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Customer Experience Management as an innovative solution for managing and growing the Executive MBA product: an exploratory analysis

Abstract

The purpose of this research is to determine how to effectively incorporate customer experience management frameworks within the marketing and management of Executive MBA Programs. To determine this information, two customer experience management frameworks were discussed in detail and then components of each framework were hypothetically applied so as to illustrate its ease of application and its potential effectiveness. The main findings of this study indicate that as a result of this “experience economy”, incorporating a targeted, consistent and branded customer experience within any product or service, with EMBA Programs being no exception, is of critical importance. The results of this exploratory study can have significant implications on the future marketing and execution of Executive MBA Programs.

Keywords: customer experience, customer innovation, Executive MBA Programs.

Introduction

The primary thesis of this research is to illustrate the importance of Customer Experience Management (CEM) and why CEM principles must be rigorously applied to the marketing and management of Executive MBA Programs. The ultimate goal of incorporating such a strategy is to create “program enthusiasts” and “product evangelists” among the student body.

1. Literature review

1.1. The emergence of experience. The traditional marketing concept of determining the needs and wants of target markets and delivering on these needs and wants with products and services is the foundation to any company’s marketing program (Kotler, 2003, p. 29).

In addition, the traditional marketing paradigm also includes the importance of communicating the product’s features, benefits and value to prospective and current customers. Furthermore, traditional marketing assumes rationality among customers who select products and services based on their overall utility (Schmitt, 1999, p. 13).

Yet things have changed since the industrial revolution when the traditional marketing concept was established.

The information economy, as it is now coined, has allowed prospective consumers the ability to research the features and benefits of any product in question thus making them more informed than ever before. The features and benefits of a product are now given as consumers expect “breakthrough solutions, cutting-edge products and brands they can connect with and be stimulated by” (Schmitt, 1999, p. 21).

Secondly, the concept of experiential marketing and/or marketing experiences as opposed to marketing solely a product’s features and benefits has also emerged as a communication strategy within this “Age of Experience” and has ignited increased emotional and impulse driven purchases centered on a desired experience rather than just consumer rationality (Schmitt, 1999, p. 22).

In addition, the experience concept has also redefined branding to more than just an identifier with logos, slogans, awareness and image to that of an experience provider (Schmitt, 1999, p. 31). The brand, in essence, is increasingly more about delivering a specific targeted experience associated around a product and/or service.

1.2. Evolution of the experience economy – the birthday party phenomenon. All of the above has led to the “Experience Economy”. One example that clearly illustrates this phenomenon can be seen with the evolution of birthday parties.

Approximately fifty years ago, the celebration of a birthday entailed the mother of the “birthday child” purchasing ingredients such as butter, sugar and milk for the purposes of making a birthday cake from scratch. These ingredients became “the commodity” which led to the celebration of eating the cake (Pine II and Gilmore, 1999, pp. 20-21).

During the 1960s and 1970s, and/or Phase II of this phenomenon, parents then opted to purchase a “Betty Crocker” or “Duncan Hines” mix to make the cake. In addition, a more organized party at home began to emerge and it included games and fun in the backyard. The “commodity” of butter, sugar, and milk became transformed to that of a...
“purchased good” which is now the cake mix (Pine II and Gilmore, 1999, p. 21).

Within the next phase of this process, parents stopped making cakes at home and started purchasing them from either the supermarket or local bakery. This moved the process away from “the good” of the cake mix to that of a purchased cake which is now “the service”. While the cost of purchasing a cake exceeds that of making one from a mix, parents viewed this service as essential in order to plan other elements of the backyard party (Pine II and Gilmore, 1999, p. 21).

In the final stage of this evolution, especially in the new millennium, parents began to “outsource” the birthday party altogether to places such as Chuck E. Cheese’s, Discovery Zone, and Club Disney. Such parties can cost the host family several hundreds of dollars far exceeding the cost of a purchased cake and a backyard party. However, the reason why parents are willing to pay this differential is for “the experience” that these outsourced venues offer (Pine II and Gilmore, 1999, p. 21).

As one can see from this example, the evolution of the birthday party illustrates that the “Experience Economy” is everywhere. The “commodity” of butter, eggs and milk to make the cake is very inexpensive. “The good” of a cake mix raises the overall cost slightly. “The service” of purchasing a cake increases the cost slightly as well. However, the largest increase in costs for the party over this evolution is Stage 4 of the phenomenon of outsourcing the party.

1.3. Companies offering experiential differential. The “Experience Economy” has also led to the development of many interesting and successful companies. The first example of such a company is Starbucks which opened in 1971 in Seattle from an initial $10,000 investment from its original owners of Gerald Baldwin, Gordon Bowker and Zev Siegl (Smith & Wheeler, 2002, pp. 4-5).

Howard Schultz, in 1987, then purchased Starbucks and expanded its operations to Chicago and a host of other cities. For an eleven year period from 1987-1998 Starbucks, as a strategy, spent less than $10 million on advertising with the premise that providing a unique experience goes far beyond advertising dollars (Smith & Wheeler, 2002, pp. 4-5).

It is interesting to note that even though the Starbucks hot drink can be purchased for $2.50 and above, the actual cost to produce it is approximately eighteen cents (Smith & Wheeler, 2002, p. 6). However, what Starbucks’ enthusiasts are paying for is not necessarily the hot drink but rather the total immersionary experience of that “third space” between home and the office (Schmitt, 2003 CEM p. 7). This can be seen with the table below and is similar, in principle, to the birthday party phenomenon.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Good</th>
<th>Service</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.00</td>
<td>$2.00</td>
<td>$3.00</td>
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<td>$4.00</td>
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</tbody>
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Avis is another company that falls within this category. This car rental firm with the “We Try Harder” slogan has set itself apart from its competitors because of the total experience it offers to its customers. Mr. Robert F. Salerno, Avis President and COO in 2002, further illustrated this point: “Avis has dedicated tremendous amounts of resources over the last several years to develop a process for managing the customer experience and to provide our employees with the tools for supporting our strategies of winning customer loyalty and service excellence. Customers are telling us that there is something special about Avis and the value we deliver that the others cannot match” (Smith & Wheeler, 2002, p. 33).

The result of this strategy is significant as Avis achieved the highest level of customer loyalty among its peers according to a survey conducted by Brand Keys (Brand Keys 2001 Customer Loyalty Leader’s Index). In addition, Avis received the highest points for customer loyalty among 129 companies surveyed across 24 industry categories and further scored top billing on customer service compared to its competitors (Brand Keys 2001 Customer Loyalty Index).

Another company that falls within this profile and has differentiated itself with its customer experience offering is Harley Davidson. Harley brands itself as a “total ownership experience” and has created the Harley Owners Group (H.O.G.S.) with over 100,000 active Harley members (Smith & Wheeler, 2002, p. 34). This organization within Harley sponsors group rides and members actively participate on the Harley web site. Customer loyalty among Harley riders is evident as many of its members tattoo the Harley logo on their bodies, as a result of their own personal relationship they have developed with the Harley brand (Smith & Wheeler, 2002, p. 34).
These examples discussed are only a handful that illustrate how important delivering a specific desired experience can be to a customer base and target market and how managing the customer experience is critical.

However, at this point, before continuing this discussion, it is critical to explore the question of executive students and whether they should be considered customers. The next section will illustrate what the research has said on this topic.

1.4. Are executive students customers? One question that must be examined is whether executive students are actually customers. If one plans on incorporating Customer Experience Management, as a school strategy within an EMBA Program, one must first decide if in fact executive students are customers and should be treated as such.

Much research has been done in this area since the 1990s when higher education began to question whether or not Total Quality Management (TQM) should be implemented, as a management strategy, within academia.

As a background, the TQM movement is an extension of W. Edwards Deming’s management philosophy that was implemented so successfully in manufacturing and service type settings (Dobyns & Crawford-Mason, 1994). Upon witnessing this management philosophy’s success in other sectors and compounded by market pressures within academia, educational personnel in higher education saw an urgent need to consider the implementation of TQM within their own institutions (Schwartzman, 1995).

The research that emerged throughout this period focused on the treatment of students and whether or not they are actually customers as they are in the service, retail and manufacturing industries. Two subsequent positions emerged.

The first position states that since students are paying tuition then they are in fact customers. This tuition is for a service and establishes a contract between the university and student. The items can range from participation in classes, coursework, access to faculty to other services including billing, registration and financial aid. The main point that supports this argument is as follows: if tuition revenue is the predominant revenue generator for the college or university, then institutions have no choice but to treat the students as its customers (Schwartzman, 1995).

The subsequent results from this argument are as follows. First, it potentially allows the institution to be more accountable (Schwartzman, 1995). Universities have become very departmentalized, over its evolution, with its own objectives and agendas. This is especially prevalent within faculty led departments and areas. Therefore, this potential setup can lead units to be “oblivious to students” and even “contemptuous of them” (Schwartzman, 1995). As a result, treating students as customers and responding to their academic questions, inquiries and needs can allow institutions of higher education to improve cooperation among all stakeholders and recognize the students as official participants in the educational process rather than passive recipients (Schwartzman, 1995). In addition, this argument creates a situation where university personnel have an obligation to serve their students which is critical (Marchese, 1993).

More specifically, this argument can be applied to the student service arena of a university. Student services, such as registration, billing, food services, and maintenance are viewed, within this position, as “business-like” transactions. Improving these services can easily be benchmarked and can subsequently improve the entire experience for students (Beaver, 1994).

The second position that resulted from this research is that students should not be considered customers for the following two points. First, universities have difficulty defining their customers given the many benefactors. Second, there is a belief that institutions will compromise short-term satisfaction with long-term learning if they do in fact consider students as customers (Schwartzman, 1995).

In terms of this first point, the customer of a university can be considered quite elusive as “colleges and universities have no clear understanding of who the customers, either internal or external, are” (Winter, 1991, p. 59). Is the student receiving the education the sole customer? Or are customers the local, national and international communities since they are all benefactors, to some extent, of this education (Rinehart, 1993, p. 57)? Since the recipients of these benefits are so intertwined within society, this argument indicates it is very difficult to determine the actual customer.

In addition, the next point to discuss is that of compromising short-term satisfaction with long-term learning and whether or not the customer is always right. For example, how are curriculum issues set by the Faculty of a University and upheld if there exists a conflict with the students if the students are in fact customers? This could, in fact, be an issue within this argument.

Therefore, this argument supports the premise that students retreat to a university degree program to not only learn new concepts but to also develop an entirely new thought process. During this period of academic and intellectual renewal and discovery,
students cannot be considered customers as their judgments may not be useful and “they have no conception on what they must learn” (Rinehart, 1993, p. 59). This argument subsequently dictates that students, during the learning process, lack the needed expertise to determine the content and quality that must be taught (Beaver, 1994).

In addition, within this argument, one must ask which customer do you in fact listen to? This is especially true when some of the customer’s “perception of quality can be considered perverse” (Peters, 1987, p. 102). University personnel who treat students as customers, especially with academic issues, may be easily put into a position where a judgment call must be made which can be considered difficult and not necessarily in the best interest of the institution.

Therefore, when examining both sides of this argument and for the purpose of this research, executive students will be treated as customers and the reasons are as follows:

- Executive students pay a premium tuition price for their programs.
- Executive students are paying more out of pocket for these programs. In 2001, 44% of all EMBA students were 100% fully financially sponsored and only 9% were self financially sponsored. In 2007, the market has changed as only 33% of EMBA students were financially sponsored and 33% of students were self financially sponsored. As one can see, an increased amount of corporations are unwilling to pay full freight for such programs leaving the tuition burden on the EMBA students themselves (EMBA Council, 2007).
- Full financial corporate sponsorship for Executive MBA Programs from 2001 to 2003 has declined from 44% to 38% (Shin, 2004). In addition, the percentage of self-sponsored students has increased from 19% to 24% during this same time period (Shinn, 2004).

This decline in company sponsorship has created a new type of consumer for Executive MBA Programs which can be seen as follows: “EMBA programs are quickly adjusting to satisfy the new consumer – a more demanding, international, self-sponsored executive who’s always on the go” (Shinn, 2004, p. 31).

Executive students, in addition, are also already catered to by their universities especially in service areas such as billing, registration and advisement (Petit, 2004).

Therefore, when one combines (1) the premium price of an EMBA program with (2) full financial sponsorship for these programs are decreasing with (3) EMBA students, by definition and practice, are positioned as the most senior student in the MBA program portfolio with (4) executive students are already being catered to with student services issues, for the purpose of this study and the application of the CEM Frameworks, executive students will be considered customers.

2. Methodology

2.1. Customer Experience Management – principles and applications. Administrators within Executive MBA Programs can apply various frameworks for the marketing and managing the customer experience within the execution of programs. For the purposes of this article, two customer experience frameworks will be presented and examples will be given on their potential application and relevance to EMBA Programs.

3. Results

3.1. Framework I – behavioral science. The first framework focuses on improving customer relations and the overall experience through the strategic use of behavioral science. This framework was developed from the research of Richard Chase and Sriran Dasu within their five (5) step process that can allow for improved and sustainable customer experiences. The framework is as follows:

- build commitment via choice;
- finish strong leave lasting impression;
- get bad experiences out of the way early;
- segment pleasure with pain;
- celebrate rituals (Chase and Dasu, 2001).

Within the first step, enthusiasts of behavioral science agree that customers enjoy the product, brand and experience when choice is given throughout the entire product offering (Chase & Dasu, 2001, p. 79). Since customers and/or prospective customers do not like to be told “what to do”, “how to do it”, “what to like” and “how to like it”, choice and/or the perception of choice can create an energized and enthusiastic customer base that has taken personal ownership of the product experience in question. Such ownership can certainly create “product evangelists” among the consumers (Chase & Dasu, 2001, p. 79).

The concept of choice can easily be applied to the execution of EMBA Programs. Going beyond the typical choice offerings of elective possibilities, executive students can be given choice and/or the perception of choice for a variety of initiatives including the study tour, scheduling and issues such as menu. Giving executive students the possibility of choice even for what at first seems as unimportant
issues can have a positive impact, according to Chase and Dasu, on the overall brand and product experience. In addition, it can create an enthusiastic student base that will have a vested interest in the future success of your program.

The second recommendation of “finishing strong” is of critical importance as “the end…remains in the customer’s recollections” (Chase and Dasu, 2001, p. 73). Executive Programs can take note of this recommendation by offering, for example, the international residential as a capstone pedagogical and program experience toward the end of the program. Furthermore, an initiative such as a gala celebration for the EMBA students and their significant others beyond University Commencement is another example of reinforcing the concept of finishing strong. Such a strategy can leave a wonderful taste in the mouths of the EMBA students which can create additional buzz and momentum for a program.

The third principle of “getting the bad experiences out of the way early” is similar to the previous principle. By utilizing this strategy, it allows a level of trust to develop between the customer and vendor that enables the relationship to “finish strong” (Chase and Dasu, 2001, p. 77). This formulation of trust is critical to any product or service including Executive MBA Programs. If there is a structural and/or programmatic issue in an EMBA Program (i.e., method for selecting electives), that could potentially anger students, it is then best that this process, if it cannot be changed, be told to the students in the beginning such as at the admissions info sessions so as to not upset students at a later time. Like with any product, students can be accepting of a program deficiency and can even be forgiving, however the timing of the communication is critical.

The fourth principle of “segment pleasure with pain” is a standard takeaway from any negotiations course. In terms of its application with customer interaction, Disney Theme Parks is an example of effectively utilizing this principle by distracting the customer during the long lines for the rides in which they have to wait. While a ride may only last for ninety (90) seconds, Disney makes those ninety (90) seconds worthwhile by distracting the customers on the long lines and thus “lessening their discomfort” (Chase and Dasu, 2001, p. 78). This principle can be easily applied to EMBA Programs especially with the use of faculty. For example, if there is a faculty member who is not very strong but must teach in the EMBA Program for political reasons, perhaps that faculty member and the course could be combined or team taught with other courses or other strong faculty members. This can allow this issue of a sub par faculty member to be less of a negative since this person is combined somehow or someway with strong assistance.

The last principle, under this framework, is the concept of “celebration of rituals” as it plays a critical role in the “customer’s perceptions of the experience” (Chase and Dasu, p. 81). The research indicates that customers can potentially enjoy rituals especially if they are unique to the product. An example of a ritual can be something such as an “afternoon tea time” served in a hotel to the grand opening and celebration of a retail chain to a community. A ritual can also include specific call times scheduled to customers and keeping within those guidelines. It is critical that unique rituals must be established and organizations must stick to those rituals. If creatively done it can create an area of differentiation for your product and/or service.

One can apply the principle of rituals to the execution of an Executive MBA Program. For example, such rituals can be something as simple as planned social events and happy hours to alumni networking events and dinner/award celebrations. It can even be something as simple as putting a York Peppermint Patty mint on the seats of the students during the lunch break, as done by the Sloan School of Management Executive Education Programs as was experienced by this author. Such a ritual allows participants to not only be surprised and delighted at first but also adds a level of uniqueness and consistency as the program continues.

Overall, the five (5) principles of behavioral science that Chase and Dasu describe can be implemented in the management and execution of an EMBA Program. In addition, this framework can also have a substantial impact on the overall customer experience of the students. It is important to note that in the end, “only one thing matters in a service encounter – the customers’ perception of what occurred” (Chase and Dasu, 2001, p. 82). The implementation of behavioral science can certainly impact this perception.

3.2. Framework II – CEM framework. The second framework that will be explored is the concept of Customer Experience Management as developed by Bernd Schmitt. This concept focuses on developing a targeted and branded customer experience to your stakeholders. The framework can be seen as follows:

- analyzing the experiential world of the customer;
- building the experiential platform;
- designing the brand experience;
- structuring the customer interface;
The first step of the framework looks at “analyzing the experiential world of the customer”. When examining one’s own products and brands, according to Schmitt, it is imperative that organizations try to provide and understand “original insight into the customer’s world” (Schmitt, 2003, p. 25). More specifically, companies must not only be aware but also need to “become more responsive to customers and incorporate customer insight into their strategies and implementations” (Schmitt, 2003, p. 46). It is of paramount importance to determine what exactly the customer potentially wants from a specific experience from a product or interaction. Understanding the customers and seeing the world from their point of view are critical at this stage.

This first step can easily be applied to the execution of Executive MBA Programs. What do EMBA prospective students want to experience from the monetary and time investment they are putting into this degree? Are students just looking for top scale faculty members? Do they want to be part of dynamic and professionally diverse class? Do they want to be pampered by program staff since they are paying a premium in tuition? Do they want to “operationalize” the pedagogy directly back into their professional lives? Do they want a high impact experience beyond the academics with team building exercises? Is it all of the above or some of the above? Is it none of the above? Finding out exactly what prospective and/or current students want from the EMBA Experience and/or determining what they want as a result of getting into their “experiential world”, according to Schmitt, is a critical first step.

Market research, focus groups as well as having enthusiastic program alumni involved as necessary stakeholders can be one method in determining the “experiential world of the customer”. In addition, university employees who are students in EMBA Programs can also be a resource. The most important objective, at this stage, is to create a targeted, desired, and uniquely branded experience for the EMBA students.

Once the experiential world of the customer is determined, the second step in this framework is “building the experiential platform”. Simply stated, this platform “effectively communicates internally and externally what an organization, its brand, and its products stand for and what value they offer to customers” (Schmitt, 2003, p. 87). Similar to a value proposition of an organization or product, the “experiential platform” not only focuses on features and benefits that the product or service offers but also on the overall customer experience in obtaining and utilizing the product.

Establishing an experiential platform can certainly be applied to EMBA Programs. What is the entire experiential value proposition that one’s program offers? Directors and Deans, when recruiting students, must be comfortable in discussing the “Branded Customer Experience – which is a service experience that is intentional, consistent, differentiated, and valuable” (Smith & Wheeler, p. 1). In addition to the faculty strength and dynamic students, EMBA programs must develop an “experiential platform” beyond these components as prospective students desire a specific and differentiated program experience. Therefore, all actions in terms of executing a program must utilize the experiential platform as a foundation.

The third step of the process is “designing the brand experience”. This step follows the “building the experiential platform” phase as once the platform and theme are developed, one can move on the design of the brand experience which includes “the product, the look and feel surrounding it, and experiential communications” (Schmitt, CEM, 2003, p. 140).

More specifically, the product experience is the focal point for the customer that takes into account the product’s features and benefits but also takes into account “experiential features” which “serve as a springboard for a customer’s brand experience” (Schmitt, CEM, 2003, p. 126). These features can include not only how the product works but also the aesthetic appeal associated with the product. Examples of the look and feel surrounding a product are its visual identity around the name, logo, signage, packaging, store design and overall web presence (Schmitt, 2003, CEM, p. 128).

This third step of “designing the brand experience” can be applied to the execution of EMBA Programs. More specifically, an experiential marketing campaign can certainly be implemented for EMBA Programs that does not necessarily communicate the products features and benefits but rather a powerful experiential message.

For example, a well received method of communicating the program experience can be inviting program alumni to participate in admission information sessions. What occurs during this part of the information session is that these alumni become the center of the session answering many questions and discussing the EMBA Program “experience” in detail. There is no better person to illustrate the program experience than current students and graduates.

In addition, the brand experience for EMBA Programs can also be designed with the visual identity elements including the look and feel of the classroom and facilities, the logo and signage. These
elements can be strategically designed to enhance the experience and reinforce the brand and managing this process is of utmost importance.

The fourth step in this framework is “structuring the customer interface”. According to Schmitt, this is the most difficult step to effectively implement as it involves cooperation and action from the entire personnel of an organization. This communication and exchange that results from this step, for all employees, must be consistent during all customer interfaces (Schmitt, 2003, CEM, p. 142). Overall, “this interface refers to the dynamic exchange of information and service that occurs between the customer and company – in person, over the phone, online, or in any other way” (Schmitt, 2003, CEM, p. 141).

The implementation of this step within the execution of an EMBA Program requires determination and diligence. For example, if “dazzling service” is part of your implementation theme for your EMBA Program then all personnel involved within the students’ journey must be willing to follow through with this theme. Implementing it, as a result, can be difficult as there are many units outside your jurisdiction (i.e., Bursar, Registrar, etc.) that can have multiple touchpoints with each student. The bottom line is whatever the implementation theme is, structuring the customer interface is a non-stop process that must always be evaluated and reevaluated. It is a step that, if done correctly, can certainly create product evangelists within any customer base.

The last step of “engaging in continuous innovation” refers to innovation not only with the product but also with the entire customer experience. Product innovations can refer to technology, service and experiential innovations (Schmitt, CEM, 2003, p. 167).

The application of the “continuous innovation” step within an EMBA Program can be seen with the selection of faculty and guest speakers that add value to the program. It can also be seen with the international residential as a pedagogical innovation. In addition, it can be applied to the student service area of registration, billing as well as logistical issues within the international trip. The question one must always ask is how can a program keep providing a specific targeted customer experience and how can this experience continually improve. Creatively combining two separate and potentially incompatible themes such as “EMBA Programs and Holistic Living” and benchmarking best practices outside your industry can be two methods to continually innovate the experience (Schmitt, 2007). Always reaching for the most innovative experience possible is what this step is all about.

Conclusions

In closing, positively memorable customer experiences are critical to the success of any business or organization with EMBA Programs being no exception. Managing each customer interface scenario strategically will be difficult but can potentially enhance the overall student experience and program satisfaction. Successful implementation of such a strategy can also potentially build “program enthusiasts” and “product evangelists” which can act as a form of marketing for the program with candidate referrals. Further study in this area is required as to determine the impact of such frameworks on EMBA Programs and how it can elevate the brand and its momentum in the marketplace.

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