

Practical Application and Impact of the Developed Diagnostic Tool in Improving Customer Experience Management Practices and Customer Satisfaction in SMES in Derby

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Abstract

This report investigates the impact of Customer Experience Management (CXM) on the performance and sustainability of small and medium-sized enterprises (SMEs), particularly licensed restaurants in Derby. In an increasingly competitive business environment, where customer experience has become a key differentiator, this study seeks to bridge the gap between theoretical frameworks and practical applications of CXM in the SME context. The research is guided by the aim to develop and validate a diagnostic tool specifically tailored for assessing the effectiveness of CXM systems in SMEs. To achieve this, the study was structured around two key objectives: developing the diagnostic tool, and evaluating its practical application and impact. A comprehensive literature review established the theoretical foundations of CXM, drawing on seminal works such as Lemon and Verhoef's customer journey framework and Homburg et al.'s conceptualization of CXM as a higher-order resource. The review also highlighted the relevance of emerging technologies, such as AI and blockchain, in enhancing CXM strategies. These insights informed the development of the diagnostic tool, which was designed to assess various dimensions of CXM, including customer satisfaction, feedback mechanisms, and the integration of technology. The empirical research involved in-depth interviews with owners of licensed restaurants in Derby, providing valuable insights into the current state of CXM practices. The thematic analysis revealed that while SMEs recognize the importance of CXM, there are significant challenges related to resource constraints, lack of formal feedback systems, and resistance to change. Despite these challenges, the study found that SMEs that invest in CXM—particularly through technology integration and customer feedback mechanisms—are better positioned to achieve customer loyalty and business growth. The diagnostic tool was developed and tested within the SME context, offering a practical framework for assessing and improving CXM practices. The tool's validation demonstrated its effectiveness in identifying strengths and weaknesses in CXM systems, providing actionable insights that can help SMEs enhance their customer experience management. In conclusion, this report has successfully achieved its aim of developing a practical, empirically-grounded diagnostic tool for CXM in SMEs. The research underscores the critical importance of CXM in driving business performance and highlights the need for ongoing investment in CXM strategies, particularly in the areas of technology and customer feedback. The findings have significant implications for SMEs seeking to enhance their competitiveness in an increasingly customer-centric market. Moving forward, SMEs are encouraged to leverage the diagnostic tool, continue refining their CXM practices, and stay attuned to industry trends to meet the evolving needs of their customers.

Keywords: *Diagnostic tools, customer's satisfaction, strategy, feedback, marketing, SMES, restaurants, Derby*

Introduction

In today's highly competitive and consumer-driven marketplace, the success of businesses, particularly in the service sector, hinges on their ability to deliver exceptional customer experiences. This notion is especially profound in the small business industry, where customer experience management (CXM) has emerged as a critical factor in achieving customer loyalty, retention, and ultimately, business growth (Kandampully et al., 2018).

At its core, CXM encompasses the strategies, processes, and practices employed by organisations to design, orchestrate, and monitor customer interactions and journeys across multiple touchpoints and channels (Homburg et al., 2017). For example, in the context of the restaurant industry, CXM involves carefully curating every aspect of the dining experience, from the initial reservation process and ambiance to food quality, service delivery, and post-dining follow-up (Ryu & Han, 2010). By consistently delivering positive and memorable experiences that meet or exceed customer expectations, restaurants can cultivate a loyal customer base, drive positive word-of-mouth, and ultimately, increase profitability (Liu & Jang, 2009).

The importance of CXM in the restaurant industry is further amplified by the rise of social media and online review platforms, which have empowered customers to share their experiences and influence the decision-making processes of potential diners (Duan et al., 2016). A single negative review or complaint can quickly tarnish a restaurant's reputation, making effective CXM a critical factor in managing brand image and perception (Luca, 2011). Conversely, positive customer experiences can serve as powerful marketing tools, attracting new customers and reinforcing loyalty among existing ones (Gremler et al., 2020).

As the central focus of this literature review, CXM within the SMEs encompasses a multitude of interrelated concepts, theories, and frameworks that collectively shape our understanding of this crucial domain. One of the foundational theories underpinning CXM is the service-dominant logic (SDL), which posits that value is co-created through interactions and experiences between service providers and customers (Vargo & Lusch, 2004). This perspective challenges the traditional goods-dominant logic and emphasises the importance of customer engagement, personalization, and continuous value creation throughout the service encounter (Lusch & Vargo, 2014).

Objectives of the study

- i. To develop and validate a diagnostic tool tailored for assessing the effectiveness of CXM systems in SMEs in Derby.
- ii. To evaluate the practical application and impact of the developed diagnostic tool in improving CXM practices and customer satisfaction in SMEs.

Conceptual review

Current State of CXM in Small and Medium Enterprises

The current state of customer experience (CX) in small and medium-sized enterprises (SMEs) is marked by both challenges and opportunities, reflecting a complex landscape where customer expectations and service quality are in constant flux (Abdigali, 2021). On one hand, recent studies such as Forrester's (2024) US Customer Experience Index reveal a concerning trend: the overall quality of customer experience has declined for the third consecutive year, with only 14% of US

companies delivering good CX. This decline, despite substantial investments in CX technologies and strategies, highlights several issues faced by SMEs, including rising customer expectations fuelled by digital transformation, the unintended consequences of automation and AI leading to impersonal interactions, and operational challenges like staffing shortages and supply chain disruptions that negatively impact service quality.

Conversely, other reports paint a more optimistic picture of the state of CX in SMEs. The American Customer Satisfaction Index (ACSI) has observed improvements in customer satisfaction across various industries, particularly in sectors like retail and e-commerce. These gains are attributed to companies that effectively integrate customer feedback and advanced technologies into their operations, enhancing the overall customer experience. Personalization efforts, in particular, have been shown to significantly improve customer satisfaction, with the ACSI findings suggesting a strong correlation between higher satisfaction scores, better technology integration, and a focus on delivering personalised experiences (Fornell et al., 2020).

The discrepancy in CX performance across different sectors further illustrates the varied landscape of customer experience in SMEs. While industries such as retail and e-commerce are making strides in improving customer satisfaction, others, like telecommunications and healthcare, continue to face significant hurdles. These differences underscore the importance of tailoring CX strategies to the specific needs and challenges of each industry. For instance, the ACSI report highlights that companies successfully integrating AI and automation can enhance customer satisfaction, whereas the Forrester report indicates that poor implementation of these technologies can result in impersonal interactions and dissatisfaction.

Research from COPC Inc.'s 2023 Global Benchmarking Series further reveals a gap between customer preferences and organisational strategies in CX management among SMEs. While a significant portion of executives (46%) is shifting towards self-service technologies (SSTs) to handle customer interactions, a majority of customers (53%) still prefer real-time human assistance, which achieves higher customer satisfaction scores (75%) compared to SSTs (55%). This misalignment points to a growing complexity in customer service interactions and a need for better alignment between customer expectations and service delivery methods. The preference for direct, real-time communication, particularly over the phone, suggests that while SSTs have potential, they must be effectively implemented to provide satisfactory resolutions and reduce the need for multichannel interactions.

To bridge these gaps and improve the state of CX, SMEs need to reassess their customer service strategies and invest in more effective technologies. This involves not only enhancing technology integration to better meet both customer and business expectations but also investing in staff training to handle complex issues and maintain high service standards. Regularly collecting and acting on customer feedback can help SMEs identify pain points and areas for improvement, ensuring a consistent and positive experience across all customer touchpoints.



Figure 1: Customer Experience Management
Source: Screver (2023)

2.3 Diagnostic Testing and Customer Experience Management (CXM)

In the pursuit of delivering exceptional customer experiences and maintaining a competitive edge, businesses across various industries have increasingly recognized the importance of diagnostic testing. This systematic approach to identifying strengths, weaknesses, and areas for improvement plays a crucial role in enhancing customer experience management (CXM) strategies.

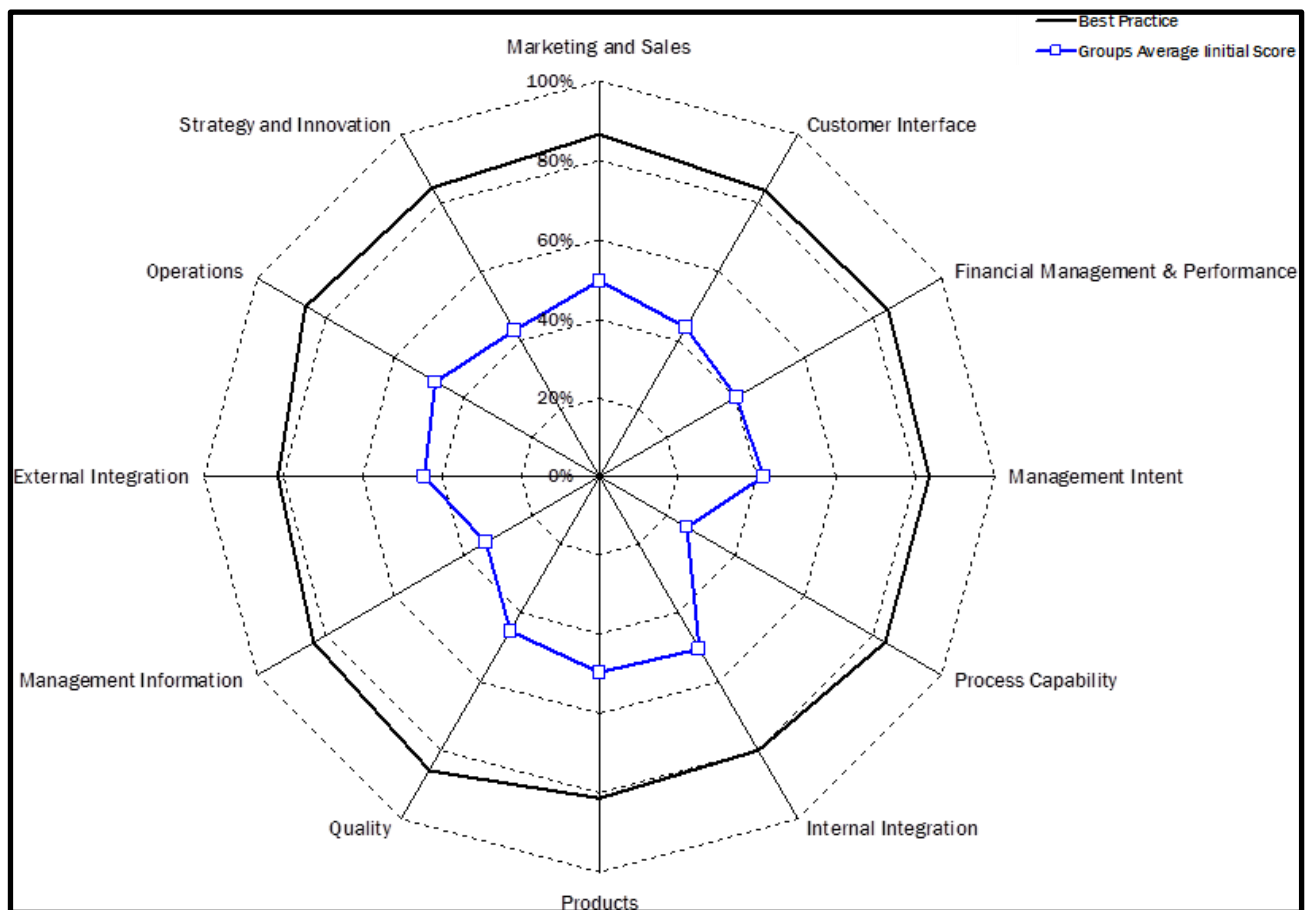
Overview of Diagnostic Testing and its Importance in Business

Diagnostic testing refers to the process of assessing and evaluating the current state or performance of a particular system, process, or aspect of a business. It involves gathering data, analysing it, and identifying areas that require attention or improvement. This proactive approach allows businesses to pinpoint potential issues or inefficiencies before they escalate, enabling timely interventions and targeted solutions.

In the context of CXM, diagnostic testing is essential for understanding and addressing gaps between customer expectations and the actual experiences delivered by a business. By systematically assessing various touchpoints, processes, and interactions that contribute to the overall customer experience, organisations can identify pain points, bottlenecks, or areas of dissatisfaction (Gilman & Salder, 2020).

Application of Diagnostic Testing in Small and Medium Enterprises

As reviewed by Mazzaroll (2014), the management development program undertaken by Centre for Entrepreneurial Management and Innovation (CXMI) in 2005 with 21 small business owner-managers used the diagnostic tool as a pre-test and post-test evaluation measure. Figure 3 shows the “before and after” scores on the diagnostic with the initial scores displayed in green and the follow-up scores in blue. It can be seen that the initial scores were generally quite low across all measures. By contrast the follow-up scores displayed a significant improvement in the performance of these firms. There were many factors that influenced this. The diagnostic tool was not the primary factor in these improvements, its role was to provide a starting point for the owner-managers to identify where within their firms changes or improvements were needed. With this “benchmarking” as a starting point, the owner-managers were able to work with their mentors (business consultants who met with the owners outside of the management development course in small groups and one-to-one counselling and coaching sessions), on business improvement activities. The course also helped the owner-managers by providing them with information and concepts that they could take back and apply into their firms.



Post-course evaluations undertaken with the owner-managers indicated that 11 new employees had been hired by the participating firms as a result of the program. Furthermore, 40% of the

owner-managers reported a significant increase in sales over the period covered by the program, with 30% reporting having weeded out poor or “dog” customers, 20% having experienced significant improvements in their profitability and 10% having experienced significant reductions in costs. All owner-managers reported experiencing a significant improvement in their strategic focus and general sense of direction as a direct result of undertaking the program (Mazzarol, Reboud and Olivares 2006).

Benefits and Limitations of Diagnostic Testing in CXM

The primary advantage of diagnostic testing in CXM is that it creates valuable information to inform managers’ decisions. From this critiquing customer relations and feedback, firms are able to determine areas where expectations do not meet real-life experiences, and from which improvements can be made. For instance, small design and usability problems can be identified in the user interface of a given website or mobile application, call for diagnostic testing prior to design improvements that will work well in realising the expected satisfaction levels among the end users. In addition, diagnostic testing in Contextual Economics and Management is useful in the differentiating of customers’ experiences. Moreover, identification of customers’ needs and their behaviours allows organisations to adapt their products and services, as well as their promotional campaigns to specific segments, thus extending the customers’ interest and devotion (Gahler et al., 2023). This is especially the case in markets that are rather saturated because one of the ways to stand out from the competition is to provide optimised customer service. Research has indicated that organisations that adopted diagnostic testing for enhancing the processes associated with customer experience will gain enhanced levels of customer loyalty, customer brand identification, and total satisfaction key performance indicators (Rane et al., 2023).

Nonetheless, there are some limitations that must be taken into account in relation to diagnostic testing in CXM. This is however accompanied by some limitations and one of them is that it may lead to wrong interpretations of the results obtained. However, if the collected data are analysed improperly, it will be followed by improper conclusions which in turn lead to improper strategies to meet needs or preferences of the customers (Sallis et al., 2021). Moreover, diagnosis is costly, time-consuming, and may require a lot of resources to undertake sound and effective diagnostic tests in clinical, laboratory or otherwise. For the small business units or the organisations that may not have enough capital, this may be a major disadvantage. In addition, constantly checking may prompt survey fatigue amongst customers, thus decreasing the number of responses received and the quality of the feedback received meaning that the results may not be representative and the value of information obtained is greatly reduced.

Overview of Chosen Organisations

Small and medium enterprises remain the point of focus of this study. SMEs are typically defined by their size, specifically the number of employees, annual turnover, or balance sheet totals. While definitions vary across countries and organisations, the European Union (EU) categorises SMEs as businesses with fewer than 250 employees and an annual turnover not exceeding €50 million, or a balance sheet total not exceeding €43 million (European Commission, 2020). In contrast, the United States Small Business Administration (SBA) defines SMEs based on industry-specific

standards, often considering firms with fewer than 500 employees as small businesses (U.S. Small Business Administration, 2021). Despite these variations, the commonality in definitions lies in the relative size and scope of operations compared to larger enterprises.

Delta Swan is a Customer Experience Consultancy, supporting SMEs and small corporations as they learn more about their customers, adapt to meet customer needs and deliver the benefits enjoyed by all businesses that manage customer experience. Building Voice of the Customer processes, deep diving into customer personas, value propositions, and mapping the customer experience are just a few of the activities Delta Swan leads in to identify opportunities to delight more customers.

Many businesses know they have great products and services. So, they struggle to understand, let alone fix, customer dissatisfaction. When this happens, issues remain unresolved and repeat, decreasing satisfaction until customers leave. Delta Swan as an organisation, creates tailored plans to fix, improve and transform CX, teaching your team and helping them to build new capabilities and a culture that supports the customer. They also display how to create new products, services and touchpoints to deliver the best possible Customer Experience for the first time. True to their principles, they listen, understand your needs and build tailored hands-on-support and mentoring. Extra benefits involves getting the support of an experienced leader, who brings a can-do energy and inspires people to embrace different points of view and act with intent, digging deep to understand what you need and create the right outcome, working collaboratively to engage, excite and motivate your team, defining opportunities, building solutions and taking action to enhance your CX and deliver lasting business performance and recognising and responding to the ideas and concerns of all stakeholders to ensure we leave everyone happier.

Methodology

The study employs a qualitative monomethod approach, focusing on in-depth, semi-structured interviews with two SME owners. This methodology is grounded in the interpretivist paradigm, which emphasises the subjective nature of reality and the importance of understanding phenomena through the perspectives of research participants (Saunders et al., 2019).

Research Design

Qualitative Research

The study adopts a qualitative research design, which is particularly well-suited for exploring complex social phenomena such as customer experience management in SMEs. Qualitative research, as described by Denzin and Lincoln (2018), allows for an in-depth exploration of individuals' perspectives, experiences, and the contexts in which they operate. This approach aligns with the study's aim to understand the nuanced ways in which SME owners conceptualise and implement CXM strategies.

The choice of a qualitative design is further justified by the exploratory nature of the research questions. As Patton (2015) argues, qualitative methods are particularly useful when the goal is to uncover new insights and develop a rich understanding of a phenomenon, rather than testing pre-existing hypotheses. In the context of CXM in SMEs, where practices may vary significantly based

on individual business contexts, a qualitative approach allows for the flexibility to explore unexpected themes and adapt the inquiry as new insights emerge.

Moreover, the qualitative design aligns with the interpretivist paradigm underpinning this study. Interpretivism, as explained by Bryman (2016), emphasises the subjective nature of social reality and the importance of understanding phenomena through the eyes of participants. This perspective is particularly relevant when studying CXM practices, as it allows for an exploration of how SME owners interpret and give meaning to their customer interactions and management strategies.

Semi-Structured Interviews

Within the qualitative framework, semi-structured interviews have been chosen as the primary data collection method. Semi-structured interviews, as defined by Kvale and Brinkmann (2015), are a versatile method that combines predetermined questions with the flexibility to explore emerging themes and ideas. This approach allows for a balance between consistency across interviews and the ability to delve deeper into individual experiences and perspectives.

The choice of semi-structured interviews is particularly appropriate for this study for several reasons. Firstly, as noted by Galletta (2013), semi-structured interviews are well-suited for exploring complex topics where the researcher wants to understand not just what participants do, but also why they do it. This aligns with the study's aim to uncover the rationale behind SME owners' CXM practices. Secondly, the flexibility of semi-structured interviews allows for the exploration of unexpected themes that may arise during the conversation, potentially leading to new insights about CXM in SMEs (Rubin and Rubin, 2011).

Moreover, semi-structured interviews provide an opportunity for the researcher to build rapport with participants, which is crucial when discussing potentially sensitive business practices. As King et al. (2018) argue, this rapport can lead to more open and honest responses, enhancing the depth and quality of the data collected.

Data Collection Plan

Interview Guide Development

The development of a robust interview guide is crucial for ensuring that the semi-structured interviews yield rich, relevant data. As Kallio et al. (2016) argue, a well-constructed interview guide helps maintain focus on the research questions while allowing for flexibility to explore emerging themes. The interview guide for this study will be developed through a rigorous process involving several key steps.

Firstly, a comprehensive literature review was conducted to identify key themes and concepts related to CXM in SMEs. This review will draw on academic journals, industry reports, and relevant theoretical frameworks to ensure a broad and up-to-date understanding of the field. As noted by Brinkmann and Kvale (2015), grounding the interview questions in existing literature helps ensure their relevance and theoretical significance.

Secondly, the research questions and objectives was carefully reviewed to ensure that the interview guide directly addresses the study's aims. Each question in the guide was mapped to specific research objectives, ensuring comprehensive coverage of all relevant aspects of the study.

Thirdly, the questions were formulated using open-ended language to encourage detailed, reflective responses from participants. As recommended by Patton (2015), the questions was designed to elicit descriptions of experiences, opinions, and behaviours related to CXM practices. For example, instead of asking "Do you use customer feedback?", the guide might include a question like "Can you describe how you gather and use customer feedback in your business?"

The interview guide was structured into several key sections:

1. Introduction and background: This section included questions about the participant's business, their role, and their general approach to customer management. For example:
 - Can you tell me about your business and your role within it?
 - How would you describe your overall approach to managing customer relationships?
2. Context-specific questions: Given the unique setting of SMEs within a university environment, this section explores how this context influences CXM practices:
 - How does operating within a university environment affect your approach to customer experience management?
 - Are there any unique opportunities or challenges related to CXM that arise from your university-based setting?
3. Reflection and future outlook: The final section encourages participants to reflect on their CXM journey and consider future directions:
 - How has your approach to customer experience management evolved over time?
 - What do you see as the future of CXM for your business?

Analysis Approach

Thematic Analysis

The primary analytical approach for this study is thematic analysis, as outlined by Braun and Clarke (2006). Thematic analysis is a flexible method that allows for the identification, analysis, and reporting of patterns (themes) within data. This approach is particularly well-suited to the exploratory nature of this study, as it allows for both inductive and deductive approaches to theme development.

The thematic analysis process follows Braun and Clarke's six-phase approach:

1. Familiarisation with the data: This involves immersing oneself in the data through repeated reading of the transcripts and listening to the audio recordings. As emphasised by Nowell et al. (2017), this phase is crucial for developing a deep understanding of the data's breadth and depth.

2. Generating initial codes: In this phase, the researcher will systematically code interesting features across the entire dataset. As recommended by Saldaña (2021), a combination of descriptive coding (summarising the topic of a passage) and in vivo coding (using participants' own language) will be employed to capture both the content and the nuanced expressions of participants.

3. Searching for themes: This phase involves sorting the different codes into potential themes and collating all the relevant coded data extracts within the identified themes. As noted by King and Brooks (2018), this process is iterative and may involve creating thematic maps to visualise relationships between codes and potential themes.

4. Reviewing themes: The themes will be checked in relation to the coded extracts and the entire data set. This process, as described by Fereday and Muir-Cochrane (2006), ensures that the themes are coherent, distinct, and reflective of the data.

5. Defining and naming themes: This phase involves refining the specifics of each theme and generating clear definitions and names for each theme. As emphasised by Braun and Clarke (2019), the names and definitions should capture the essence of what each theme is about and how it relates to the overall story the analysis tells about the data.

6. Producing the report: The final phase involves the selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, and producing a scholarly report of the analysis.

Throughout this process, the researcher will use NVivo software to facilitate the organisation and analysis of the data. As noted by Bazeley and Jackson (2013), NVivo can enhance the rigour of the analysis by providing tools for systematic coding, theme development, and data visualisation.

Comparative Analysis

Given the study's focus on two SME owners, a comparative analysis was conducted to identify similarities and differences in their CXM approaches. This comparative approach, as described by Eisenhardt (1989), allows for the exploration of how different contexts and individual factors might influence CXM practices.

The comparative analysis will involve:

1. Exploring potential explanations for the identified patterns, drawing on both the participants' own explanations and relevant theoretical frameworks from the literature.
2. Developing cross-case conclusions that provide insights into the range of CXM practices in SMEs within the University of Derby context.

Data Analysis

Introduction

This thematic analysis is based on interviews conducted with two senior members from different SMEs, both of whom operate in distinct sectors: one in software development and education and the other in the food industry. The analysis aims to identify and explore key themes related to customer experience management (CXM) practices within these organisations. The analysis is structured around four primary themes, each comprising two sub-themes, providing a detailed exploration of the interview data.

Coding Table

Theme	Sub-Theme 1	Sub-Theme 2
Challenges in CXM	Resource Constraints	Resistance to Formal CXM Processes
Future Directions for CXM	Investment in Technology	Focus on Customer Feedback

Theme One Challenges in CXM

The third theme explores the challenges faced by SMEs in implementing effective CXM practices. Both interviews revealed significant obstacles, including resource constraints and resistance to formalising CXM processes.

Resource Constraints

Resource constraints were identified as a major challenge by both SMEs, though the nature of these constraints varied. For the software company, the challenge lies in balancing the need to provide high-quality customer support with the limitations of their current staff and budget. The interviewee noted that while they have a dedicated customer success team, there are always more initiatives they would like to pursue than they have the resources to implement. This includes investing in additional training for support staff and expanding their capacity to handle customer inquiries.

In the food industry SME, the primary resource constraint is time. The interviewee highlighted that their small team is stretched thin, managing day-to-day operations while also trying to enhance the customer experience. The lack of formal CXM processes is partly a result of these resource limitations, as the company prioritises immediate business needs over longer-term strategic initiatives. The interviewee also mentioned that the Managing Director's reluctance to invest in formal feedback mechanisms is influenced by the perception that the company is already doing well enough without them.

Resistance to Formal CXM Processes

Resistance to formalising CXM processes was a recurring theme in the interviews, particularly in the food industry SME. The Managing Director's scepticism about the value of structured feedback systems and formal training programs has led to a reliance on informal, ad-hoc approaches to managing customer experience. This resistance is partly rooted in a belief that the company's existing practices are sufficient and that additional processes might be intrusive or burdensome for customers.

The software company also faces some resistance to formalising CXM processes, though this is less pronounced. The interviewee acknowledged that while they have made significant strides in developing formal CXM strategies, there is still room for improvement, particularly in how they train their staff and measure the effectiveness of their efforts. However, the company's leadership is generally supportive of these initiatives, recognizing their importance for long-term success.

Theme Two: Future Directions for CXM

The final theme addresses the future directions for CXM in these SMEs, focusing on potential investments in technology and the ongoing importance of customer feedback.

Investment in Technology

Both interviewees expressed a desire to further integrate technology into their CXM practices, though their approaches and priorities differ. The software company plans to continue investing in their CRM systems and other tools that help them monitor and improve customer experience. They see technology as a key enabler of their CXM strategy, allowing them to scale their operations and maintain high levels of customer satisfaction as they grow.

The food industry SME, while less advanced in its use of technology, also recognizes the potential benefits of investing in new tools and systems. The interviewee mentioned the possibility of developing better online resources to support their customers, such as detailed product guides or interactive tools that could help chefs use their ingredients more effectively. However, these investments are contingent on overcoming internal resistance and securing the necessary resources.

Focus on Customer Feedback

Looking forward, both SMEs see customer feedback as critical to their future success, though their methods of gathering and using this feedback may evolve. The software company plans to continue refining their feedback mechanisms, possibly incorporating more real-time data collection and analysis tools to gain deeper insights into customer needs and preferences.

For the food industry SME, the future focus is likely to involve finding ways to gather feedback that are less intrusive and more aligned with their customers' needs. The interviewee expressed interest in exploring low-impact methods of collecting feedback, such as brief surveys or automated follow-ups that do not disrupt their customers' busy schedules. However, this will require a shift in mindset and possibly some experimentation with different approaches to see what works best.

Discussion of findings

One of the most striking aspects of the interviews was the recognition of CXM as a strategic tool for customer retention and business growth. The owner of the software development company emphasised that "the most important thing that we do from a point of view of our business model is recurring revenue streams. If we don't keep customers happy, they don't renew." This statement directly aligns with the literature, where customer experience is often linked to customer loyalty and repeat business, as highlighted by Homburg et al. (2017), who describe CXM as a higher-order resource essential for sustaining competitive advantage.

In contrast, the owner of the food industry SME expressed a more informal approach to CXM, driven by a belief in the inherent value of their products and services. He noted, "We think we have a good understanding of the customer experience... She [the Managing Director] thinks that customers would tell us if there was a problem." This perspective reflects a reliance on tacit knowledge and personal relationships rather than formalised feedback mechanisms. While this approach may be effective in the short term, it contrasts with the more structured models of CXM, such as the customer experience journey framework proposed by Lemon and Verhoef (2016), which emphasises the need for systematic management of customer interactions across multiple touchpoints.

The integration of technology into CXM practices was another area where the two SMEs diverged. The software company owner detailed their use of various tools, including a CRM system that tracks customer engagement and usage patterns. He explained, "We manage the whole process internally through our own software, so we have full control over the changes that we do." This approach is consistent with the service-dominant logic (SDL) framework, which Vargo and Lusch (2004) argue supports value co-creation through continuous customer interaction and feedback. The use of technology in this context enhances the company's ability to respond quickly to customer needs, thereby fostering long-term relationships.

Conversely, the food industry SME has been slower to adopt technological solutions for CXM. The owner admitted, "We don't do any customer experience measurement at all... The Managing Director doesn't think it would be a worthwhile exercise." This hesitation to invest in CXM technology may limit the company's ability to effectively capture and act on customer feedback, a gap that could potentially hinder their ability to adapt to changing customer expectations. This reluctance contrasts with the recommendations in the literature, where technology is seen as a crucial enabler of effective CXM, particularly in rapidly evolving markets (Sharma et al., 2021).

Finally, the challenges identified by the SME owners, such as resource constraints and resistance to formal CXM processes, echo findings in the literature that highlight the difficulties SMEs face in implementing comprehensive CXM strategies (Nekesa, 2020). These challenges suggest a need for more tailored CXM frameworks that account for the unique constraints of SMEs while still enabling them to leverage customer experience as a competitive differentiator.

In conclusion, the findings from this study reinforce the critical importance of CXM in SMEs, while also highlighting significant variations in how it is perceived and implemented. These differences underscore the need for more nuanced approaches to CXM that are adaptable to the specific contexts and resource limitations of SMEs. The integration of theoretical models with practical insights from SME owners provides a deeper understanding of the complexities involved in managing customer experience in small business settings.

Conclusion

This report has explored the critical role of Customer Experience Management (CXM) in small and medium-sized enterprises (SMEs), with a specific focus on licensed restaurants in Derby. Through a combination of theoretical analysis and empirical research, the study has demonstrated that CXM is an indispensable tool for enhancing customer satisfaction, loyalty, and business performance. The development and validation of a diagnostic tool tailored for SMEs provided practical insights into current CXM practices, challenges, and opportunities. By integrating emerging technologies and fostering a customer-centric culture, SMEs can significantly improve their CXM strategies, thereby securing a competitive advantage in a rapidly evolving market. The findings underscore the need for SMEs to continuously invest in CXM, particularly in areas such as staff training, feedback mechanisms, and technology integration. Moving forward, SMEs should focus on refining their CXM practices, leveraging the diagnostic tool to identify areas for improvement, and staying abreast of industry trends to meet the evolving expectations of their customers.

Recommendations (Business Case Model)

Based on the findings discussed above, a comprehensive set of recommendations is proposed using a business case model.

The first recommendation addresses the integration of advanced technologies. The findings indicate interest in and potential benefits from integrating advanced technologies into CXM practices. A phased implementation of AI and IoT technologies in customer service and experience management is recommended. This approach would enhance personalization of customer experiences, improve efficiency in customer service processes, and provide better data collection and analysis for CXM strategies. While initial costs may be high due to technology acquisition, implementation, and staff training, the long-term benefits in terms of improved customer experiences, operational efficiency, and data-driven decision-making are expected to provide significant returns.

The final recommendation suggests a balanced approach to human and technological interaction. The findings revealed a preference among customers for human interaction alongside technological solutions. It is recommended to develop a hybrid model of customer service that

combines self-service technologies with readily available human assistance. This approach would improve customer satisfaction by catering to diverse preferences, allow for efficient resource allocation in customer service, and enhance the ability to handle complex customer issues. Although there are costs associated with developing integrated service platforms, training staff in both technological and interpersonal skills, and ongoing system maintenance, this balanced approach is expected to lead to higher customer satisfaction rates, potentially increasing customer loyalty and positive word-of-mouth, ultimately contributing to business growth.

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