: transition to a future stable and profitable balance**



Economic/social crisis response can be organized through three phases



PHASE I

PHASE II

PHASE III

# Mitigate the impact of extreme volatility

Recognize that different rules apply in this period and short-term execution won't reflect long term goals. The first priority is survival/damage limitation, second priority is to build the next phase strategy.

PHASE I

PHASE II

PHASE III



## Iterate strategy into the “new normal”

Implement the CX strategy for the “new normal” through iteration, data analysis and adjustment until the new optimal state is (reasonably) achieved.

PHASE I

PHASE II

PHASE III



# Long term performance can be anticipated: write a **letter from the future**

10 years from now, what will you say about your choices and the impact they had?

Thinking from a future perspective helps offset our short-term bias in times of crisis.

# There is no abrupt shift between phases

Only in hindsight do you typically see the transition points





The background of the image is a blue-toned photograph of a liquid surface, possibly water, showing concentric ripples and a central vortex. The ripples are most prominent on the left side, while the right side is dominated by a large, swirling vortex. The overall effect is one of dynamic movement and fluidity. Overlaid on this background is white text.

Phase I

Extreme Volatility



# What characterizes Phase I?

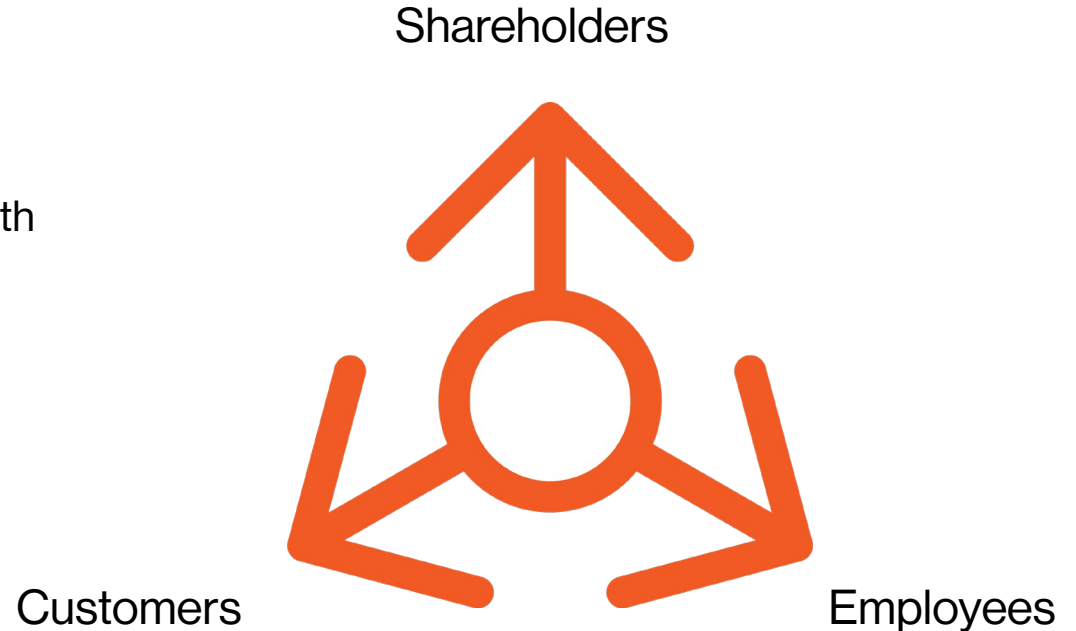
- Society is painfully aware a transition is taking place, but doesn't know the duration or end state
- Prior rules are upended; new rules are unclear
- High anxiety and instability
- Individuals and businesses time horizons compress
- Profitability drops, significantly
- Companies may rush to cut costs

**1939, 2008, 2020 are obvious examples**



# Expectations change, perhaps dramatically (usually downwards)

- Shareholders accept poor performance
- Employees focus on job security, safety, health
- Customers expectations change rapidly





Your customers are not  
who they were



# Your customers are not who they were

- It's not about you
- The context for them is fluid
- Your position in the customer hierarchy of importance changes
- B2B loses ground to B2C (I care more about myself and my family than about the business I serve)



# Your customers are not who they were

- Products and services are judged against different expectations
- The relative importance of different (journey) elements get remixed
- Moral judgements mix with economic differently
- Experiences get remembered during heightened stress periods (think peak-end)







“An experience is not effective unless it is remembered”

*Daniel Kahneman*

# Your customers are judging your behavior

危机

Chinese symbol for crisis = danger +  
opportunity

**or “war profiteer?”**

- Judgements under stress may last a long time
- Memory of an experience is not representative of the experience itself
- Speed of adjustment is an asset: If you are slow to execute and you are off the mark, customers don't assume you are just slow (Hanlon's Razor is suspended)





Customers want to hear, observe and believe: “we are all in this together”

# What happens to Net Promoter Score?

- NPS is a metric designed to capture extremes (promoters, detractors) and ignore passives
- You are measured against a completely different set of expectations, and that's the basis for NPS
- Data is incomparable with prior (and future) sets: up, down, directional change isn't indicative of useful direction
- Response rates drop. Customer feedback is their gift of time to you; they have more important things to do. Passive responses drop even more
- Customer expectations are in flux and have yet to stabilize, so NPS is fluid

**Relationship surveys aren't very useful to you for their data content. They may provide value as a signaling/communication tool – understand the difference.**



# What should you do?

- At the risk of obvious: recognize the situation has changed. Stop, consider your next moves carefully .
- Most major mistakes come from continuing if nothing has changed; the second biggest source is creating damage through fast, poor reaction
- Watch for “wheels in motion” that might send the wrong signal



# What should you do?

- Surveys are communication. In the best of time, a conversation with a customer: the customer donates their time in the interests of a relationship that has value to them. In a period of volatility, that compact is broken
- Surveys are just another part of marketing communication: you may have “better intentions” than to push sales, but can you customer tell the difference?
- Think carefully what message you need to send: change your message to fit the context in which the customer reads it



# The “employee CX DNA” has changed

- In a crisis, they are less well equipped to deal with customers
- They have their own issues, both customers and employees exist in a “triggered state”
- Putting them together without new training can be volatile
- Needs must, but now is not the time to add beyond essential interactions with the customer



# Closing the loop

- Is your team trained to be able to execute in the new context?
- Is the reality of their personal circumstances stable enough?
- Is the economic/reputational cost benefit worthwhile?

**In this phase, the answer may well be “no” - and no action is the lowest risk**



# Summary: questions to ask yourself

- How will your CX measurement be impacted?
- Should you continue to measure?
- Are customers too impacted to respond?
- Will it just create outliers?
- Should your survey/communication strategy shift to focusing on the moment we are in?





Phase II

The “new normal.”





“Only when the tide goes out do you discover who's been swimming naked”

*Warren Buffett*

# What characterizes Phase II?

- Volatility is reduced to pre-crisis levels
- The rules of the “new normal” are apparent
- Individuals and business time horizons stretch
- Growth resumes
- Profitability is low, but starts improving

**Stability and certainty have returned, albeit in a form that differs from before the crisis**



# What creates success in Phase II?

- Re-evaluation of CX strategy to win in the “new normal”
- Customer acquisition loses ground to retention and development as growth engines
- Portfolio thinking becomes sharpened (do *less* with less)
- Resources are less available: do *more* with less

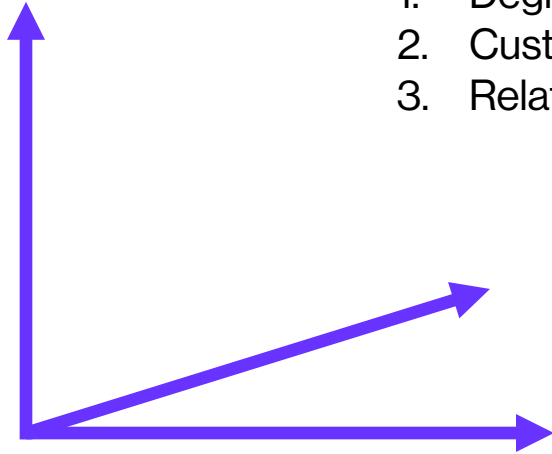


# Will low NPS companies perform worse?

Will low NPS companies suffer more? Yes, but the answer can be complicated.

Three factors typically decide outcomes:

1. Degree of competition in industry
2. Customer switching costs
3. Relative NPS in terms of industry comparable performance







“Customer loyalty is a shock absorber.”

*Neil Burkett, CEO Virgin Media*



# Questions to re-evaluate CX strategy

- What is the growth strategy now? Where is the focus?
- How has the financial equation changed for NPS?
- What are the next expectations of customers?
- How has the journey been impacted?
- How do you maximize customer LTV/equity?

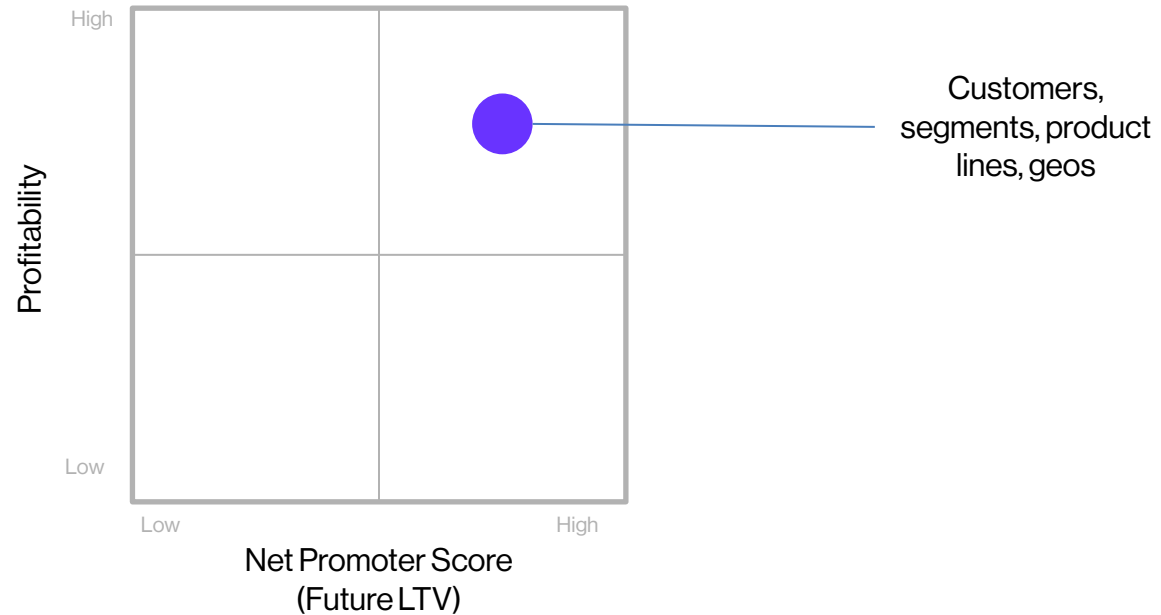


“[Customer equity is] the sum total of lifetime values for all the customers the business has today, and all the additional customers the business will ever have in the future.”

*Don Peppers*

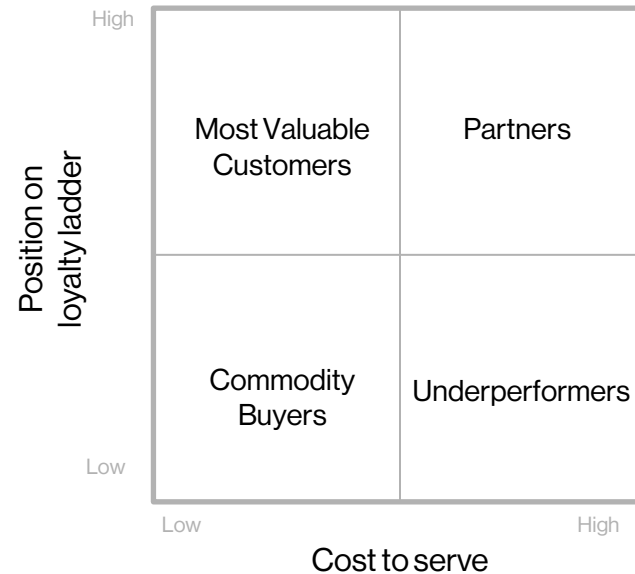


# Portfolio thinking becomes critical





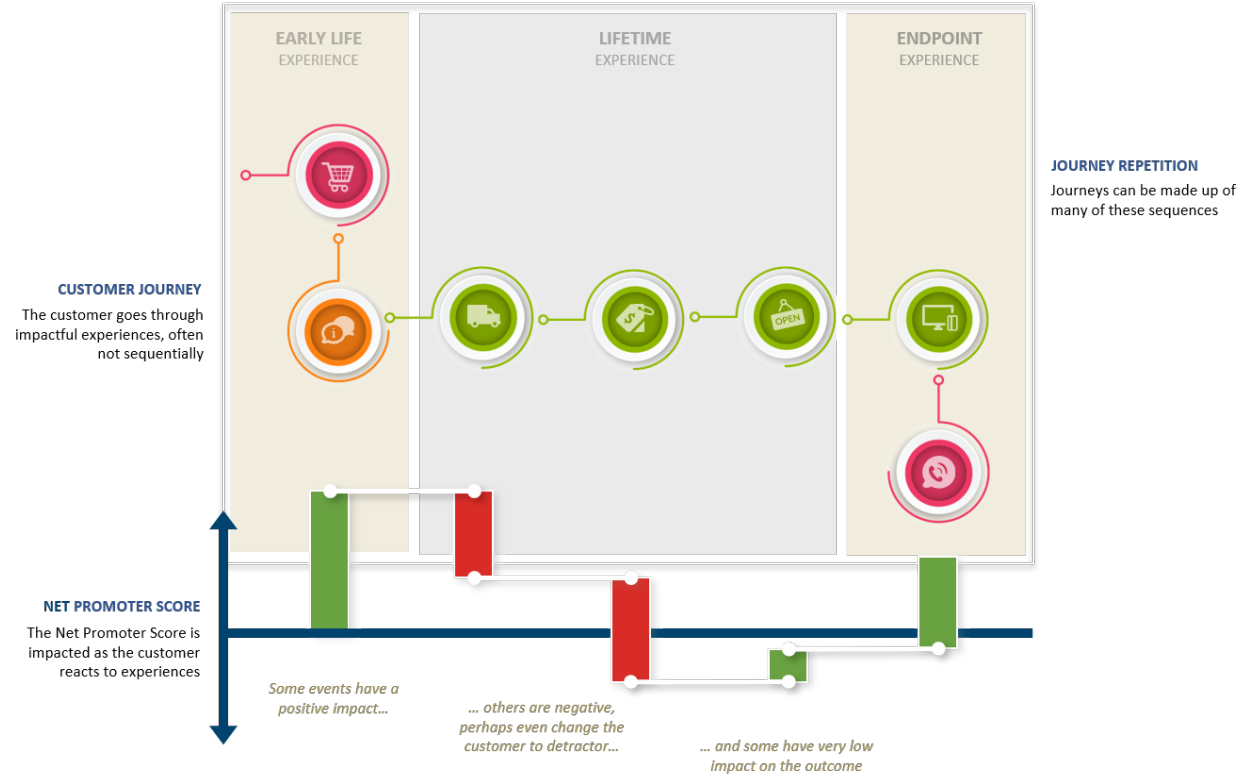
# Portfolio thinking becomes critical



Source: Building loyalty in business markets  
Das Narayandas, HBR Sept 2005

# Cost reduction can be smart

- Journey data provides impact analysis
- Linked to financial performance, this guides LTV impact
- Operational metrics and KPI models guide both cost planning and execution

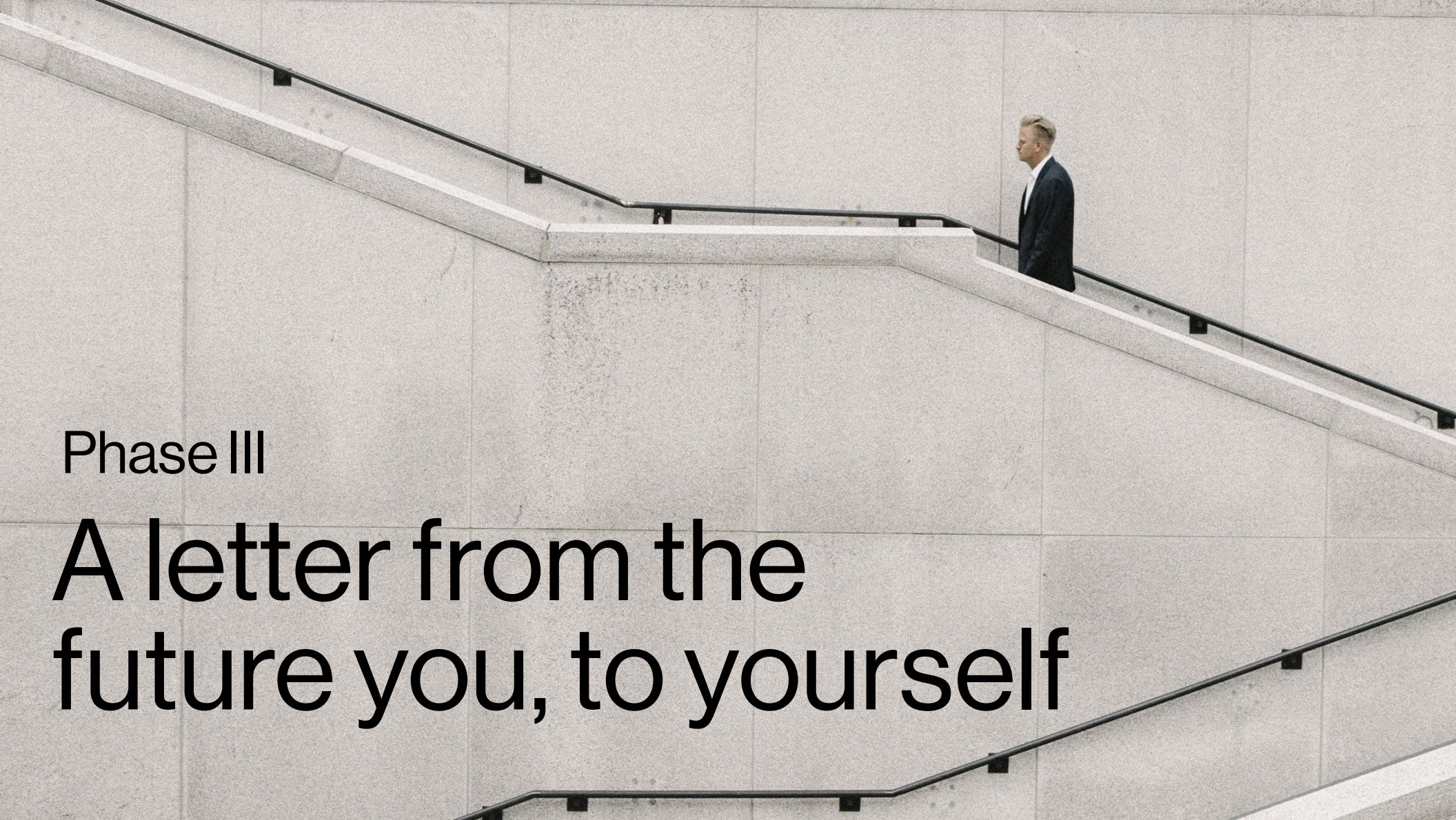


# Cost reduction can be smart

- Scaling back operations may be inevitable, perhaps even desirable, but the objective should be to minimize damage to customer LTV
- Portfolio analysis of the business can guide strategic choices
- Analysis of leverage of the journey and operational performance can identify the right operational choices







Phase III

A letter from the  
future you, to yourself



# What will you say?

- Conditions of high volatility gave way to stability and a “new normal”
- Customer experience didn’t go out of fashion
- Companies who understood their customers the best, and acted on that knowledge, outperformed others
- Smart strategic choices separated the winners: focus on the right segments and understanding how to create a differential CX in those segments



**YOUR STORY BEGINS**

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