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Winning Customers Through People and Technology: A Conversation with Jeffrey Rayport

A Harvard Business School Publishing Virtual Seminar

Executive Summary

February 2, 2005

Featuring: **Jeffrey F. Rayport**

Program Host: **Kirsten Sandberg**

Following is a summary of the virtual seminar covering:

- Interface systems – what they are and why they are important.
- How technology is changing interfaces.
- How companies can create competitive advantage through interfaces.

Winning Customers Through People and Technology: A Conversation with Jeffrey Rayport

Speaker: **Jeffrey Rayport**, Chairman and Founder, MarketSpace, LLC; Co-Author, *Best Face Forward: Winning Customers Through People and Technology*

Moderator: **Kirsten Sandberg**, Executive Editor, Harvard Business School Press

Overview

As businesses become increasingly commoditized, one of the few sustainable areas for differentiation and competitive advantage is in the customer experience created and relationship formed when a company touches its customers. While historically most touchpoints have consisted of humans interacting with humans, as technology has evolved, and as people are more comfortable interacting with technology, more of a company's touchpoints occur as customers interact with machines (phone systems, websites, etc.). This evolution makes it essential that companies think holistically about their "interface systems" by creating the right interfaces for each customer segment and each customer situation, and aligning all of the organization's interfaces so that a customer's interactions are consistent, complementary, and result in deepening the customer's relationship with the company.

Context

Jeffrey Rayport discussed the importance of customer interfaces, especially those that involve leveraging technology, in creating competitive advantage. His comments draw from his recently published *Harvard Business Review* article "Best Face Forward" and his soon-to-be-published book by the same name.

Key Learnings

- **Now more than ever, differentiation, competitive advantage, and business success are based on how well firms manage interactions with customers.**

Most business segments are increasingly commoditized and undifferentiated as rapid product development cycles make it difficult for companies to create and sustain advantages. In this environment, one of the few ways in which companies are able to create a sustainable advantage is the way in which they interact with customers. This holds true for both businesses that market to consumers (B2C) and for those that market to other businesses (B2B).

Every interaction or touchpoint shapes a customer's perceptions and influences the company/customer relationship. These interactions occur through "interfaces" that take place in person, over the phone, through e-mail, on websites, via kiosks or touch screens, through interactive phone systems, etc.

Firms must understand the types of interfaces desired by each segment of customers for each type of situation, and should assess how effective their current interfaces are compared with the customer's ideal.

"For anyone who competes on service, it is not what is sold, but how it is sold."

- Jeffrey Rayport

- **Technology is fundamentally changing the types of interfaces and company/customer interactions that exist.**

Historically, business interfaces involved one human interacting with another. However, changes in both technology and consumer behavior have resulted in technology playing a far more prominent role in people's lives and in the types of interfaces that companies can employ.

Specifically, technology has changed how people spend their time, as daily use of the Internet has grown by 60% over the past five years, while time spent watching TV is unchanged. Technology has fundamentally changed how consumers make purchase decisions: 70% of car buyers conduct research online. Technology has changed how people transact: Southwest Airlines is essentially a dot-com as more than 50% of its revenues are booked online. And, technology has changed how consumers engage with service providers: today among financial services companies, interaction through self-service technology-related interfaces such as ATMs and websites accounts for 5-6x more touches than human interactions.

The power of technology is making a "front-office" revolution possible. In contrast to reengineering the back office which was done for cost savings and efficiency, the use of technology in the front office promises to improve the customer experience. The four key trends that are making this front-office revolution a reality are:

1. *The proliferation of interfaces and devices.* The explosion of the number of devices and interfaces is not a new story, but the pace of adoption is still stunning. The devices in use are smaller, smarter, and more affordable.
2. *Rising intelligence and interactivity of technology.* The capabilities of technology have improved as touch screens and robotics have made technology more usable than ever before. This is seen at airports where passengers can use kiosks to get their tickets, or at homes where robotic vacuum cleaners can clean rooms on their own.
3. *An increasing affective/emotional nature of devices.* Software can now learn, develop personality, and cause people to become emotionally attached. This can be seen by the visceral, emotional reaction of many to the iPod.
4. *The growth of ubiquitous connectivity.* Networks make people attached and connected to each other at all times.

As the technology has evolved, so too have people. Consumers have become familiar and comfortable with using technology. While not all interfaces are point and click, the widespread adoption of the personal computer has made consumers accepting of technology, and in many instances, consumers actually prefer technology. For example, instead of waiting in a line at a bank to get money from a teller, a person can get cash from an ATM in a fraction of the time.

- **Competitive advantage will increasingly come from having the right type and mix of interfaces, and in aligning and optimizing all of an organization's interfaces.**

The right type of interfaces are those interfaces that work best for each specific customer experience or task, such as an activity at a bank branch, or a customer getting an airline ticket, or a person phoning a call center with a question. For many interactions, the optimal interface will involve a hybrid of people and technology, and the challenge will be in determining the appropriate weighting of each.

When each individual interaction is maximized, it is then necessary to align all of an organization's interfaces to ensure that they support the brand in a consistent way. This can best be assessed by performing a channels pathways analysis to understand the most common pathways that consumers take when interacting with a company, and to identify any potential problems or drop-off points along the pathway.

jetBlue Airways provides an example of a company which has embraced this challenge. jetBlue is differentiating itself and has improved customer satisfaction by deploying an optimal mix of human, machine, and hybrid interfaces (e.g. kiosks). jetBlue has thought holistically about their interface system including their terminal layout, seatback, website, wireless alerts, and personnel characteristics.

Companies that optimize their interfaces can create distinctive brands and can command higher prices even in competitive, commodity markets.

Other Important Points

- **Rising expectations.** As companies develop superior interfaces and better customer experiences, the results create a ripple effect where consumer expectations rise. For example, better service and responsiveness from Amazon.com leads consumers to have similar expectations from other companies even in vastly different industries.
- **Human default.** There will always be a need for people to interact with other people. Even when technology is deployed, companies are well served to think about ways to enable customers to default to a human when necessary, and not to require that all interactions are based on technology. This approach paid off for jetBlue during the 2003 blackout in the northeastern United States. jetBlue's operations provide for a human default, allowing the carrier to continue to operate while all of the other airlines in New York City came to a halt.
- **Employee interfaces.** Companies should think about employee interfaces in the same way as customer interfaces. When people become familiar with using customer-friendly Internet sites, they will become dissatisfied if their own company Intranet is clunky; when they are treated warmly and with respect when they enter Wal*Mart, they will be dissatisfied if their own employer doesn't create a warm and respectful environment. Employee interfaces can be as important as customer interfaces in many organizations, but are often overlooked.

Biographies

Jeffrey F. Rayport

Jeffrey F. Rayport is Chairman and Founder of MarketSpace LLC, a subsidiary of Monitor Group. A faculty member at Harvard Business School for nearly a decade, Rayport focuses his research on new information technologies and their impacts on companies' service and marketing strategies, particularly in information-intensive industries. As a consultant, Rayport has worked with executives and corporations around the world, specializing in the development of breakthrough service strategies for network-based businesses, particularly in high-tech, media, entertainment, and data services.

Kirsten Sandberg

Kirsten Sandberg is an Executive Editor at Harvard Business School Press. She has edited such bestsellers as *The Experience Economy* by Joe Pine & Jim Gilmore, *Information Rules* by Hal Varian & Carl Shapiro, and *Unleashing the Killer App* by Larry Downes & Chunka Mui. Recent publications include Gerald Zaltman's *How Customers Think* and *The Future of Competition* by C.K. Prahalad & Venkat Ramaswamy. She has also written for HBSP Newsletters group and participated in HBSP Conferences.

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