

CUSTOMER EXPERIENCE STRATEGY: GET IT RIGHT TO DRIVE SUCCESS

November 2016

Customer experience management is a top priority for almost all modern organizations. However, many fail in accomplishing desired results due to lack of focus. This document will highlight several best practices companies must put in place when designing and executing a top-notch customer experience strategy.



Forget chance. You need the right strategy combined with proper execution to succeed in managing customer experiences.

Did you know that 29% of businesses still don't have a coherent definition of customer experience management throughout their organization?

This means that almost one out of three organizations haven't yet defined the core values and activities necessary to create and nurture successful customer relationships. Indeed, this is echoed by 25% of firms still lacking a formal customer experience management (CX) program within their business plan. Put together, these findings shows that many businesses risk embarking on a long-journey with no map – and even worse, with no intended destination.

The good news is that Aberdeen's November 2016 [*The Customer Experience Value Chain: Paving the Way to Advocacy*](#) study highlights several key activities companies must follow in order to design and execute a top-notch customer experience strategy. Before we delve into these best practices, let's look at how these activities influence organizational success. In other words, why you should make these activities a key part of your CX strategy development and reassessment activities?

The sidebar on the next page shows five key performance indicators (KPIs) Aberdeen used to gauge organizational success in

In Aberdeen's May 2016 study, *CX Executive's Agenda 2016: Aligning the Business Around the Customer*, we used five performance metrics to separate participants into two cohorts:

- Best-in-Class: Top 20% of respondents based on performance
- All Others: Bottom 80% of respondents

The performance metrics used as part of this analysis, and the respective results for both cohorts in each category, are as follows:

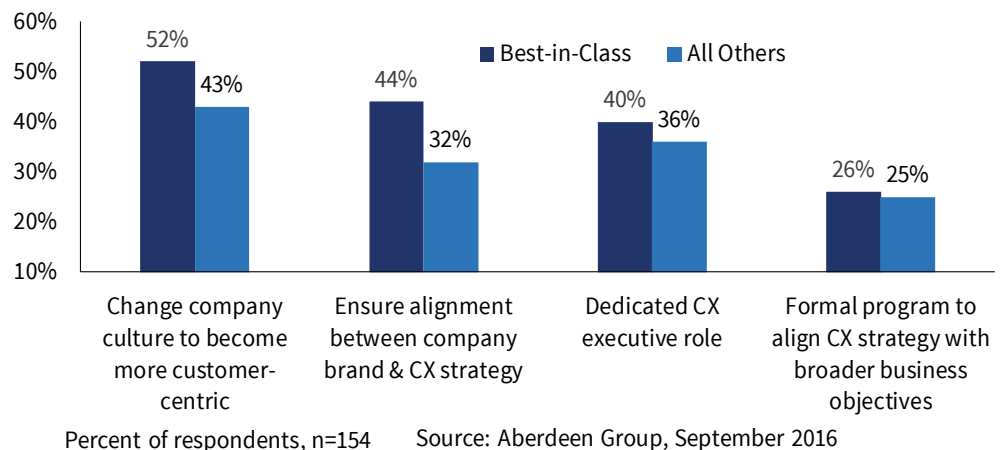
- Customer retention rate:
Best-in-Class: 85%
All Others: 40%
- Year-over-year change in customer satisfaction rate:
Best-in-Class: 37.4%
All Others: -0.8%
- Year-over-year change in annual company revenue:
Best-in-Class: 35.4%
All Others: 7.7%
- Year-over-year improvement in response time to customer requests:
Best-in-Class: 32.0%
All Others: 3.6%
- Year-over-year change in average customer profit margin:
Best-in-Class: 18.2%
All Others: 2.9%

CX. These KPIs are broken into two categories: 1. Success in meeting and exceeding customer expectations, and 2. Enhancing financial results. Best-in-Class firms outpace their peers across KPIs in both categories. This means that the tactics they use to establish and nurture CX strategies deliver results. Let's now take a closer look at the foundational elements needed to design and execute a successful CX strategy.

How to Pave the Way for Happier Customers & Increased Revenue?

The findings within *The Customer Experience Value Chain* study provide a framework companies should follow to successfully navigate customer journeys and drive advocacy. Observations from this report reveal that Best-in-Class firms use a distinct set of activities when designing a top-notch strategy and another set of activities when implementing it. Figure 1 illustrates several capabilities associated with top performance.

Figure 1: Develop the Right Strategy



As depicted above, Best-in-Class firms ensure weaving company culture within their CX activities. This is crucial, as changing the company culture to become more customer-centric requires organizations to first determine what customer-centricity means for the broader firm, and then to communicate with all stakeholders on what it means on a departmental and even

25%

of companies still don't have a formal definition of CX. Get the basics right to lay the foundation to achieve continuous improvements.

individual level. It's important to note that a CX program can't be considered as a siloed initiative. Rather, companies must ensure that their general business objectives and the overall company brand is aligned with the CX strategy. This helps companies minimize the risk of conflicting priorities and sets a clear course for the business (and their employees) on serving customers to accomplish company objectives.

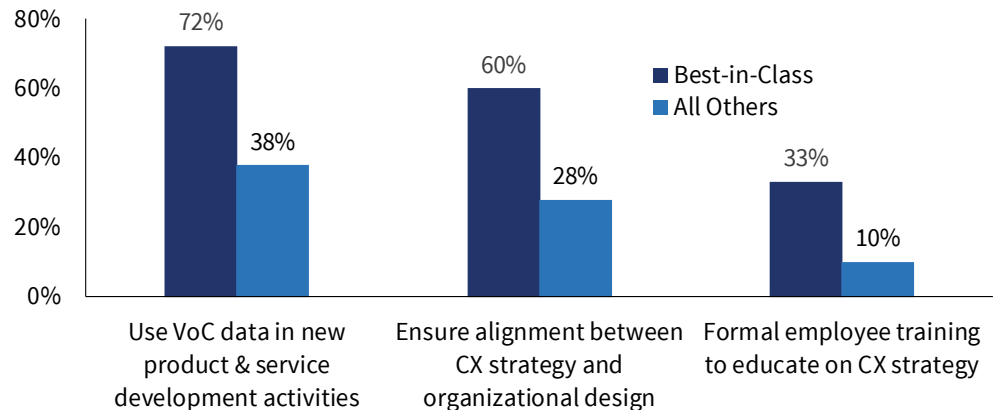
One of the challenges companies face when building a CX strategy is getting organizational buy-in. Specifically, illustrating a business case on how a formal CX program would impact company results. To overcome this objective, we recommend first determining the top priorities within the business plan and then identifying how a CX program would facilitate achieving these objectives. For example, if growing top-line revenue is an objective, companies should use the revenue lift they can reasonably attribute to CX programs to justify how expanding monetary (and non-monetary) resources would help accomplish this goal. To this point, the CX value chain report highlights several analytical tools companies can use to conduct such forecasts when building a business case.

Another important reminder companies must keep in mind when designing their CX strategy is incorporating governance frameworks as part of planning activities. This refers to external regulations, such as [PCI-DSS](#) or [HIPAA](#), that influence organizational activities. It also refers to internal regulations on how a business must operate, including legal framework and brand compliance.

The activities noted thus far help companies design a top-notch CX strategy aligned with their business objectives. However, this strategy needs to be implemented to achieve desired results. Figure 2 on next page shows several capabilities Best-in-Class firms use to bring their CX strategy to life. First among those is organizational design. This refers to identifying how each employee (even third-party partners) contribute to CX strategy results. By doing so, companies can train each employee on their

precise role in impacting CX results – an activity adopted far more widely by the Best-in-Class, than All Others (33% vs. 10%).

Figure 2: Bring Your Strategy to Life



Percent of respondents, n=154

Source: Aberdeen Group, September 2016

Employees create customer experiences. Don't ignore the importance of training them on the importance of customer-centricity and providing them with the right tools and knowledge they need to do their jobs.

Identifying the role of each employee in contributing to CX program results also allows adjusting the organizational structure if changes need to be made to accomplish CX objectives. Figure 2 shows that Best-in-Class firms are far more likely to have this capability, compared to All Others (60% vs. 28%). These top performers are also 11% more likely to have a dedicated executive role responsible from overseeing the CX strategy design and implementation (40% vs. 36%).

It's worth noting that larger firms (in both headcount and revenue) are more likely to establish a dedicated CX executive role. While some smaller firms also have similar roles, many smaller organizations add this responsibility to an existing role such as the CMO or VP of Customer Care. Some also establish cross-departmental groups where a team executives collectively work on designing and implementing the CX strategy.

Organizational design is important, however it must be supported by process and data management activities to achieve desired results. Specifically, companies must empower employees with the ability to easily access relevant insights to do their job. This means streamlining customer data flows throughout the business

and ensuring seamless integration across disparate systems to build a unified view of numerous customer journeys. This, in turn, provides employees with vital insights such as customer preferences and allows the design of products and services to better meet buyer needs. As depicted in the above figure, top performers are 89% more likely to have this capability in place, compared to All Others (72% vs. 38%).

Key Takeaways

Companies can no longer rely on solely their products or services to differentiate. Customer experiences have become a true differentiator for businesses across almost all industries and of all sizes. However, customer experiences don't happen by themselves. To achieve desired outcomes, companies must first determine the top objectives driving their business plans. This will then allow organizations to determine how the CX strategy will help accomplish these results.

Once the right strategy is developed, this strategy must then be executed flawlessly. The Best-in-Class once again paved the way in this area. They build the right organizational structure allowing to execute the activities outlined by their CX strategy, empower employees with timely and relevant insights, and regularly measure their performance to ensure their strategy is indeed producing desired results. If you have a CX program in place but don't have any or some of these capabilities, then we highly recommend you to incorporate them within your activities. If your company is recently embarking on the journey to develop a CX strategy, then following the recommendations in this document will help you truly maximize your investments in this area.

Regularly measure your performance to ensure your CX strategy is delivering the intended results.

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About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Waltham, MA.

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