

THE CUSTOMER EXPERIENCE VALUE CHAIN: PAVING THE WAY TO ADVOCACY

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Report Highlights

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Best-in-Class firms retain 51% more of their clientele year over year

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Best-in-Class firms improve (decrease) service costs by 21.2% year over year

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Best-in-Class companies are 3.3-times more likely to use analytics in VoC programs

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Best-in-Class firms are more than three times as likely to train employees on CX strategy

Customer experiences are dynamic; they evolve with each interaction between the company and a customer. Every customer relationship, and any effort put into managing these relationships, forms a value chain that should ultimately result in a positive customer experience, driving customer loyalty and advocacy. This report will provide a detailed look into the customer experience value chain, its building blocks, and how companies can successfully manage it to achieve Best-in-Class results.

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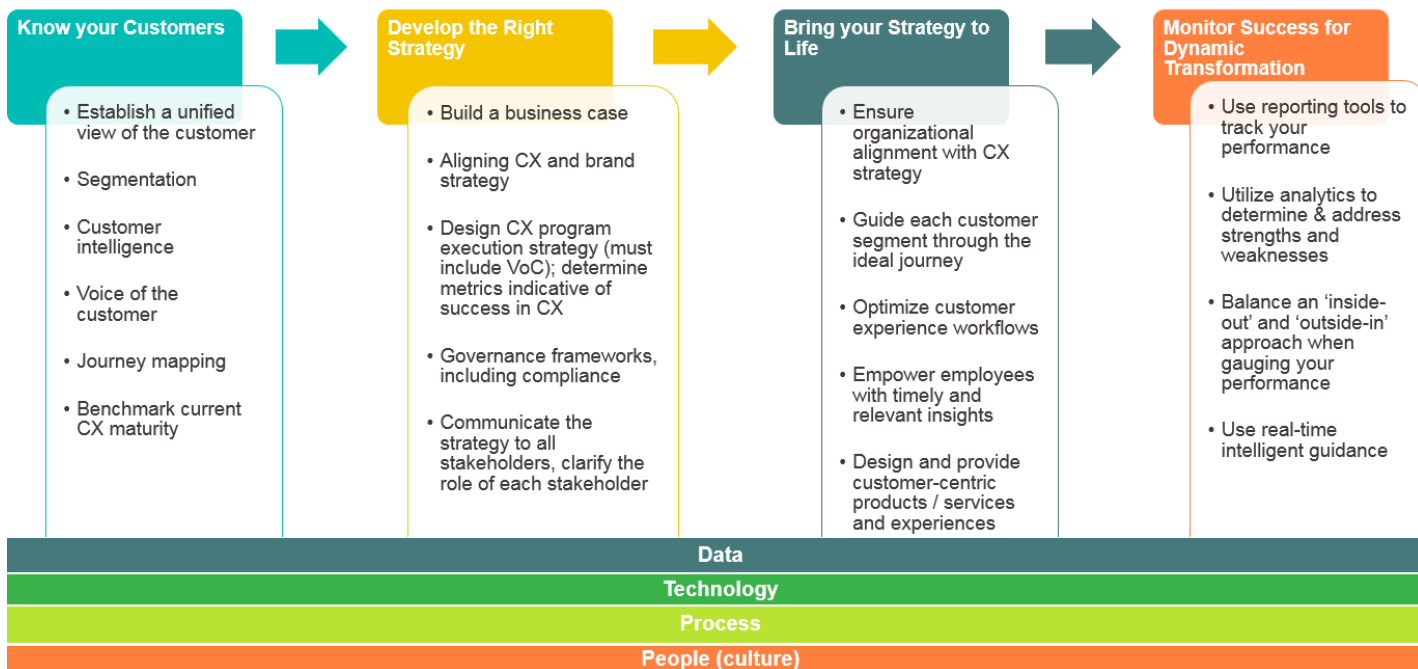
Customer experience is the only remaining factor differentiating successful firms from others. Achieving success in this area requires building a chain of activities that provide value to customers and your company.

A Detailed Look into the CX Value Chain

The term “customer experience” (CX) has different meanings to different businesses. For some, a focus on customer experience is ingrained in the hearts and minds of employees and reflected in their activities. For others, CX is just another trend that they believe has little to do with their business. Companies in the latter category couldn’t be more wrong.

The changing landscape of customer interaction means that businesses today must establish a formal approach to defining and managing CX programs. Figure 1 illustrates four crucial steps companies must take in order to maximize customer advocacy and loyalty, steps that should result in the ability to meet and exceed buyer needs, retain and expand wallet share, and improve overall financial results.

Figure 1: What is the CX Value Chain?



Source: Aberdeen Group, September 2016

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Aberdeen's May 2016 study, "CEM Executive's Agenda 2016: Aligning the Business Around the Customer," used five performance metrics to divide respondents into two cohorts:

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

The performance metrics used, and the respective results for both categories, are as follows:

Customer retention rate:

Best-in-Class: 86%
All Others: 57%

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%

The four steps, or building blocks, outlined in figure 1 are meant to be followed in order. However, the reality is that many organizations might already have some or most of the capabilities listed without having followed this schema. That shouldn't ring alarm bells. Rather, if this is the case, it indicates that these organizations have already started taking the right steps towards managing the CX value chain. Nevertheless, organizations must complete all the steps in order to yield maximum results.

If we were to think of the four building blocks as the bricks one should use to build strong CX programs, the four bars at the bottom of Figure 1 represent the mortar that will hold the house together.

The Four Building Blocks of a Best-in-Class CX Value Chain

Let's now take a closer look at the four building blocks that form the CX value chain and how the ingredients discussed thus far help companies achieve Best-in-Class results – see sidebar.

1. Know Your Customers

The first step in the CX value chain is gaining visibility into current and potential customers.

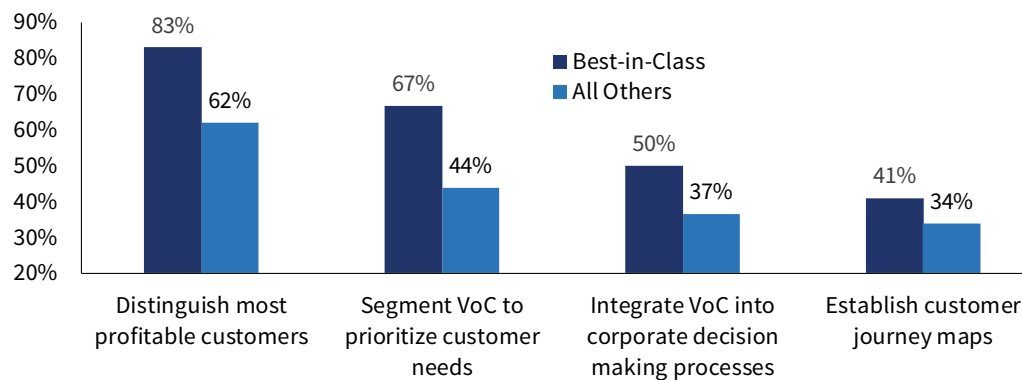
- What do your customers want, think, feel, and need?
- Who are your best customers?
- What do your customers expect, and how well do you deliver?
- Is the customer satisfied, loyal or an advocate?

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- Which channels does the customer prefer to use when interacting with the business?

Figure 2 illustrates the activities Best-in-Class firms (see sidebar) use to establish visibility into buyer needs and behavior.

Figure 2: Establish Deep Visibility into Customer Behavior & Expectations



Percent of respondents, n=154

Source: Aberdeen Group, September 2016

Definition: Voice of the Customer (Voc)

For the purposes of this research, Aberdeen defines VoC as a formal organizational program where companies use a mix of processes and technologies (e.g. online surveys and IVR surveys) to capture customer feedback and sentiment data.

Segmenting the customer base is among the top capabilities companies use to gain visibility into customer needs and behaviors. It involves breaking up current and potential buyers into distinct groups by specific psychographic, demographic, and financial criteria including age, geography, purchase history, and total spend. Figure 2 shows that Best-in-Class firms are 34% more likely than All Others (83% vs. 62%) to segment their customer base based on profitability. This means comparing total customer spend to the cost of serving that customer. Companies use such insights to identify top accounts, the accounts that they will work hardest to retain and grow.

Companies also use segmentation to analyze data collected through voice of the customer (VoC) programs (see sidebar). Analyzing customer satisfaction scores gathered through VoC programs, for example, allows companies to identify particularly satisfied customers. Based on such segmentation, companies can

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then use business intelligence (BI) to reveal the common characteristics across these buyers. This analysis is invaluable as it can reveal the top factors influencing customer sentiment within specific segments. Best-in-Class firms are 52% more likely than All Others to segment their VoC data (67% vs. 44%).

Top-performing organizations also analyze customer journeys (both behavior and sentiment) as a way to better understand their buyers. This involves utilizing analytics to build customer journey maps that reveal the typical path customers in specific segments follow when interacting with the business. For example, journey maps might reveal that consumers looking to purchase a new laptop often visit a third-party commerce site, such as Amazon or eBay, first to read user reviews and get educated on different alternatives. The journey map might then show that buyers subsequently visit a manufacturer's website (e.g. Apple, Microsoft, or HP) to get details on specific laptops, terms of financing, and so on. The consumer might then engage in a live chat session on the company website to get further details. Ultimately, if the consumer is still interested, they might then visit a physical location to see a laptop and purchase it there.

Meanwhile, a different consumer looking to purchase a laptop from the same manufacturer might not use live chat as part of the journey at all, preferring instead to visit a third-party store. In other words, journey maps allow companies to determine the paths various buyers tend to follow. This, in turn, helps companies tailor their activities to better manage the steps in each journey.

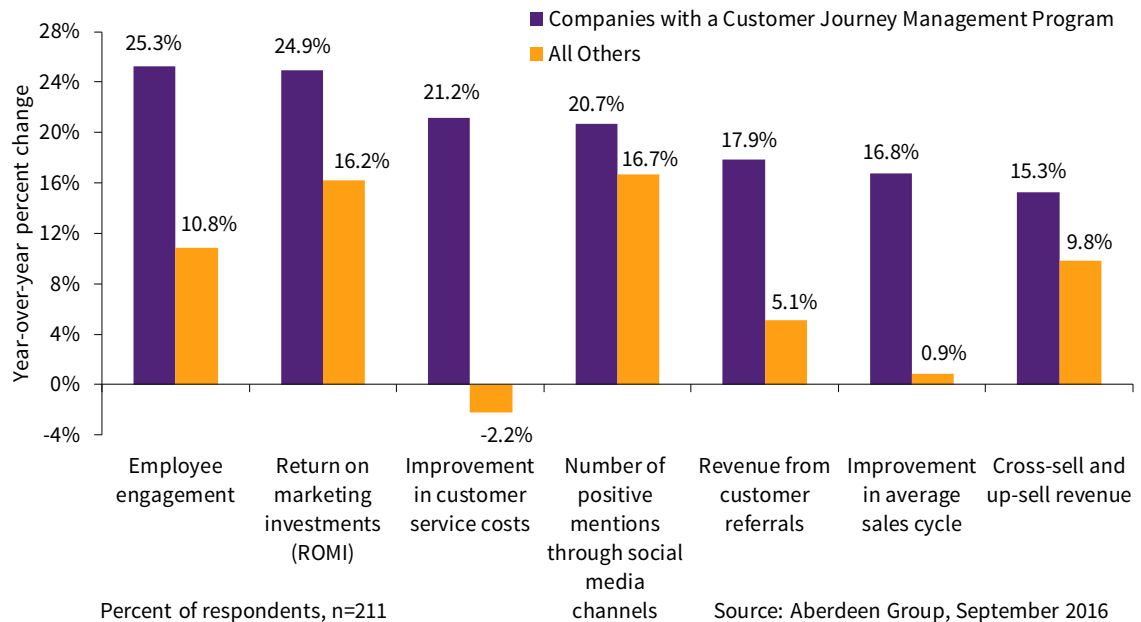
Similarly, companies use journey maps to monitor and analyze customer sentiment (e.g. curiosity, happiness and frustration) throughout the journeys. Figure 3 shows that companies

Don't rely on gut-feel when designing your CX strategy. Use customer feedback and let customers tell you what they need from your business.

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incorporating journey management in their CX programs achieve far greater year-over-year performance improvements across a number of key performance indicators (KPIs), compared to those who don't.

Figure 3: Top Reasons Why You Need to Manage the Customer Journey



→ [Related Research](#)
“Customer Intelligence: Using Data to Drive Loyalty & Advocacy”

Once companies segment their audiences, capture VoC data, and map buyer journeys, they can make far more educated decisions about the business. However, Aberdeen’s June 2016 study *“Getting Ahead In Customer Analytics: Which Technologies Do You Need To Succeed?”* indicated that only 15% of firms were fully satisfied with their ability to use data when managing customer interactions. The tactics discussed thus far help companies minimize this challenge and manage the business in a more customer-oriented fashion. This means designing and delivering experiences, services, and products that better align with buyer needs, evolving customer support activities, and creating more targeted marketing campaigns. Data shows that the Best-in-Class

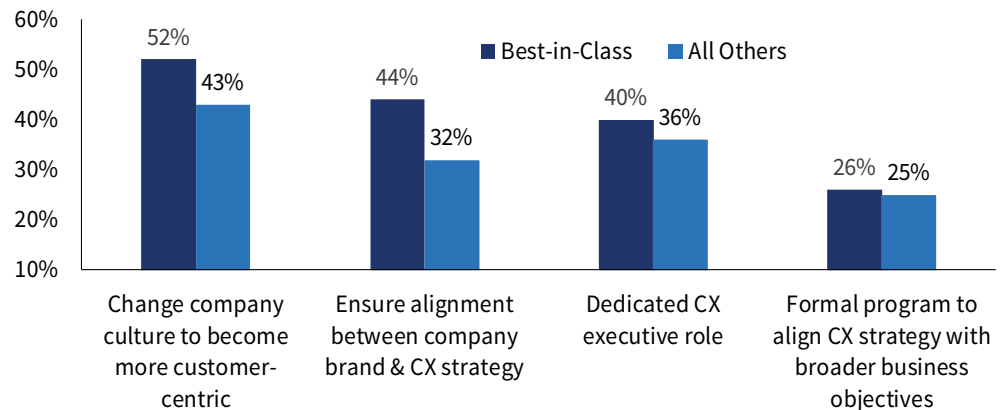
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are 35% more likely than All Others (50% vs. 37%) to use customer intelligence to better manage their activities.

2. Design a Customer-First Strategy

Capturing insights into customer expectations and behavior is vital. However, this alone cannot drive advocacy and loyalty. Companies must design the right strategy to address customer needs. This includes building a culture of customer obsession, wherein each employee uses the insights captured in the first stage of the CX value chain to address precise buyer needs. Figure 4 lists the capabilities Best-in-Class firms use to develop a truly customer-centric strategy yielding superior performance results.

Figure 4: Develop the Right Strategy



Percent of respondents, n=154 Source: Aberdeen Group, September 2016

One of the most important attributes of strategy design across Best-in-Class firms is a focus on ensuring that the CX strategy is aligned with the brand strategy as well as the overall direction of the business. Without such alignment, companies risk creating inefficiencies and realizing sub-par performance results. For example, as part of the CX strategy, a company might decide to capture customer feedback through live chat on the company

→ [Related Research](#)
“Customer Centricity: Knowledge is Power in the Age of the Customers”

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website. However, the overall company strategy might require the business to first implement a CRM system in order to store the insights captured through live chat and other channels. Best-in-Class firms are 38% more likely than All Others (44% vs. 32%) to align their CX strategy with the broader business strategy to minimize such risks.

Even the most state-of-the-art CX management program won't help companies achieve the desired results if the people executing that strategy don't understand its importance and its impact on their own roles. Employees must understand the importance of catering to and addressing customer needs as well as the value the company aims to deliver to its buyers. Figure 4 shows that top performing firms are 21% more likely than All Others (52% vs. 43%) to foster an environment of customer-obsession throughout the business.

Companies have an abundance of options when it comes to building and nurturing an environment of customer-centricity. Among the most common tactics used to accomplish this goal are training and coaching programs designed to communicate the importance of customer experience. These programs ideally provide employees with insight into how their role influences the customer experience. If companies work with multiple third parties (distributors, resellers, channel partners, etc.), then these training programs must be extended to them as well. Their activities also influence customer sentiment and behavior in relation to the brand.

Customer experience is influenced by all the interactions buyers have with a business. These include emails sent from the marketing team, phone calls with sales representatives, calls into a contact center agent, and even an invoice sent from billing department. Synchronizing the activities of all these departments in order to deliver a seamless customer experience is no easy task.

A dedicated CX executive role sends a clear message to the rest of the business that customer experience is a top priority.

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Great customer experiences start on the inside. Companies must first change their culture to one that obsesses about customer satisfaction in order to attain desired business results.

However, supporting such [omni-channel](#) conversations is absolutely necessary for organizations looking to turn customers into advocates.

One of the ways Best-in-Class firms minimize complexity in aligning stakeholders is by creating a dedicated CX executive role. This role might have different titles, such as CXO or VP of Customer Experience. This individual might also report in to different executives, ranging from the CEO to the CMO or COO. Establishing such an executive role often sends a clear message to the whole business that customer experience is a top priority. Furthermore, given that CX programs span multiple departments across the business, this role is vital in helping all relevant stakeholders accomplish a common goal while also attaining their particular departmental objectives.

While the Best-in-Class are 11% more likely than All Others (40 vs. 36%) to have such an executive in place, only four out of ten of these top performers actually have one. Creating such a role should be a top priority for organizations looking to foster and manage a customer-obsessed culture.

3. *Execute Your CX Strategy Flawlessly*

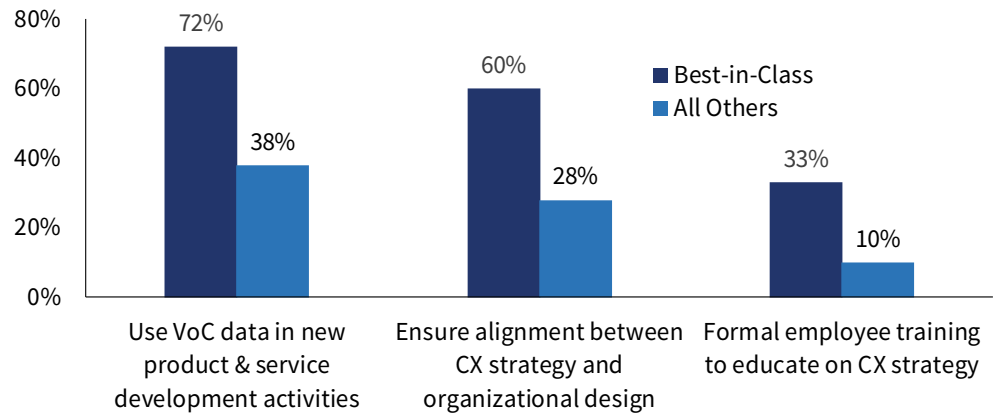
A strategy only yields the desired results when executed properly. This calls for building an organizational structure that can support the CX strategy. For example, the CX strategy might include monitoring utilization of company products or services to determine the likelihood of renewal. Accordingly, the company must identify the stakeholder responsible from monitoring utilization rates and related customer conversations in order to successfully execute this activity. Figure 5 shows that Best-in-Class firms are more than twice as likely than All Others (60% vs. 28%)

Even the most state-of-the-art CX strategy won't yield desired results unless it's executed well. Good execution is just as important as planning to maximize customer experience results.

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to design the appropriate organizational structure needed to execute the CX strategy.

Figure 5: Bring Your Strategy to Life



Percent of respondents, n=154

Source: Aberdeen Group, September 2016

Creating a dedicated CX executive role helps companies better manage the alignment between CX strategy and organizational design. Earlier in this document, we identified data, people, process, and technology as the four key ingredients companies must use to support the entire CX value chain. A dedicated CX executive role helps organizations manage how these elements are utilized when building and executing the strategy.

As noted earlier, top performing businesses are more likely to have a dedicated CX executive role. However, not all businesses have one person dedicated to overseeing their CX programs. Some organizations build a cross-functional team reporting directly to a senior executive or someone that possesses executive authority. Each business is unique; relying on a cross-functional team or in addition to a dedicated CX executive role must be weighed against the realities of the business. The key takeaway, however, is that every company needs an executive level entity responsible for overseeing the success and execution of CX activities.

Use personalized training and coaching programs to educate each employee on the importance of customer experience and how it influences their success.

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Let your customers judge your performance. Use VoC data to gauge how your CX programs meet customer expectations.

Use of such an entity, whether it be an executive or a cross-departmental committee, allows companies to streamline employee training on the CX strategy. This training can be delivered through online learning, in-person coaching sessions, and articles published on the company intranet. Companies have myriad ways of delivering such training content. It's important, however, that this training features a consistent definition of the organization's CX strategy, and that it helps every employee understand how their job specifically contributes to the broader strategy. Figure 5 shows that top performing companies are more than three-times as likely to provide such personalized training, compared to All Others (33% vs. 10%).

The aforementioned training must not be exclusive to customer-facing roles in the business (e.g., sales, marketing, and service). Others, including the back-office and even third-party partners, must be included in this program as they often influence the customer experiences directly or indirectly. It is this customer-centric mindset that leads the Best-in-Class to empower back-office teams, such as product design, with VoC data. Having gone through training on the importance of customer experience, employees in these businesses are ultimately 89% more likely than those in other firms (72% vs. 38%) to develop new products and services that better align with customer expectations.

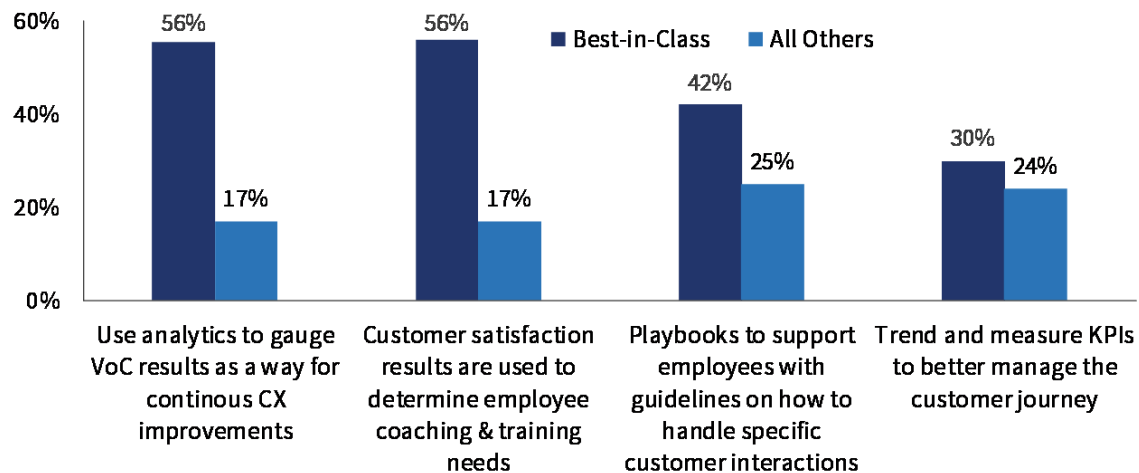
4. Monitor & Manage Your Performance to Enable Ongoing Change

How do you know if all the steps you've taken are yielding the desired results? Luckily for today's companies, the answer doesn't need to be based on gut-feel. Businesses have access to a plethora of technologies designed to track, measure, and report on KPIs.

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These technologies can identify how each process and stakeholder influences critical metrics such as customer satisfaction and company revenue. Figure 6 shows that Best-in-Class firms are far more likely than All Others (56% vs. 17%) to use analytics to determine which activities are associated with positive customer feedback and sentiment.

Figure 6: Monitor Success for Dynamic Transformation



Percent of respondents, n=154

Source: Aberdeen Group, September 2016

Top performing businesses support employees with real-time guidance to maximize their ability to steer customer conversations towards desired results.

Determining which activities influence advocacy and loyalty helps executives across the business determine the strengths of the CX strategy while simultaneously uncovering its weaknesses. This intelligence allows executives to make adjustments as needed. For example, with the help of analytics, companies see what percentage of customer support requests are addressed through self-service. Further insights can also be gleaned by identifying the types of issues that are most likely to be resolved through self-service rather than agent assisted service. Using those insights, the customer service team can update the self-service portal to add articles on issues customers are looking to solve and thereby minimize the effort clients must exert to get their needs addressed.

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An ad-hoc approach to customer experience management is a recipe for failure. Follow the four building blocks of the CX value chain to better align your performance with that of the Best-in-Class.

Revisiting the four key ingredients supporting the CX value chain reminds us that data, technology, and process must be complemented with people to maximize results. As such, performance management activities must not only focus on evaluating processes, but also on the employees who use these processes. For example, if many customers interacting with the same employee consistently provide negative feedback, this allows the company to take corrective action by retraining or building a personalized performance plan aimed at aligning that employee's activity with CX objectives. Best-in-Class firms are far more likely than All Others (56% vs. 17%) to take such steps when managing their customer experience programs.

In addition to providing employees with relevant training, Best-in-Class firms also support them with playbooks. These playbooks provide employees with guidance on how to manage specific situations. For example, companies would provide sales representatives with playbooks showing them how to cross-sell a service warranty while selling a manufacturing device. Such guidance helps employees throughout the business become more productive.

For organizations mapping the customer journey, playbooks also allow them to provide employees with actions aimed at directing the customer towards desired outcomes such as loyalty and advocacy.

Forging an Unbreakable CX Value Chain

Earlier in this report, we noted that if the four building blocks discussed thus far are the bricks that form a house, the four bars at the bottom of our CX value chain framework represent the mortars. Each of the mortars serve a distinct purpose. Let's take a

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A Best-in-Class CX program is much like a house. You need the right bricks and the right mixture of cement to hold it all together. The four ingredients you must blend for solid success are: data; technology; process; and people.

closer look at how they influence the CX value chain and help companies attain Best-in-Class results.

Data: This refers to information such as customer name, address, purchase history, last login date, and website visits. Companies gather vast amounts of customer data through myriad technologies. If captured, integrated, and analyzed properly, this data allows companies to better understand customers. It also helps determine and project market trends, insights that are key to managing a business. Please read Aberdeen's June 2016 study, "[Customer Intelligence: Using Data to Drive Loyalty & Advocacy](#)," to find out more about best practices in using customer data.

Technology: This refers to the technologies companies use to automate activities such as marketing campaigns and contact center routing, reducing the need for manual labor. For example, triggered nurturing marketing campaigns allow companies to send a series of emails to customers based on specific behaviors, such as form completion or webinar registration, without the need for human intervention.

Automation of CX activities through technology also reduces the chance of errors due to manual data entry, for example, thus improving the accuracy of data analysis and the execution of numerous activities. Later in this report, we'll see how different technologies — such as segmentation and business intelligence tools — help companies move customers through the CX value chain.

Process: This refers to the workflows companies follow. A wide spectrum of processes impact customer experience. These include the processes sales representatives follow to create proposals, the processes marketers follow to create campaigns in compliance with company brand guidelines, and the processes used to capture client feedback after a contact center conversation. The

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CX programs have changed over the past few years. Don't let those changes make you lose sight of what's important. Focus on driving customer loyalty — and advocacy — one interaction at a time.

needs of both the business and its customer will dictate the specific processes utilized in CX programs.

People: Despite being last on this list, this is arguably the most important factor that will determine if the CX value chain will lead to customer advocacy or not. Many companies often ignore the human element in customer experience management, in other words, the employees, both inside and outside the business (e.g. channel partners), who are called on to deliver an optimal customer experience. In other words, without people on board, even a Best-in-Class CX strategy won't yield desired results. As such, companies must foster an environment in which each employee clearly understands the importance of managing customer expectations and how this influences their own success as well as that of the business. Creating such an environment starts with building a customer-first culture where satisfying the customer is the first priority of every employee.

Key Takeaways

Almost all businesses aim to create happy customers in order to drive loyalty and advocacy. However, only a select few organizations stand out in this area. These are companies that understand that an ad-hoc approach to customer experience management is not enough to attain desired results. These top performers blend data, process, technology, and people to lay the foundation for the value chain driving their success.

Companies that succeed in CX programs enjoy benefits such as 37.4% annual growth in customer satisfaction scores and 35.4% year-over-year growth in annual company revenue. If your business is not yet achieving such results, we recommend

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following the four steps of the CX value chain to build a proper foundation that will boost your performance.

- [Know your customers.](#)
- [Design a 'customer-first' strategy.](#)
- [Execute your CX strategy flawlessly.](#)
- [Monitor & manage your performance to enable ongoing change.](#)

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[Customer Centricity: Knowledge is Power in the Age of the Customers](#); August 2016

[Managing the Omni-Channel Customer Journey: The Role of Workflows](#); July 2016

[Customer Intelligence: Using Data to Drive Loyalty & Advocacy](#); July 2016

[CEM Executive's Agenda 2016: Aligning the Business Around the Customer](#); May 2016

[Voice of the Customer: How to Compete on Customer Experience in 2016 \(and Beyond\)](#); April 2016

[Customer Success Management: How Happy Customers Create Recurring Revenue](#); April 2016

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