Customer Insight-driven CX Excellence Must Be a Core Competency… During Covid, and Beyond.

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MSC Industrial
Ernan Roman, President, ERDM Corp,
Author, *"Voice of the Customer Marketing"*

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Ernan Roman

ERDM conducts specialized CX and Loyalty research to help companies understand how customers define their *human expectations* for high value, personalized customer experiences.

Ernan Roman, President, ERDM Corp., was inducted into the DMA Marketing Hall of Fame due to the results ERDM's VoC research-based CX strategies achieve for companies such as IBM, Microsoft, QVC, Gilt, Shinola, Kerry Group, and MSC Industrial.

He's been selected for numerous citations including, *"Top 15 Influencers Changing the CS Game"*, *"Top 40 Digital Luminaries"*, *"100 Most Influential People in Business Marketing"*, and 2019 Customer Experience Update *MVP Award*, in *Vision and Strategy*.

His influential blog, *Insights on Marketing Best* Practices appears in CMO.com, Forbes, CX Network, ANA, CustomerThink, CRMC and Business2Community.
He is the author of *Voice of the Customer Marketing*, *Opt-in Marketing* and *Integrated Direct Marketing.*
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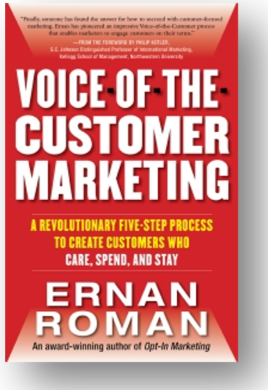
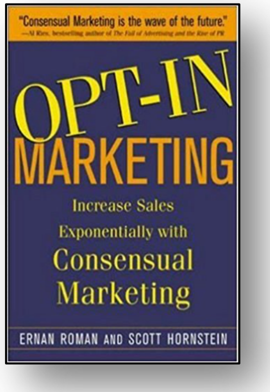
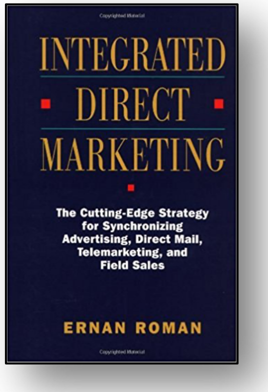

VOICE·OF·THE·CUSTOMER MARKETING
A REVOLUTIONARY FIVE-STEP PROCESS TO CREATE CUSTOMERS WHO CARE, SPEND, AND STAY
ERNAN ROMAN
An award-winning author of Opt-In Marketing


"Consensual Marketing is the wave of the future."
OPT-IN MARKETING
Increase Sales Exponentially with Consensual Marketing
ERNAN ROMAN AND SCOTT HORNSTEIN


INTEGRATED DIRECT MARKETING
The Cutting-Edge Strategy for Synchronizing Advertising, Direct Mail, Telemarketing, and Field Sales
ERNAN ROMAN

Steve Baruch

EVP, Chief Strategy and Marketing Officer
MSC Industrial

Steve has more than 20 years of experience in global supply chain strategy, B2B sales and marketing with focus on digital, web & eCommerce strategy and execution.

Executive management experience with national and international organizations.

Leader of large-scale, transformational initiatives with 3 multi-billion, multi-national companies.

Skilled at re-inventing and redefining strategies for multi-channel complex marketplaces.

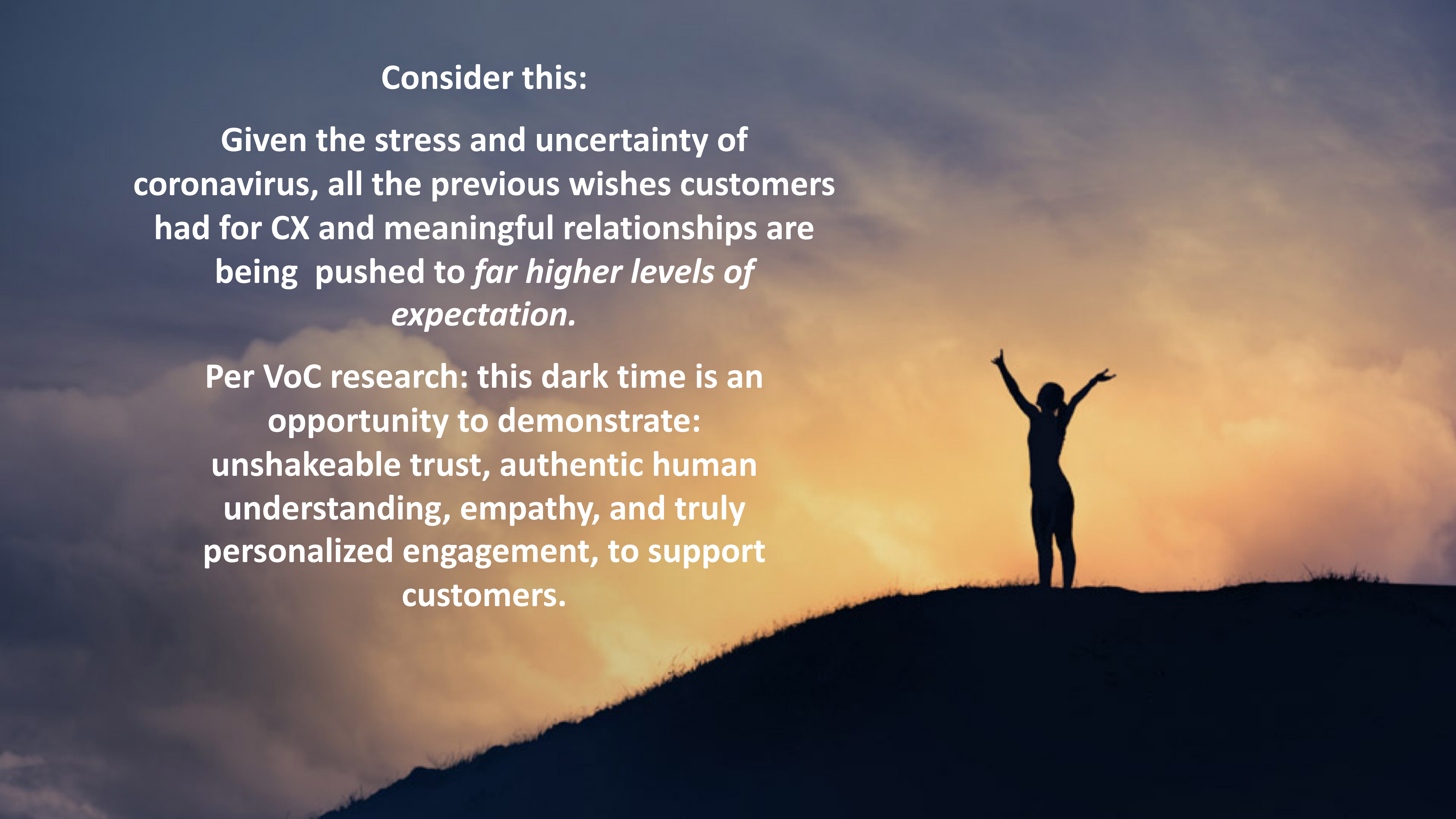
Agenda

VoC research findings:

- *4 universal truths* about optimal CX
- 7 essential points in the lifecycle where customers expect value and personalized engagement.
- How Shinola used customer insights to reinvent their customer experience and increased repeat purchase rates 25%.

MSC Industrial Case Study:

- Your customers shouldn’t have to tell you what’s keeping them up at night.
- The more the world goes digital, the more important (trusted) people become.
- Trust leads to CSAT, then to loyalty, and ultimately to higher lifetime value.



Consider this:

Given the stress and uncertainty of coronavirus, all the previous wishes customers had for CX and meaningful relationships are being pushed to *far higher levels of expectation.*

Per VoC research: this dark time is an opportunity to demonstrate: unshakeable trust, authentic human understanding, empathy, and truly personalized engagement, to support customers.

CX Findings from 20,000+ Hours of VoC In-depth Interviews:

IBM

GILT

Microsoft

QVC

KERRY

hp

Xenon arc

tyco

MSC

Disney

Norton by Symantec

10x GENOMICS

NBC

SHINOLA DETROIT

VoC Interviews uncovered *4 universal truths* about optimal CX

The trek is clear: It takes commitment, a holistic view of the customer experience, and a change in the corporate mindset.

There is a **dangerous chasm** between the CX fantasy of brands vs. the reality that people experience.

Consumers have **unprecedented expectations** when it comes to CX. When the reality fails to meet expectations, they move on to find it with another company.

In spite of privacy concerns, customers **are willing to provide deep preference data** in exchange for true *personalization and customization.*

True personalization requires a shift from Inferred data to Explicit data: *Self-profiled preference info* customers provide in Preference Centers/dialogue boxes, etc.

Essential Engagement at 7 Critical Points in the Customer Lifecycle

Initial Relationships

1. **Purchase:** Not "closing a sale", but *opening a relationship*
2. **Onboarding:** High value, high ROI

Deepening Relationships

3. ***Anticipatory responses*** **to decreasing engagement:** visits, responses, purchases
4. ***Immediate response*** **to negative experiences**
5. **Surprise & delight thank you's.** High value, high ROI

Earning Loyalty

6. ***Value-added*** **cross-selling & up-selling**
7. ***Personalized*** **repeat sales & renewals**

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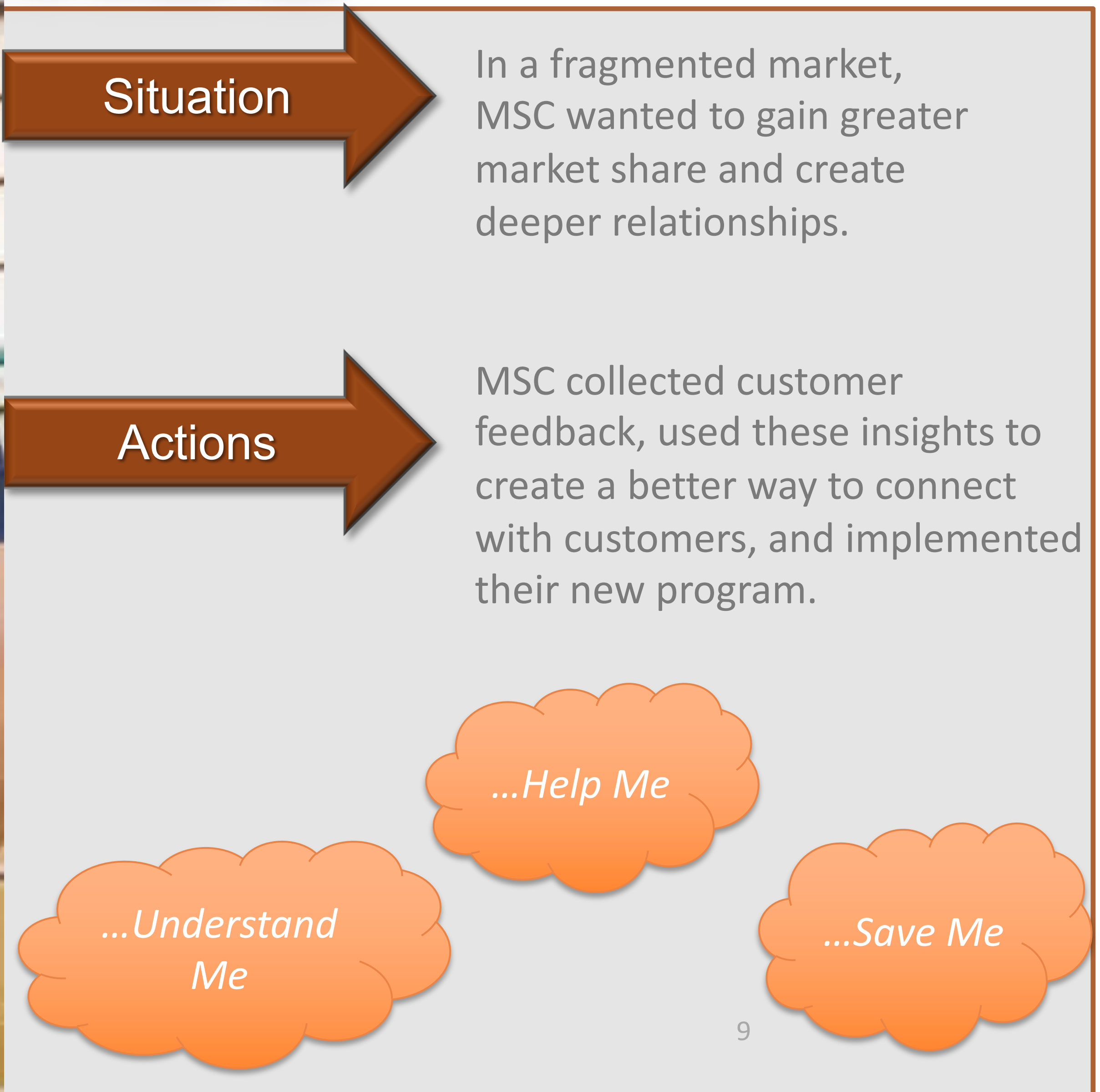
Case Study:



Situation

In a fragmented market, MSC wanted to gain greater market share and create deeper relationships.

Actions

MSC collected customer feedback, used these insights to create a better way to connect with customers, and implemented their new program.

…Help Me

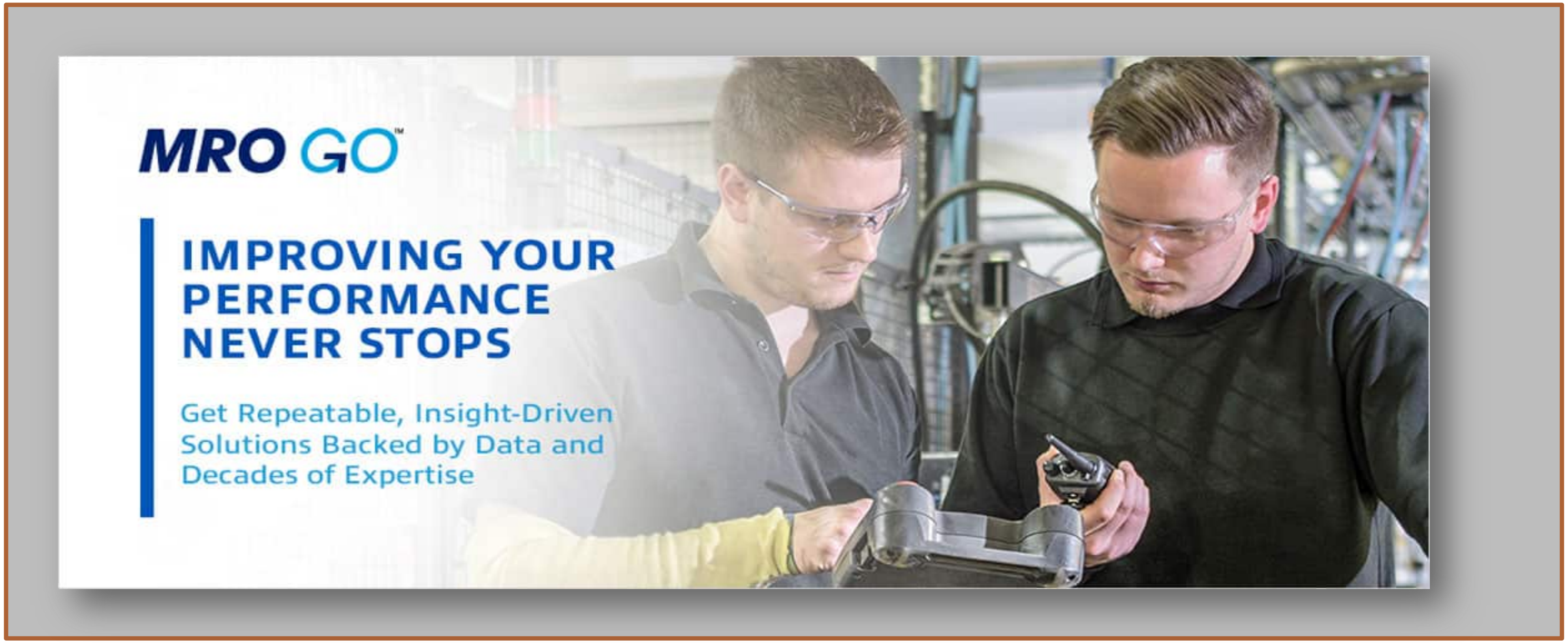
…Understand Me

…Save Me

Case Study:

MSC

Data Mining + *CRM* + *Voice of Customer* + *Net Promoter* + *CSAT* + *Focus Groups* = *360° Customer View*

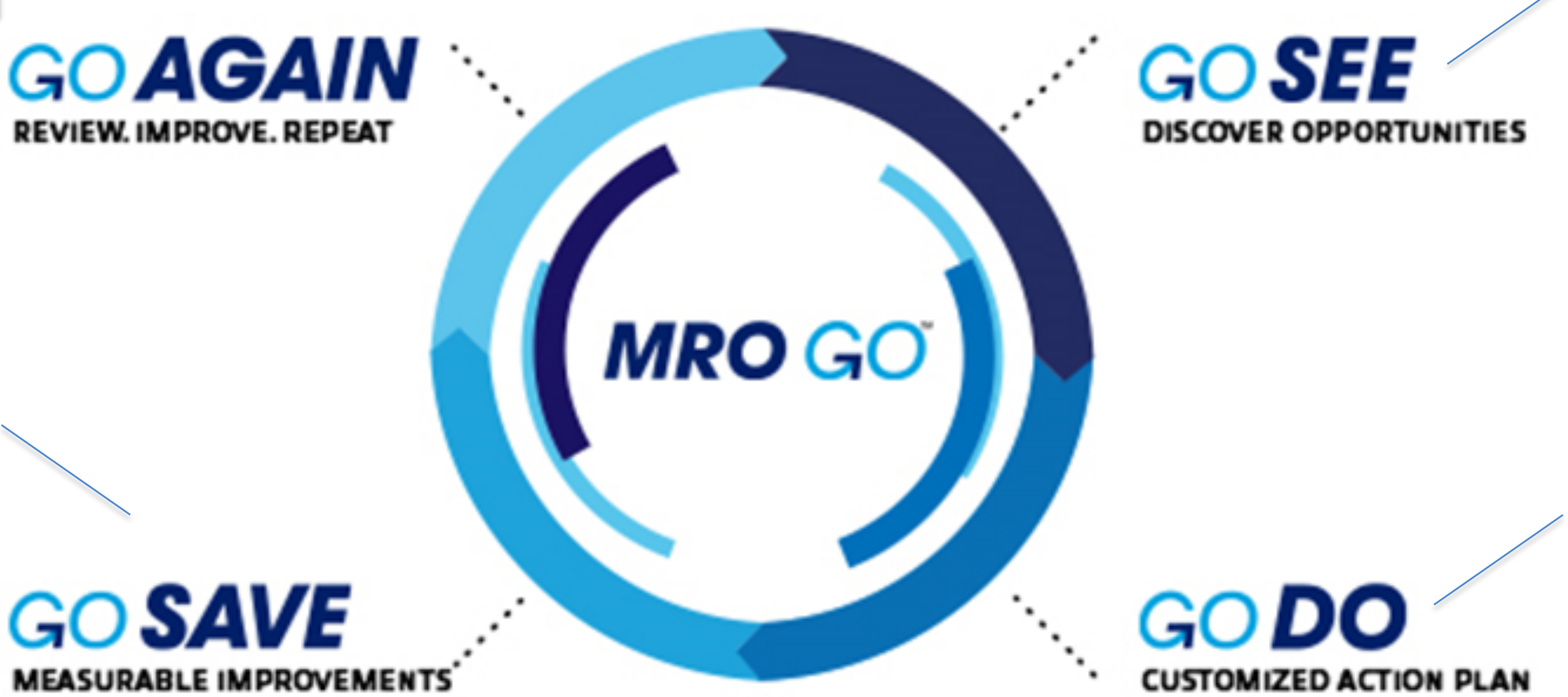


MRO GO™

IMPROVING YOUR PERFORMANCE NEVER STOPS

Get Repeatable, Insight-Driven Solutions Backed by Data and Decades of Expertise

Case Study:


GO AGAIN
REVIEW. IMPROVE. REPEAT
GO SEE
DISCOVER OPPORTUNITIES
MRO GO™
GO SAVE
MEASURABLE IMPROVEMENTS
GO DO
CUSTOMIZED ACTION PLAN

Data derived hypothesis to anticipate customer specific needs

Validation of hypothesis with detailed custom analysis

Implementation of recommendations extracted from analysis

Quantification of value achieved via newly implemented solution

Review and results and preview of next opportunity to address

Case Study:

MSC

GO SEE
DISCOVER OPPORTUNITIES

Four-Step BNA Approach*

Step 1

Discovery & Qualification

Step 2

Process Review & Data Collection

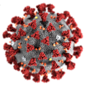
Step 3

Current & Future State Model

Step 4

Actionable Solutions

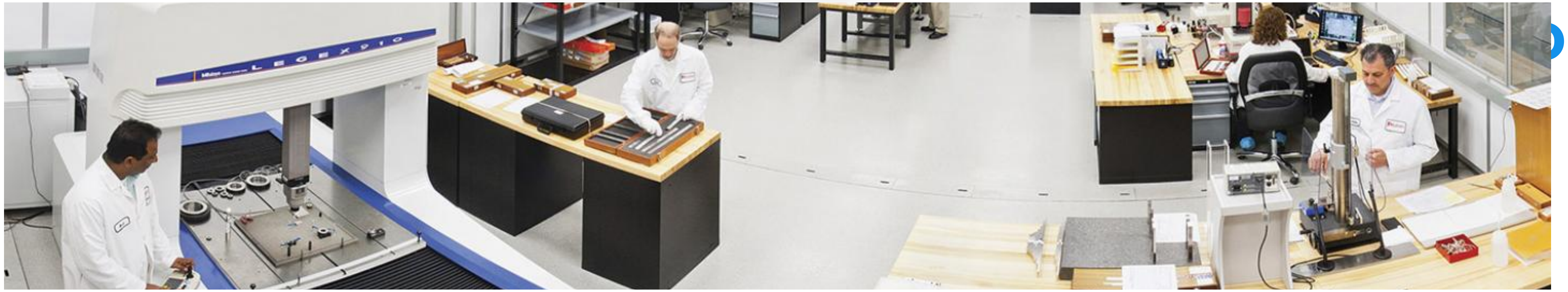
*



Now performed virtually!

Case Study:

MSC



- Too many suppliers
- Overstocked or hoarded inventory
- Lack of spend visibility
- Inadequate support and technical input from supplier
- General lack of indirect material controls
- Order process inefficiencies
- Excessive floor labor hours spent on indirect material
- Missed opportunities for automation
- Lack of proper rationing and accountability leads to overbuying

Case Study:

MSC

GO DO
CUSTOMIZED ACTION PLAN

A single point of control enhances visibility and accountability of inventory, driving cost savings and streamlining operations*.

Digitize and automate

Increase visibility, control, accuracy, and quality

MSC
BUILT
TO MAKE
YOU BETTER®

Apply Lean-Sigma and 5S techniques

* *Now performed virtually!*

Case Study: MSC

GO SAVE
MEASURABLE IMPROVEMENTS

+$400 Million

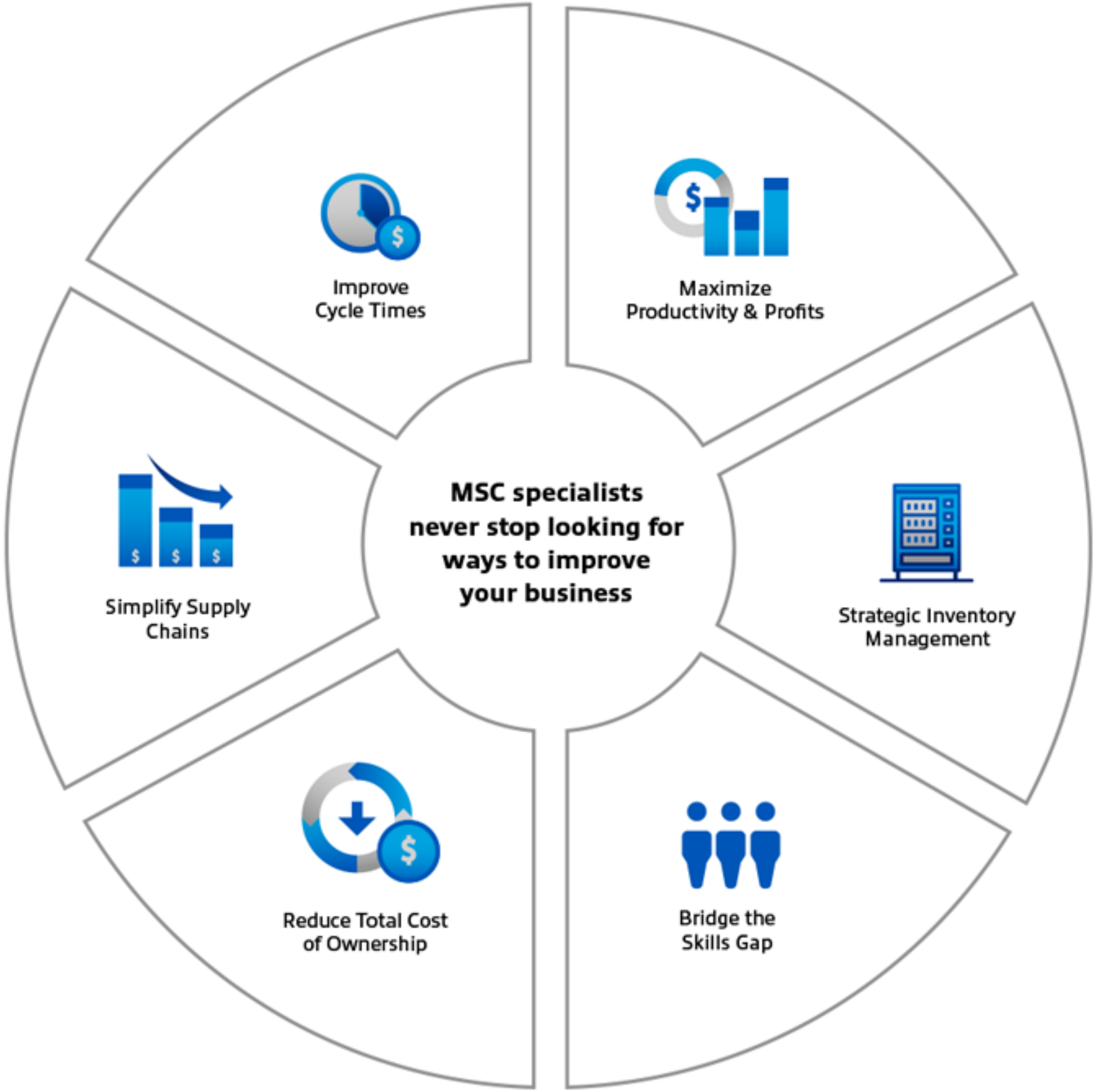
OVERALL SAVINGS SINCE 2016

+220,000 Hours

GAINED IN INCREASED MACHINE CAPACITY SINCE 2016

+$110 Million

SAVED THROUGH METALWORKING APPLICATIONS & INVENTORY MANAGEMENT SINCE 2016



MSC specialists never stop looking for ways to improve your business

Improve Cycle Times
Maximize Productivity & Profits
Strategic Inventory Management
Bridge the Skills Gap
Reduce Total Cost of Ownership
Simplify Supply Chains

Case Study:

MSC

GO AGAIN
REVIEW. IMPROVE. REPEAT

MRO GO™

Improving customers' performance never stops

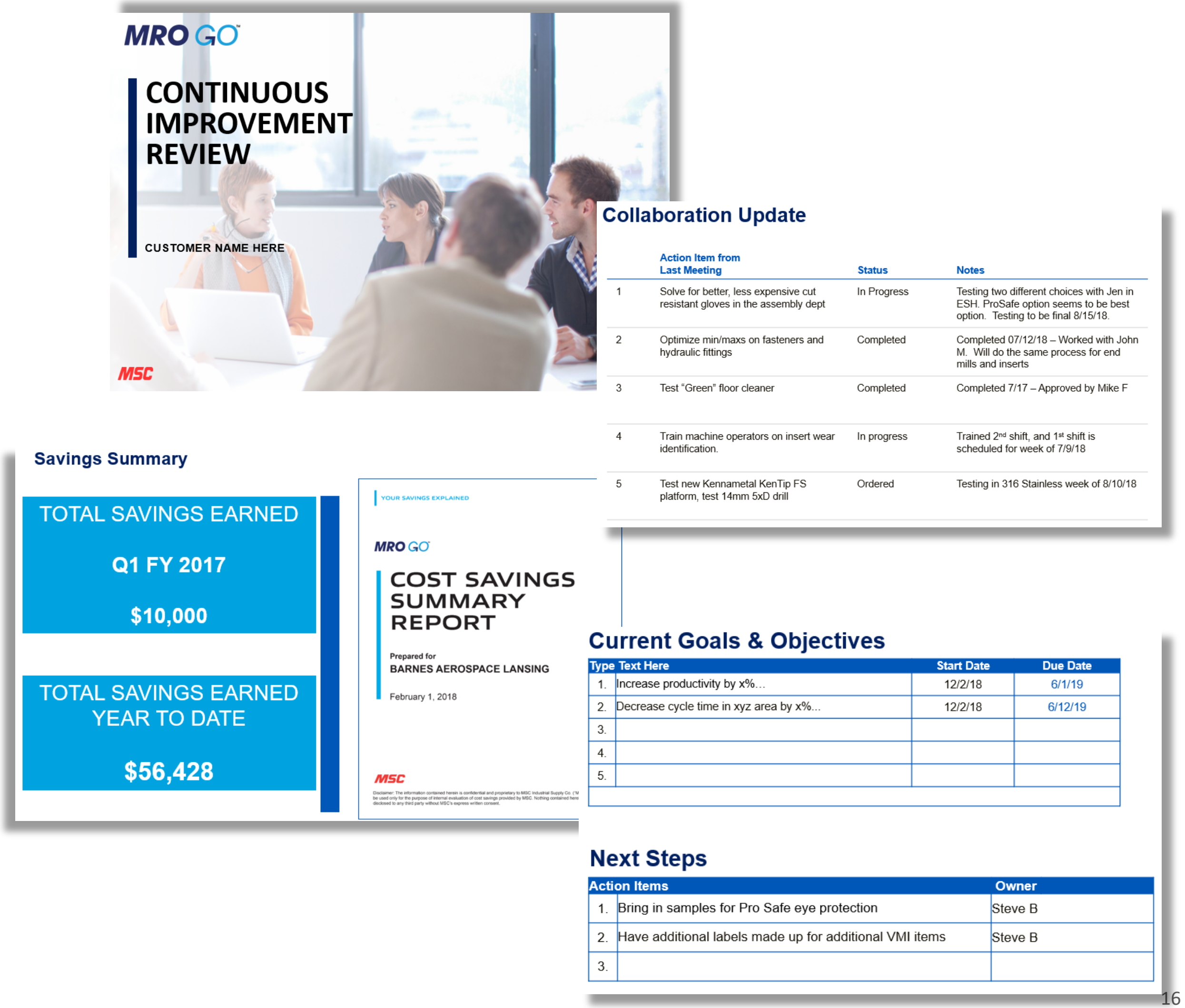
*Continuous Improvement Reviews (CIRs)**

Collaboration Update

Relevant Problem/Solution Discussion

Savings Summary

Next Steps



MRO GO

CONTINUOUS IMPROVEMENT REVIEW

CUSTOMER NAME HERE

MSC

Collaboration Update

	Action Item from Last Meeting	Status	Notes
1	Solve for better, less expensive cut resistant gloves in the assembly dept	In Progress	Testing two different choices with Jen in ESH. ProSafe option seems to be best option. Testing to be final 8/15/18.
2	Optimize min/maxs on fasteners and hydraulic fittings	Completed	Completed 07/12/18 – Worked with John M. Will do the same process for end mills and inserts
3	Test "Green" floor cleaner	Completed	Completed 7/17 – Approved by Mike F
4	Train machine operators on insert wear identification.	In progress	Trained 2nd shift, and 1st shift is scheduled for week of 7/9/18
5	Test new Kennametal KenTip FS platform, test 14mm 5xD drill	Ordered	Testing in 316 Stainless week of 8/10/18

Savings Summary

TOTAL SAVINGS EARNED
Q1 FY 2017
$10,000

TOTAL SAVINGS EARNED
YEAR TO DATE
$56,428

YOUR SAVINGS EXPLAINED

MRO GO

COST SAVINGS SUMMARY REPORT

Prepared for
BARNES AEROSPACE LANSING

February 1, 2018

MSC

Current Goals & Objectives

Type	Text Here	Start Date	Due Date
1.	Increase productivity by x%…	12/2/18	6/1/19
2.	Decrease cycle time in xyz area by x%...	12/2/18	6/12/19
3.			
4.			
5.			

Next Steps

	Action Items	Owner
1.	Bring in samples for Pro Safe eye protection	Steve B
2.	Have additional labels made up for additional VMI items	Steve B
3.		

* *Now performed virtually!*

Case Study: MSC

HyFlex
HyFlex

Results

Customer savings, better customer relationships, better results with MRO Go:

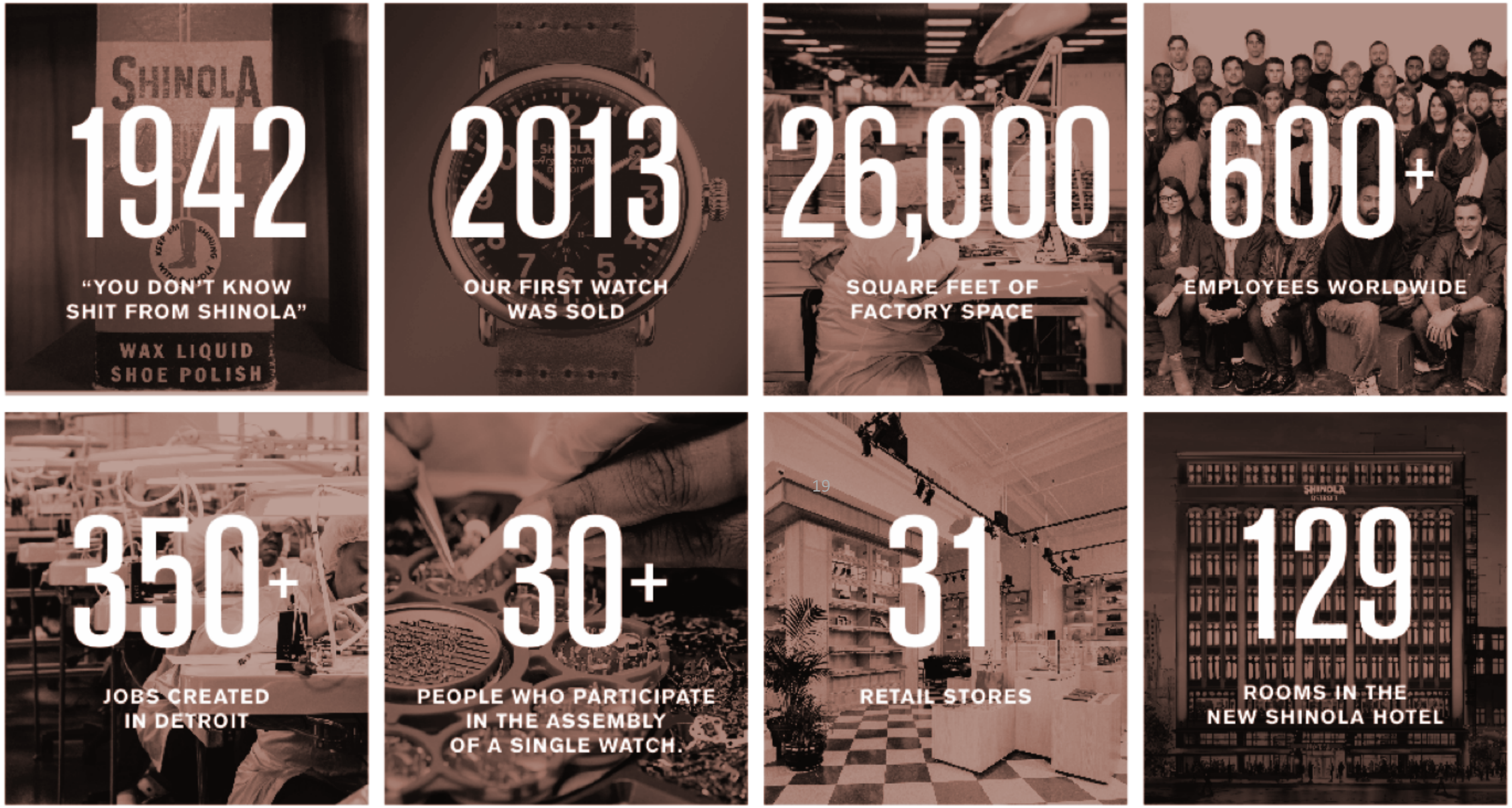
More Satisfaction:	*Higher C-Sat and more NPS 'promoters'*
More 'Sticky':	*Improved annual retention up >10%*
More Sales:	*Higher sales/customer and more referrals*
More Profit:	***Promoters growing 8X faster than Detractors***

SHINOLA

DETROIT

How a Company Used Customer Insights to Transform CX

SHINOLA
DETROIT



1942
"YOU DON'T KNOW SHIT FROM SHINOLA"

2013
OUR FIRST WATCH WAS SOLD

26,000
SQUARE FEET OF FACTORY SPACE

600+
EMPLOYEES WORLDWIDE

350+
JOBS CREATED IN DETROIT

30+
PEOPLE WHO PARTICIPATE IN THE ASSEMBLY OF A SINGLE WATCH.

31
RETAIL STORES

129
ROOMS IN THE NEW SHINOLA HOTEL

Shinola Goal

Evolve the Foundry “loyalty” program in order to establish a deeper relationship with guests by:

- Recognizing them regardless of channel
- Including them in experiences that are aligned to Shinola’s brand
- Continuously providing guests with surprise and delight moments to show them appreciation

RUNWELL

CASS TOTE

CLOCKS

BICYCLES

JOURNALS

Shinola VoC Rearch Objectives

Conduct one-hour interviews to gain an in-depth *qualitative understanding* of how Shinola guests define their *expectations of value and engagement* from the Foundry loyalty program and brand.

Specific VoC Objectives were to gain *deep and actionable* insights regarding:

- Perceptions of Shinola and reasons guests buy from Shinola.
- Experiences that enhance or hurt the relationship and the brand.
- Shinola Foundry program perceptions/expectations.
- Detailed recommended improvements to Foundry: benefits, experiences, services and levels.
- *Value exchange expectations* regarding guest's willingness to self-profile preferences in exchange for increased personalization and value.

VoC Learnings

Exceptionally Engaged Guests

- Engaged customer base
- Strong connection to the brand
- Strong views regarding *what is brand appropriate and what is not*

Omnichannel Experience

- Guests must be able to access and utilize loyalty benefits across multiple channels

Curated Relationship

- *Curate your relationships as carefully as you curate your products and brand!*

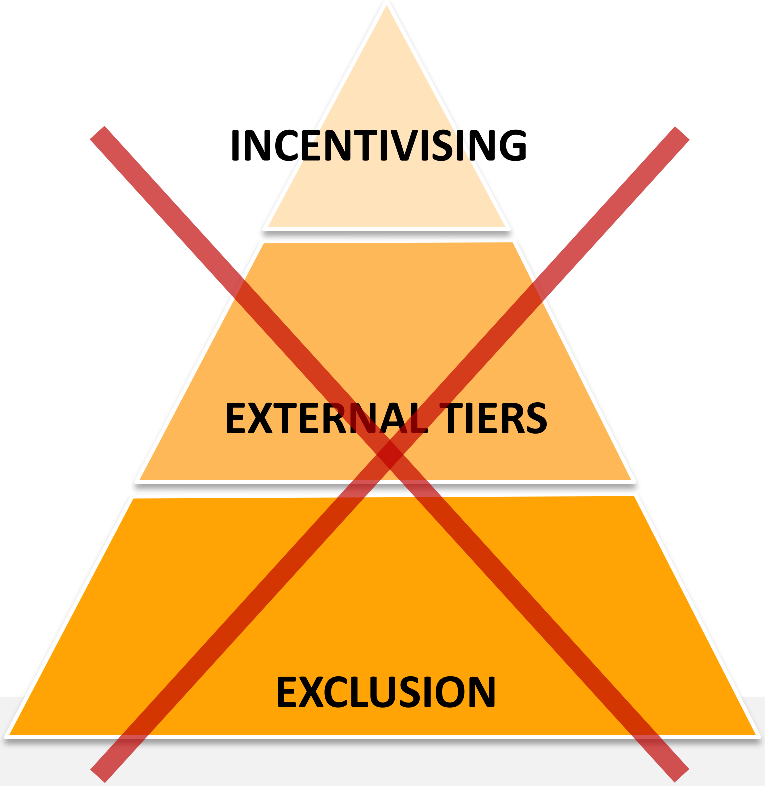
Experiential ROI

- Do not rely on just on traditional ROI

Surprise and Delight

- Important and highly valued

Shinola guests emphatically stated that a traditional loyalty program would be *inconsistent and damaging* to their perception of the brand and its core values.



INCENTIVISING

EXTERNAL TIERS

EXCLUSION

VoC research identified 4 powerful expectations which became the “value propositions” and served as the core of the benefits and experiences Shinola provides guests.

INCLUSION

RECOGNITION

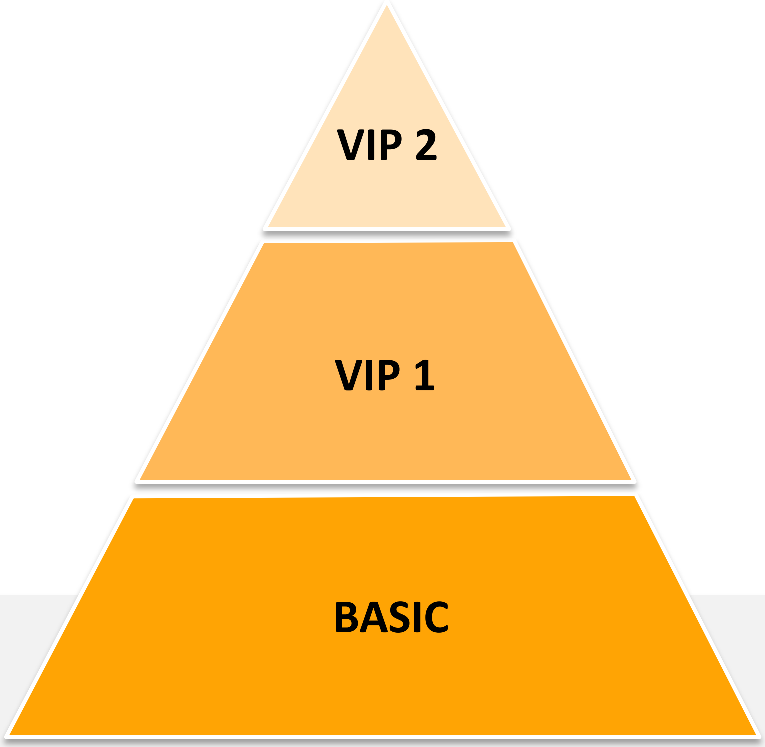
VISIBILITY

SURPRISE

Rethinking Loyalty & Relationships to be Inclusive

Foundry

(Through 2018)



Traditional & Hierarchical

Shinola *Inclusive Community*

(These are internal levels)

COMMUNITY MEMBERS

One-time Purchasers with Shinola (regardless of spend)

Access Brand Benefits

Increases Inclusivity

FOUNDRY MAKERS | **FOUNDRY LEADERS**

Amplified Brand Access (meet with designers, co-creation participation)

Utilize Surprise & Delight

Simplified Structure & Definitions

Increases from New Loyalty Strategy:

"Since we fundamentally reengineered our Foundry loyalty program per the insights from the VoC research, we have seen Foundry member repeat purchase rates increase by over ***25%*** *and increased our "Leaders" group by* ***100%."***

Shannon Washburn
President, Shinola

Essential for True Personalization: Explicit vs. Implicit Data

Consumers want unprecedented
control of their CX and personalization.

The Challenge:
Requires transformation of data strategies.

Implicit Data
Share of market activity
25%
75%
Passive market share
350
300
250
200
150
100
50
0

Explicit Data

Data re: short-term interests or needs

Implicit data: Information you data mined, or the customer provided, to indicate *short-term interests or needs,* but not to intentionally indicate deeper or longer-term preferences.

Self-profiled preference information

Explicit data: *Self-profiled preference info* customers provide in the Preference Center of a site or through dialogue boxes. Examples:

- Self-described personality type, attitudes, life stages
- Issues, needs, expectations
- Decision-making process
- Message and media preferences/aversions

B2B Opt-In Preference Profiling

The customers in this company’s VoC indicated their willingness to provide detailed levels of preference data resulting in this comprehensive set of guidelines for progressive profiling.

Contacts

- Primary contact
- All others who interact with the extraprise’s products who should have contact information *(Only if primary sees this as helpful)*
  - Management
  - Purchasing
  - R&D/Engineering
  - Production
  - Operations
  - Safety/QC
  - Marketing/Sales

Communication Preferences (by contact)

By situation:

- Daily maintenance
- Problems/issues
- Consultation/ problem resolution

Be sure to gather what their preferred method of communication is for each situation: they may want email for most things, a call when there are problems, and a video conference for consultation.

- Email
- Texting
- Online chat
- Direct messaging
- Phone
- Video conferencing
- In-person (once appropriate)

Communicate with them based on their **individual** preferences

Purchase History

- What they buy and why
- How often they buy and why
- For which end products they buy
- The importance of the products they buy to their production/products
- The level of investment in the products they buy

Understanding the “**why**” behind the “what” helps you better serve them, especially when there’s problems

Company

- Understand the company, how it operates, key players, where it has locations, its goals and objectives, etc.
- Awards, notable achievements, etc.

Products

The products and services the customer sells and is known for

Your Customer’s Customers

Learning your customer’s customers is an important part of knowing/understanding them.

- Who are they primarily selling to?
- Where are their customers located?
- Are there segments they are targeting for growth?

Industry

- Learn about the industry
- How regulated is it?
- Who are their primary competitors?

Additional Information For You

- Today’s Presentation
- 24 Tips for CX Innovation
- CX Case Studies

- Ebook; *5 Ways to Use Human Data to Drive Deep Engagement*
- Blog: *Insights On Marketing Best Practices*

- *Contact: Ernan@erdm.com*