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2009 Customer Experience Management Benchmark Study

Sustaining a Profitable Business in Challenging Economic Times

Price: $595

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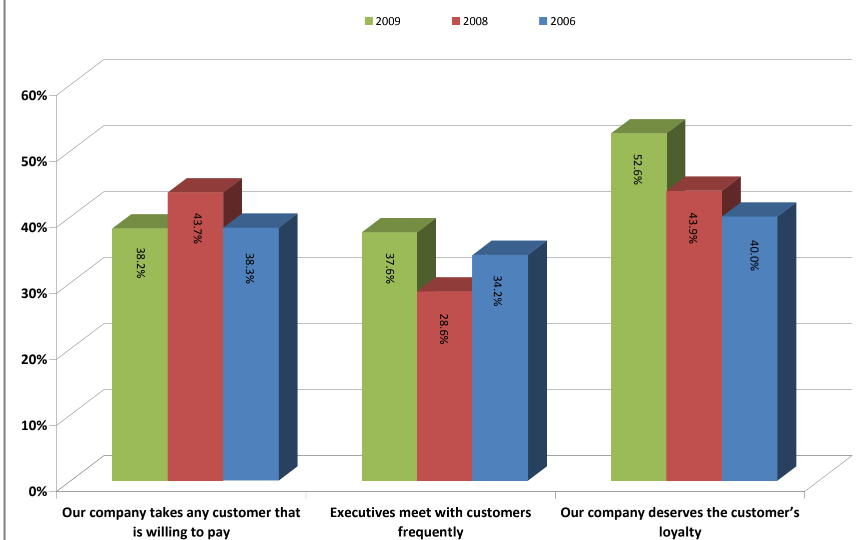
Summary

Companies that invest 10% or more of their revenue in customer experience have lower attrition rates and higher referral rates and customer satisfaction scores than companies that invest less in customer experience.

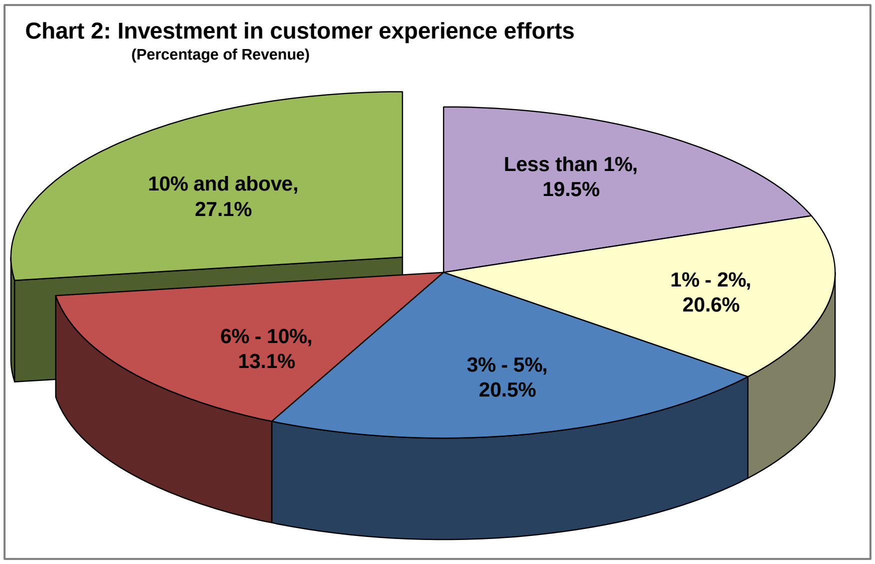
Customer experience strategies continue to be a more important part of organizations' agendas than in the past three years despite the current economic downturn, according to 80% of executives surveyed in Strativity Group's 2009 Customer Experience Management (CEM) Benchmark Study. Further, the consensus regarding the importance of customer experience as a business strategy is beginning to result in improvements in several key measures of customer focus as shown in Chart 1 below:

- Executives are more likely to visit customers than in the past
- Companies understand the need to focus on target customer segments and, as such, are less likely to take any customer that is willing to pay, despite the recession

Chart 1: Translation of Customer Centricity into Action



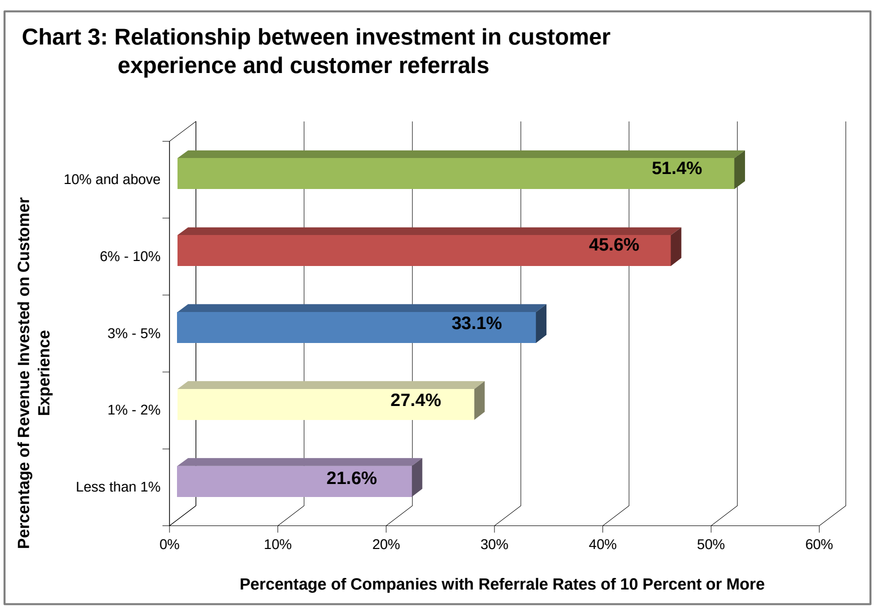
Despite this overwhelming consensus, however, Chart 2 shows that almost 50% of executives surveyed report that their companies invest less than 2% of revenues on customer experience; in striking contrast, some companies are bucking this trend, even during this economic downturn. More than 20% of executives surveyed report that their companies invest 10% or more of their revenue on customer experience.



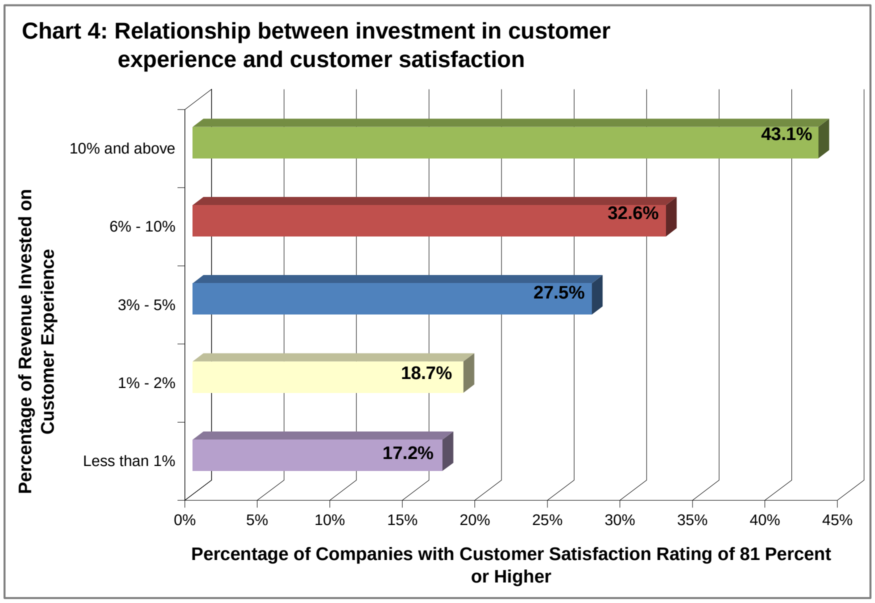
Further, while more than 50% of executives surveyed state that investments in customer experience have remained flat or declined over the past three years, 48% report that their companies have increased investments in customer experience over the past three years by 10% or more. In fact, 17% reported increasing investments by 20% or more during this time period. These actions indicate a clear commitment among leading companies to retain customer loyalty and not to succumb to a traditional price strategy.

As a result, for the first time since Strativity's 2003 CEM Benchmark Study, slightly more than half of the executives surveyed believe that their company deserves their customers' loyalty.

The dividends for companies that have invested in customer experience are significant, as reported in Charts 3 and 4. The study indicates that, in contrast with their counterparts investing less than 2% of their revenues on customer experience, companies that invest 10% or more of their revenue in customer experience:



- Have significantly lower customer attrition rates
- Enjoy referral rates that are twice as high
- Are twice as likely to have customer satisfaction scores of 81% or more



Similarly, companies that have increased their investment in customer experience over the past three years report better satisfaction and attrition results than those that have decreased their investments during the same period. Specifically, companies that have increased their investment:

- Report satisfaction scores that are 60% higher
- Are 30% more likely to have attrition rates of 5% or less

The study demonstrates that some companies are electing not to fall into the traditional boom-and-bust cycle with their customers. These companies avoid the rollercoaster nature of the relationship during tough economic times and instead opt for continuing, and even increasing, investments in customer experience in order to both shore up any fluctuation in customer behaviors and set themselves up for success when the economy turns around. These smart companies will emerge stronger because they have demonstrated to their loyal customers that they respect their relationships during difficult times.

About the Study

This study, based on the responses of 869 corporate executives from North, South and Central Americas, Europe, Asia and Africa explores the complete journey of customer experience programs, including:

- Trends in customer demands
- Investment and planning decisions
- Brand and experience definition
- Allocation of resources and efforts
- Organizational alignment
- Drivers of the Economics of Customer Experience
- Customer Dialogue

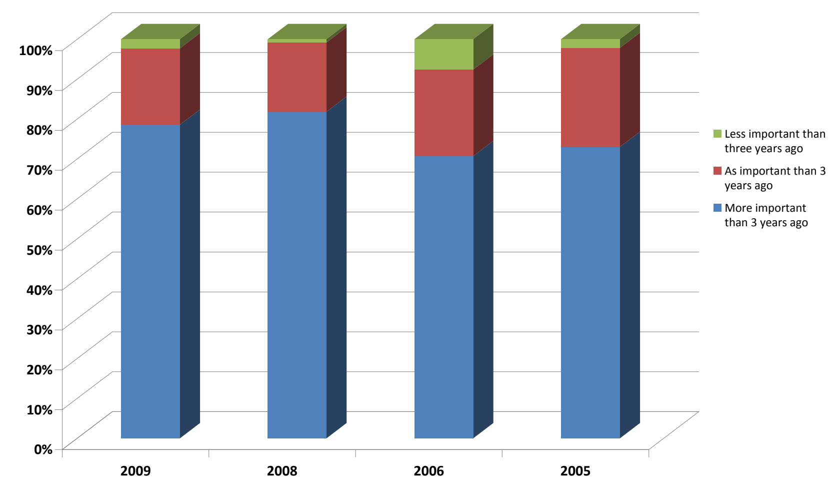
The study holistically explores the commitment to customer experience as well as the execution it requires and the impact it delivers. As indicated by the study results, the impact of customer experience investments and strategies on corporate success is clear and measureable. The study provides a profile of successful companies and how they differ in their behaviors from other companies and offers recommendations for companies seeking to profit from transforming the experience they deliver at a time when it is more critical than ever to retain and grow relationships with existing customers and increase business at lower costs.

Customer Demands

In this difficult economic climate, customers are understandably concerned about cost but they are focusing on value rather than price.

As in past years, almost 80% of corporate executives believe that customer strategies are more important this year than three years ago. This is demonstrated in Chart 5.

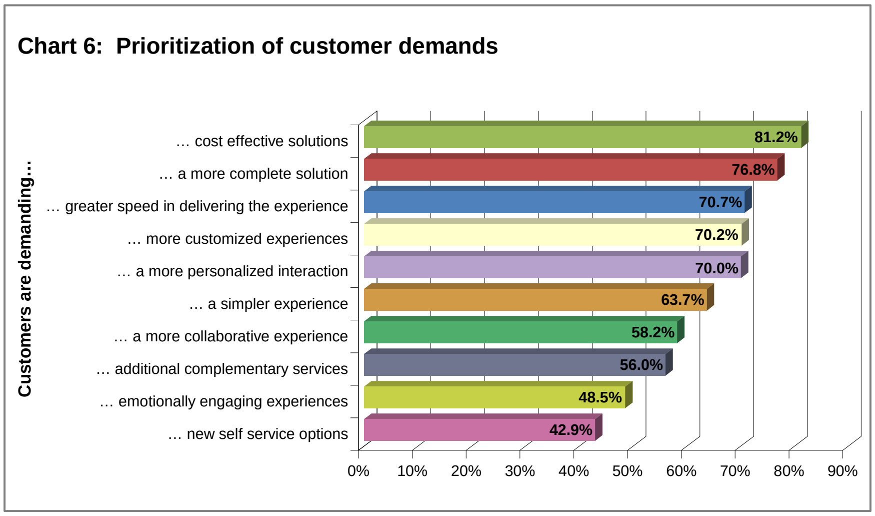
Chart 5: Importance of customer experience in corporate strategy



Successful customer strategies are designed to respond to customer needs and demands. To better understand what customers expect from the companies with which they do business, executives in the annual CEM Benchmark Study were asked to rank an array of potential customer needs. The results, displayed in Chart 6, demonstrate that customers remain focused primarily on the foundational elements of the customer experience – those elements that solve their complete problem quickly based on their unique specifications. In this difficult economic climate, customers are understandably concerned about cost but they are focusing on value rather than price.

Specifically:

- 81% of executives surveyed believe that customers are seeking cost-effective solutions, more than any other criteria about which they were asked
- 77% state that customers are seeking complete solutions
- 71% report that customers are demanding greater speed in resolution and delivery
- 70% state that customers are demanding customized experiences



These four demands demonstrate that customers are looking to maximize what they receive from companies and are looking for providers that deliver a total solution and treat customers like individuals, instead of offering one-size-fits-all solutions.

The message delivered by customers is quite clear. There are still gaps between the desired experience and the value delivered today. These gaps represent new business opportunities as well as new ways to increase loyalty. Companies are still missing revenue opportunities by not delivering complete value to their customers in the form of additional services as well as personalization and speed of delivery.

On the other side of the customer demand spectrum, self-service (43%) and web-based solutions (50%) ranked at the bottom of customer demands, according to the executives surveyed. Companies traditionally view these solutions as ways to reduce internal costs, not as ways to enhance the customer experience. As such, customers don't perceive these initiatives as activities that add value and enhance the experience.

SO WHAT:

- Companies should be sensitive to customer costs issues and think creatively about delivering solutions that offer value
- Before resorting to traditional pricing strategies, companies should explore the unmet needs of customers and develop methods to satisfy those needs and monetize those opportunities
- The gap between current value delivered and a complete solution presents new revenue-generating opportunities for companies
- Customization and personalization present new business opportunities for companies
- Speed of delivery is another business opportunity that should be explored and acted on
- Finally, as companies expand their self-service and web-based solutions, they need to design and market them from the standpoint of customer demands so customers view them as part of a complete, customized and fast solution

Customer Strategies

21% of the companies demonstrate that customer experience is central to their business strategy by investing 10% or more of their annual revenue in these initiatives.

Investment in Customer Experience

The executives surveyed report that the lofty stated-commitment to customer experience does not translate into an investment in the actual customer experience. Despite the fact that almost 80% of executives surveyed believe that customer experience is more important than three years ago, almost half of all executives surveyed say that they invest 2% or less of their annual revenues in customer experience:

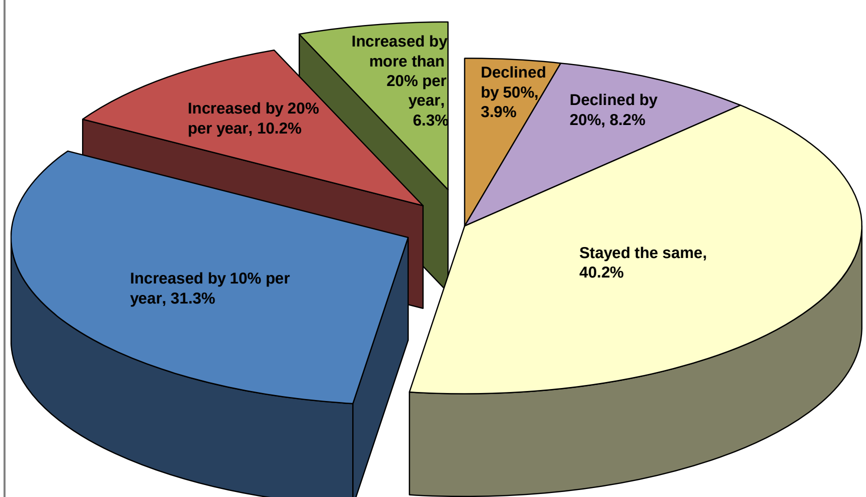
- 25% invest less than 1% of revenue
- 21% invest between 1-2% of revenue
- 21% invest between 3-5% of revenue

In contrast, 21% of the companies demonstrate that customer experience is central to their business strategy by investing 10% or more of their annual revenue in these initiatives.

Further, it is not surprising that most companies have refrained from increasing their investments in customer experience over the past three years in light of the current recession. Most companies have maintained or decreased their investment in customer experience over the past three years. Still, many far-sighted companies are bucking this trend as Chart 7 demonstrates:

- 31% have increased their investment in customer experience by 10% per year
- 10% have increased their investment by 20% per year
- 6% have increased their investment by 20% or more per year

Chart 7: Trend in Investment in customer experience

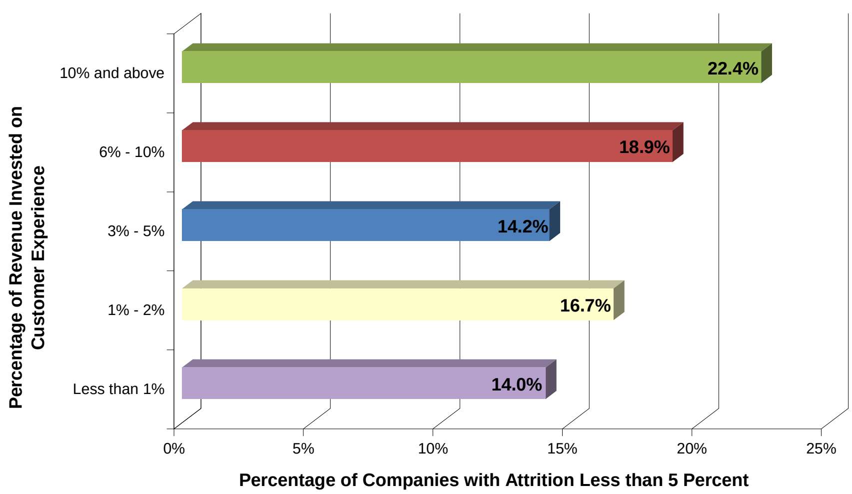


When it comes to customer relationships, there is a traditional boom–and-bust cycle that reflects the economic conditions. In good times, investments are made in the relationships; in tough economic times, companies often reduce their investment to the bare minimum, leaving customers with less value for their money. Similar trends take place in marketing and advertising investments. The consequence of this boom-and-bust cycle is a higher cost of re-establishing customer relationships when the economy strengthens. Over time, this cycle erodes customer trust and forces them to make decisions based solely on price.

The study indicates that a select group of companies are avoiding the boom-and-bust cycle and are investing in customer relationships during these difficult economic times. The objective of this behavior by companies is to demonstrate to customers their sincere intentions to building lasting relationships.

The question is whether these investment strategies have been prudent. Based on the referral, attrition and satisfaction results reported by executives in this survey, the answer is overwhelmingly YES as can be seen in Chart 8.

Chart 8: Relationship between investment in customer experience and customer attrition



- Referral rates -- 34% of executives report referral rates of 10% or more
    - o 51% of companies investing 10% or more of revenue on customer experience report referral rates of 10% or more
    - o 27% of companies investing between 1-2% report referral rates of 10% or more
    - o 22% of companies investing less than 1% report referral rates of 10% or more

- Attrition rates – 17% report attrition rates of less than 5%
  - 22% of companies investing 10% or more report attrition rates of less than 5%
  - 17% of companies investing between 1-2% report attrition rates of less than 5%
  - 14% of companies investing less than 1% report attrition rates of less than 5%
- Customer Satisfaction – 29% report customer satisfactions scores of 81% or higher[1]
  - 43% of companies investing 10% or more report customer satisfaction rates of 81% or more
  - 19% of companies investing between 1-2% report customer satisfaction rates of 81% or more
  - 17% of companies investing less than 1% report customer satisfaction rates of 81% or more

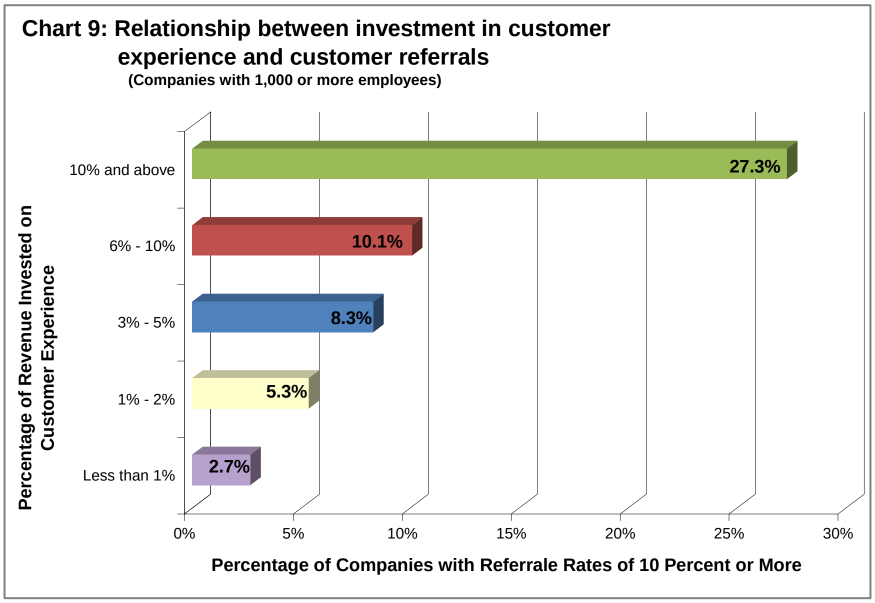
It seems that size does matter. Smaller organizations are better able to maximize the results of such investment strategies than their larger counterparts. Small companies (500 or fewer employees) that participated in the study tend to have higher referral rates and customer satisfaction scores than large companies (1,000 or more employees). The reason for such a difference often has to do with the agility and speed with which a small company can mobilize its workforce to quickly respond to changing conditions. This finding is consistent with results from last year's CEM Benchmark Study. The 2008 study discovered that smaller companies are better organized to deliver a great customer experience than their larger counterparts.

The advantage enjoyed by smaller organizations does not diminish the value captured by investment in customer experience. Our analysis demonstrates that large organizations investing in customer experience are reaping the rewards as well. To better understand whether company size explained differences in referral and satisfaction scores for companies that have invested more in customer experience, we controlled for company size.

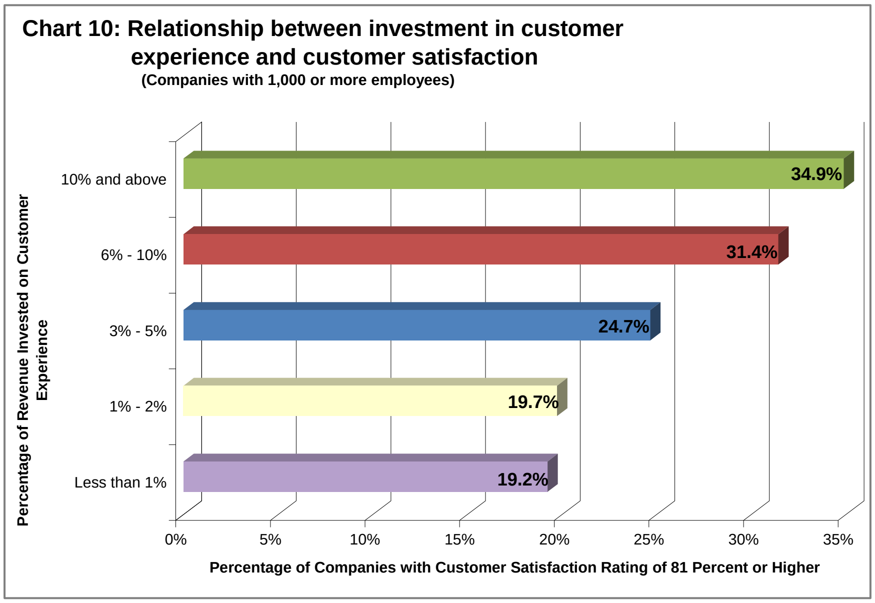
The results, shown in Charts 9 and 10, demonstrate that, even among large companies, those that have invested more in customer experience over the past three years report significantly higher referral rates and customer satisfaction scores than their counterparts.[2] Among companies with more than 1,000 employees:

[1] Executives were asked to report their company's satisfaction scores. They were asked for the percentage of customers who gave them the top satisfaction score on a 5-point scale or the top-two satisfactions scores on a 10-point scale.

[2] Among companies with 1,000 or more employees, the percentage of companies reporting attrition rates of 5% or less improves as investment in customer experience increases from "Less than 1%" to "6-10%".



- Referral rates -- 27% of executives report referral rates of 10% or more
  - 44% of companies investing 10% or more of revenue in customer experience report referral rates of 10% or more
  - 27% of companies investing between 1-2% report referral rates of 10% or more
  - 24% of companies investing less than 1% report referral rates of 10% or more
- Customer Satisfaction – 24% report customer satisfactions scores of 81% or higher
  - 35% of companies investing 10% or more report customer satisfaction rates of 81% or more
  - 20% of companies investing between 1-2% report customer satisfaction rates of 81% or more
  - 19% of companies investing less than 1% report customer satisfaction rates of 81% or more



Overall, our analysis demonstrates that companies that invest in customer experience, regardless of size, benefit from a more profitable business relationship. The benefits come from three main sources:

- Lower cost of doing business by dealing with satisfied customers who are less likely to complain
- Lower cost of sales by doing business with repeat customers
- Lower cost of business development by doing business with referred customers

SO WHAT:

- ❖ Investing in customer experience pays significant dividends to companies of all sizes
- ❖ Companies that increase their investment in customer experience manage to reduce the cost of doing business by capturing business more cost effectively – repeat business from existing customers and referral business
- ❖ Companies should review their investments in customer experience to ensure that they focus not only on eliminating dissatisfaction but also on differentiating themselves from their competition
- ❖ Small companies should pay special attention to their competitive advantage in customer experience and invest accordingly
- ❖ At a time when companies are struggling to control costs, companies need to invest in those activities that maximize revenue while minimizing costs. Customer experience investments are the best way to accomplish this because they reduce customer attrition, maximize customer referrals and drive greater customer satisfaction

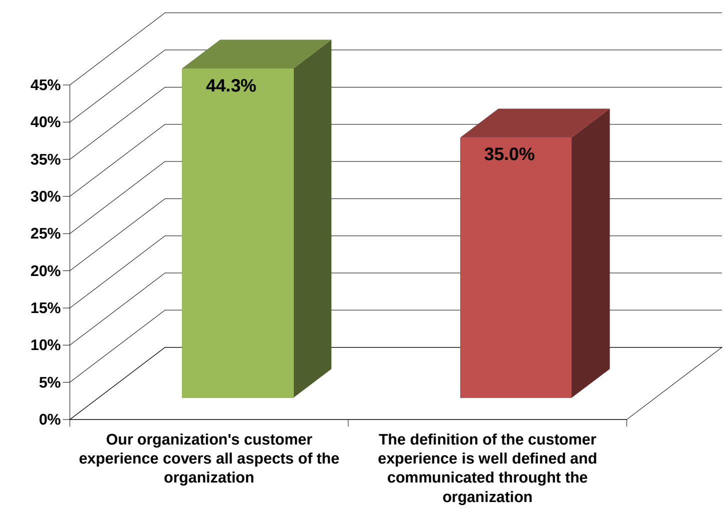
Defining the Customer Experience

Companies reporting high levels of satisfaction are more likely to have customer experience efforts focused on the entire operation than those with lower satisfaction.

Once companies make the decision to invest in improving the customer experience, they need to define what they mean by "the customer experience." The challenge for companies is that they typically define the customer experience more narrowly than their customers do as can be seen in Chart 11:

- While customers seek a complete solution that is customized, only 43% of executives surveyed report that their companies' customer experience efforts cover all aspects of their organization
- Further, only 35% believe the customer experience is well-defined and communicated across their organization (versus 27% in 2008)

Chart 11: Definition of customer experience

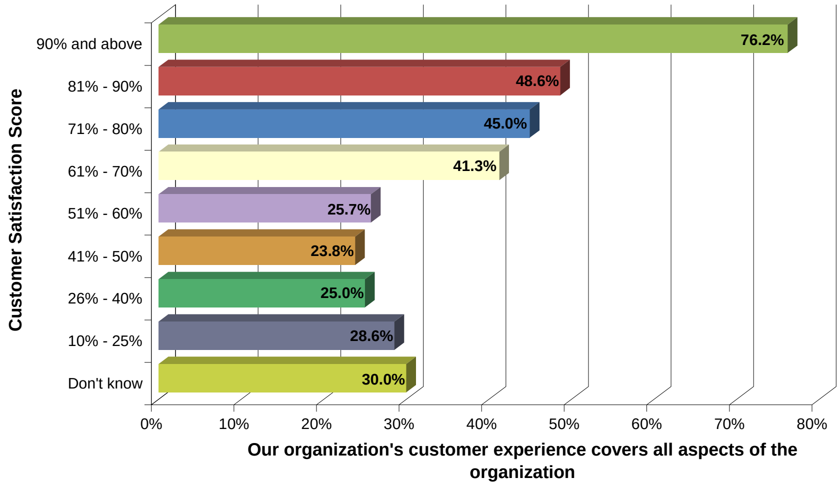


Not surprisingly, companies reporting high levels of customer satisfaction are more likely to have customer experience efforts focused on the entire operation than those with low satisfaction.

As can be seen in Chart 12, when asked if their company's customer experience efforts focused on the entire organization:

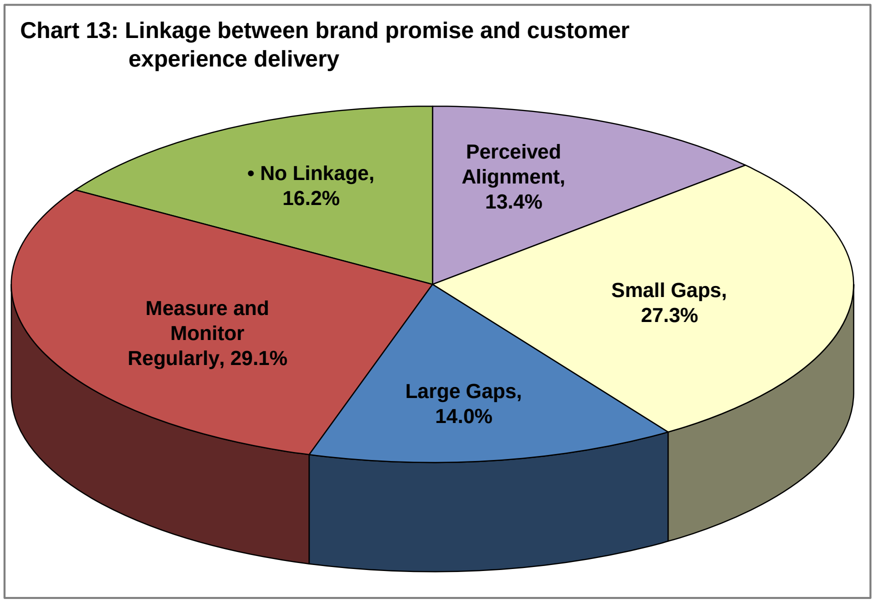
- 61% of companies reporting satisfaction scores of 81% or higher agree
- 26% of companies with satisfaction scores of 60% or lower concur

Chart 12: Relationship between company-wide focus of customer experience efforts and customer satisfaction

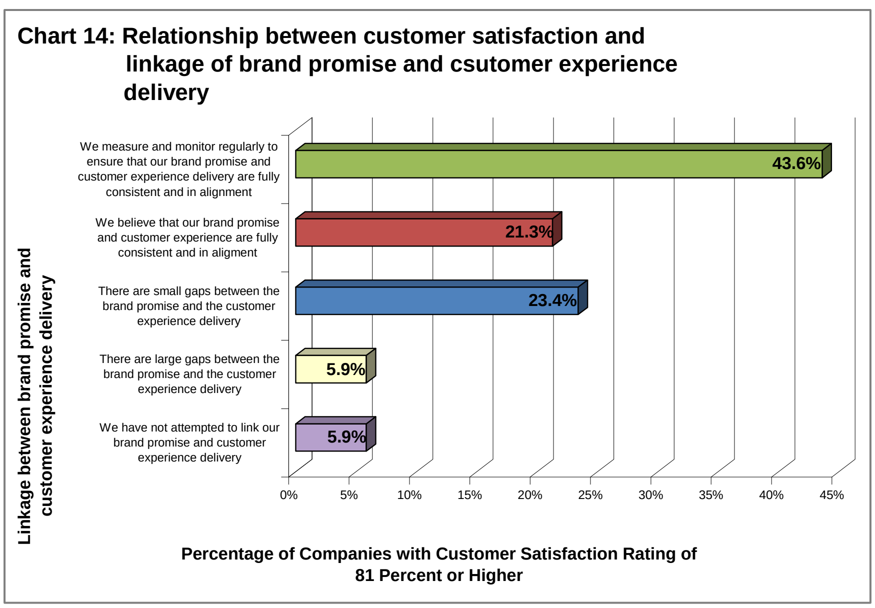


While some regard the customer experience as a reflection of customer service efforts, in reality, the customer experience is the total value proposition delivered to customers. A broad definition of the customer experience is critical because customers evaluate a company based upon the sum of the experiences across all interactions they have with that company. Furthermore, customers evaluate those experiences, in large part, against the promise made the company through its brand promise and its marketing. To better understand whether companies link their brand promise to the experience they deliver, executives were asked to rank the degree to which their companies link the brand promise and customer experience delivery. Their responses can be seen in Chart 13:

- Only 29% of executives surveyed state that their companies regularly measure and monitor that their "brand promise and customer experience delivery are fully consistent and in alignment"
- Another 13% reported that, while they do not measure or monitor this alignment, they believe that the "brand promise and customer experience delivery are fully consistent and in alignment"
- In addition, 30% of the executives state that either "there are large gaps between the brand promise and the customer experience delivery" or that they "have not attempted to link our brand promise and customer experience delivery"



The brand promise sets the expectations customers have of the company. If the company fails to live up to that promise, it creates greater dissatisfaction and, therefore, a breach of trust with its customers. It, therefore, is critical that a direct, consistent linkage be maintained between the brand promise and the customer experience delivery across all touch points. The impact of failing to link the brand promise to the customer experience delivery is dramatic, as can be seen in Chart 14:



On the positive side, 43% of companies that regularly measure and monitor the linkage report satisfaction scores of 81% or higher

- In contrast, only 10% of companies that have not attempted to link the two report comparable satisfaction scores
- Similarly, 12% of companies reporting large gaps between the two, report comparable satisfaction scores

The implication is clear: customers expect the experience they receive to live up to the promise companies make through their brand and their marketing. Unless companies track the gap between what is promised and what is delivered, they will be blind to the issues they must address to bridge that gap.

SO WHAT:

- ❖ Companies need to ensure that there is a high linkage between their brand promise and customer experience delivery
- ❖ Once the linkage is established, companies must regularly measure and monitor their experience to ensure that the linkage is maintained
- ❖ Companies needs to review every touch point in the organization to ensure that the experience delivered meets and exceeds customer expectations
- ❖ The focus of customer experience efforts must extend beyond knowing its top dissatisfiers and fixing them. Companies must set the bar higher - at differentiation through customer experience
- ❖ Companies that want to deliver extraordinary and profitable customer experiences must focus their efforts across the entire organization

Dedication of Resources

To exceed a customer's expectations, companies need to deliver innovative experiences so they differentiate themselves from their competition.

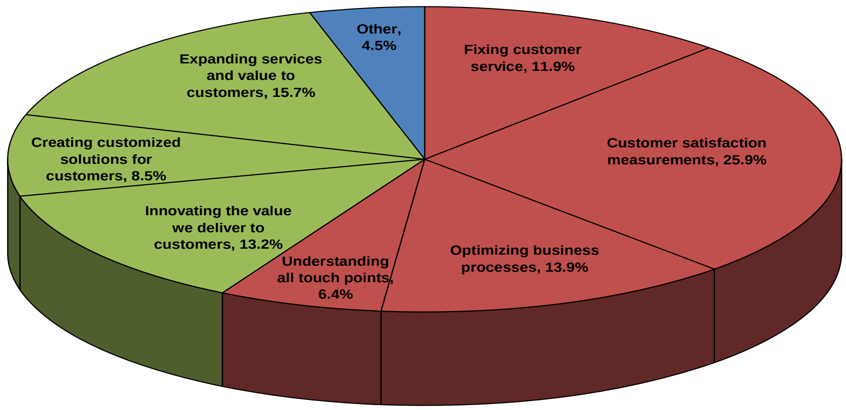
Companies fall into the common trap of limiting their focus only on eliminating the sources of dissatisfaction with their existing delivery when implementing a customer experience strategy. While eliminating dissatisfiers is critical to a successful strategy, it is insufficient. Eliminating dissatisfaction may result in meeting customers' expectations but it does not lead to delighting customers. To exceed a customer's expectations, companies also need to deliver innovative experiences so they differentiate themselves from their competition.

To better understand whether companies' customer experience efforts are focused on removing dissatisfiers or whether they focus on differentiating themselves from their competition, corporate executives were asked to define the top customer experience issues on which they were focused. Chart 15 demonstrates that most companies focus primarily on eliminating sources of dissatisfaction rather than on creating differentiating experiences:

- Removing Dissatisfiers – 58% of respondents focus on reducing dissatisfaction
  - 26% are focusing on customer satisfaction measurements
  - 14% are optimizing business processes
  - 12% are fixing customer service
  - 6% are working to understand all customer touch points in their organization.
- Differentiating Experiences – 38% of respondents are differentiating themselves
  - 16% are expanding services and value to customers
  - 13% are innovating the value they deliver to customers
  - 9% are creating customized solutions for customers

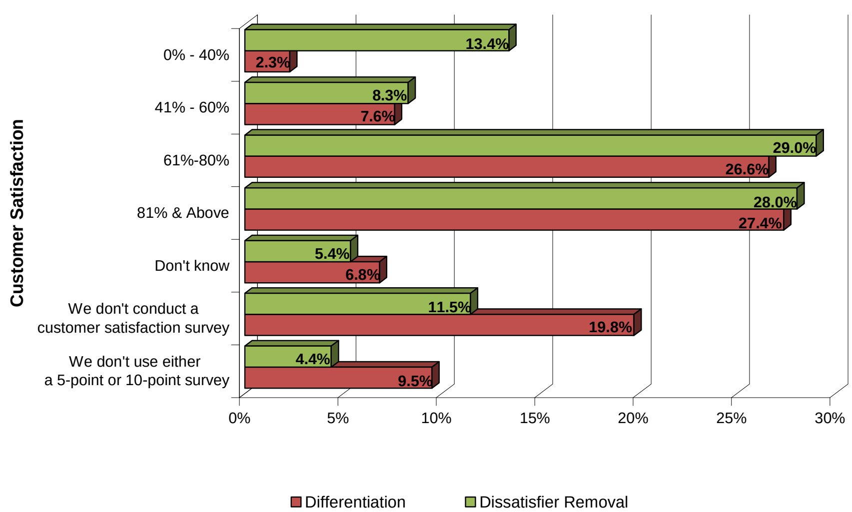
Most organizations are busy tackling basic problem resolution and are not elevating their efforts to create a differentiated customer experience. Such efforts, although very important, cannot be the end game. When companies limit their aspirations to being defect free, they fail to delight customers and, therefore, fail to create a sustainable competitive advantage.

Chart 15: Top customer experience issues



In turn, those companies that define the top customer experience issues as those that create differentiation, report higher referral rates than those whose top issue is one related to removing dissatisfaction. Furthermore, while companies in the two groups are equally likely to report satisfaction scores of 81% or higher (27% for those focusing on Differentiation and 28% for those focusing on Dissatisfaction), half as many companies focusing on Differentiation are likely to report satisfaction scores of 60% or lower, as can be seen in Chart 16.

Chart 16: Relationship between top customer experience issues and current customer satisfaction



- Referral Rates (Percent with Referral Rates of 10% or higher)
  - Top issue involves Differentiation – 38%
  - Top issue involves Dissatisfaction – 29%
- Satisfaction Scores (Percent with Satisfaction Scores of 60% or lower)
  - Top issue involves Differentiation – 10%
  - Top issue involves Dissatisfaction – 23%

SO WHAT:

- ❖ Focusing on one or two silos, such as customer service, is a good start but is inadequate as an overall strategy. Companies must identify all touch points in the customer experience journey
- ❖ While it is critical to eliminate defects and the sources of dissatisfaction, companies cannot declare victory simply by achieving these goals. Customers recommend companies based upon their ability to differentiate their offerings and expand services to deliver a complete, customized solution - not based on the absence of broken processes
- ❖ Companies need to reassess the goals of their customer experience strategy to ensure that it includes a focus on experience innovation

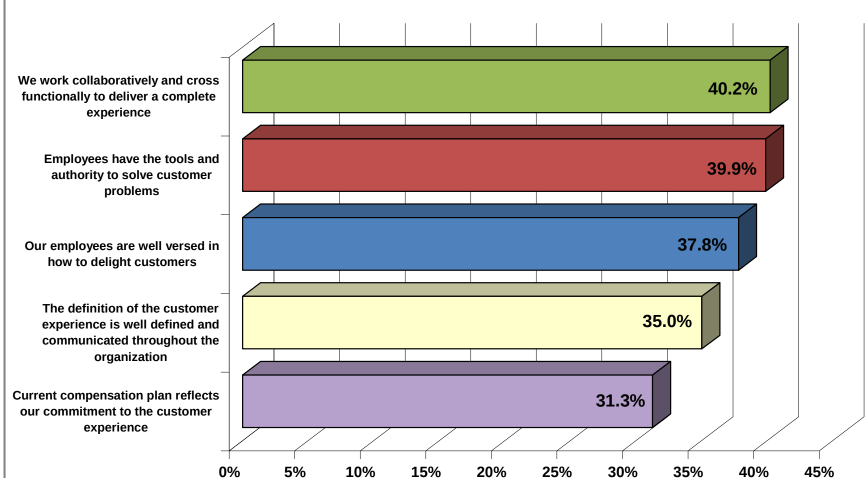
Aligning the Organization

A majority of executives continue to indicate that their companies fail to meet several key measures of customer-centricity, making it extremely difficult to align the brand promise and the customer experience delivery.

Given the importance of aligning a company's brand promise and its customer experience delivery, it is important to understand what prevents companies and their employees from ensuring that the experience they deliver lives up to the promises they make. To achieve this goal, the study explored the state of organizational alignment and employees' readiness to deliver exceptional experiences consistently.

The good news in 2009 is that the organizational alignment scores improved significantly versus 2008 on several key measures of the customer-focused organization. The bad news, as can be seen in Chart 17, is that a majority of executives continue to indicate that their companies fail to meet several key measures of customer-centricity, making it extremely difficult to align the brand promise and customer experience delivery.

Chart 17: Key measures of organizational alignment



- 40% answer that employees have the tools and authority needed to solve customer problems (versus 29% in 2008)
- 38% report that employees are well-versed in how to delight customers (versus 24% in 2008)
- 31% say that current compensation reflects their company's commitment to the customer experience (unchanged from 2008)
- 40% state that they work collaboratively and cross-functionally to deliver a complete experience (versus 29% in 2008)

As one would expect, companies reporting higher customer satisfaction tend to be twice as likely to be organized in a customer-focused manner.

Table 1: Relationship between organizational elements and Customer Satisfaction

Organizational Element	Overall	Customer Satisfaction Scores	
		81% or higher	80% or lower
The customer experience is well-defined and communicated across their organization	35%	54%	27%
Employees have the tools and authority needed to solve customer problems	40%	56%	29%
Employees are well-versed in how to delight customers	38%	58%	27%
Current compensation reflects our commitment to the customer experience	31%	41%	28%
We work collaboratively and cross-functionally to deliver a complete experience	40%	58%	30%

The absence of organizational alignment within the majority of the organizations often indicates either a lack of full understanding of what a customer experience commitment requires or an early stage of customer experience development. It is insufficient and naïve to believe that companies can deliver great experiences simply by asking employees to smile more sincerely. Every organization must include organizational alignment as a core component of their customer experience strategy. The commitment must be anchored in the everyday behavior of every single employee.

SO WHAT:

- Companies need to define the experience they seek to deliver and create a culture that enables the organization to deliver that experience successfully and consistently
- Employees need to receive the tools, authority and information to get the job done well
- Siloed performance and measurements need to be abolished in the organization to enable collaborative work that has the customer at the center of all its concerns and attention
- Successful companies create a standard definition of excellence, educate their employees how to deliver according to that standard and provide them with the tools and authority to succeed
- Commitment to customer experience needs to be reflected in multiple organizational dimensions, such as hiring, training, performance evaluation and tools and authority
- Ultimately, employees do what they are paid to do. Asking employees to deliver a great experience but paying them to focus on other measures, such as cost reduction, leads to confusion within the workplace and a focus on those measures that maximize employee salaries. Successful companies align their compensation plan with customer satisfaction to ensure a consistent focus on delighting the customer

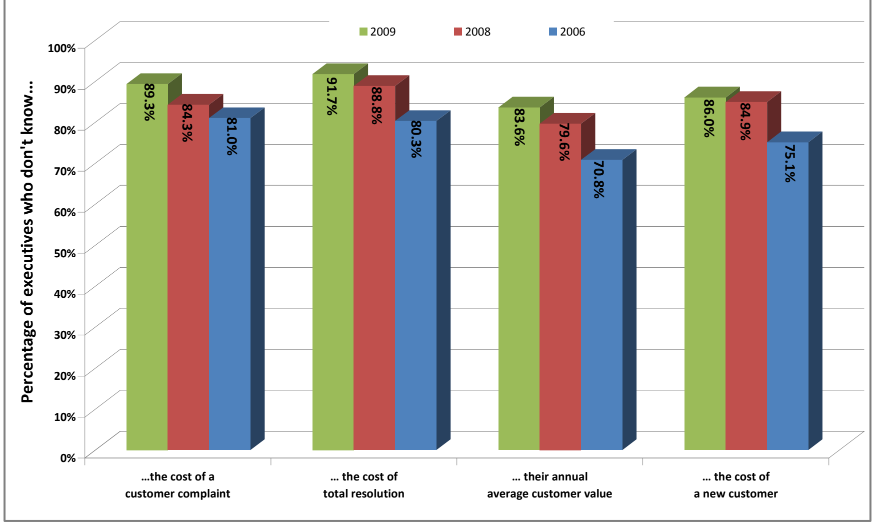
Economics of Customer Experience

Before companies make organizational changes, they need to understand the financial return they will receive.

Investing in customer experience requires clear financial justification. The efforts and resources required to break down silos, change measurements and metrics, and adapt compensation plans are significant. Before companies make these organizational changes, therefore, they need to understand the financial return they will receive from these fundamental changes in how the company operates. As with past studies, the 2009 CEM Benchmark Study reveals that the challenge remains, as can be seen in Chart 18. Companies are managing their customer relationships and experience without the financial foundation to understand them. As such, they cannot fully understand the financial consequences of investing or not investing in the customer experience. It is our opinion that this issue is the root cause of the state of customer experience commitment in certain organizations. Of the executives surveyed:

- 86% don't know the cost of acquiring a new customer
- 84% don't know the average annual value of a new customer
- 89% don't know the cost of a customer complaint
- 92% don't know the cost of total resolution of a service issue

Chart 18: Knowledge of key economic drivers of customer experience



While products and services are managed scientifically with a clear understanding of costs at every stage of production, customer experiences and relationships remain somewhat of an art form. Additional financial benefits will be uncovered and opportunities for cost reduction will emerge when customer experience is managed with the same rigor as product manufacturing and distribution, Additionally, a financial decision platform to support customer experience will assist in developing cross functional cooperation and overall organization wide commitment.

SO WHAT:

- Companies do a poor job of identifying and sharing the customer experience financials
- Companies need to develop a financial decision platform to assess investments to improve the customer experience and the respective financial return on delivering exceptional customer experiences
- Executives need to understand their company's financial drivers to build a proper business case for customer experience initiatives that factors in not only costs but also revenue impacts
- Employees can make the right decision on behalf of the company only if they know the financial facts and implications of their decisions
- Companies must calculate the key financial drivers such as annual customer value, customer acquisition and retention costs and cost of issue resolution and complaints. Once this is done, they need to educate all employees how to use this information in their daily customer experience design and delivery.

Managing Customer Dialogue

Voice of customer programs should serve as a method of building trust with customers by acting on their insight and communicating change back to them.

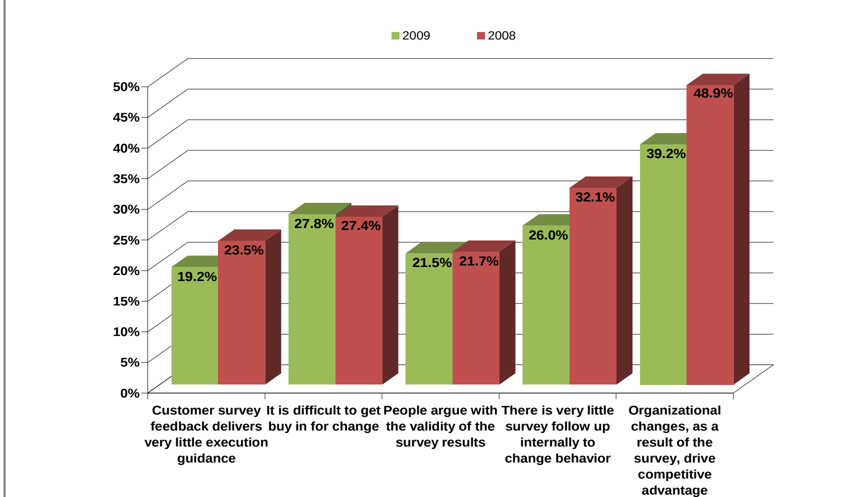
More than 25% of the executives surveyed report that customer satisfaction measurements is the top customer experience issue facing their company. Given that companies spend billions on customer surveys, this is not surprising. Customers are constantly asked to rate the service they received. When companies ask customers to rate the customer experience delivered, the implication is that they will make improvements to the experience based on the responses received. Companies that solicit customer feedback but then don't act on that feedback are violating the implied promise they have made. Therefore, it is necessary to understand how companies use the data from their customer satisfaction surveys.

The respondents to the 2009 CEM Benchmark Study report a significant decline in the use of surveys to drive improvements in the experience they deliver. As can be seen in Chart 19, the number of executives who believe that organizational changes, as a result of survey results, drive competitive advantage, dropped from 49% in 2008 to 40% in 2009.

What makes these results interesting is that it stands in contrast to the responses given to other questions about the use of surveys:

- Only 28% of executives believe that it is difficult to get buy-in for change
- The percentage of executives who report that people argue with the validity of the results is only 22%
- Only 26% of respondents report that there is a lack of survey follow-up to change behavior
- Only 19% of executives state that survey results do not provide execution guidance

Chart 19: Role of voice of customer



The most plausible explanation for this gap is the actionability of the questions in the survey, which is what the first question measures. Asking questions that do not enable the company to change its processes, improve its value proposition and hold employees accountable are a waste of time both for the customers responding to the survey and the employees reviewing results. Companies would be well-advised not to ask questions at all if they are not prepared and able to act on the feedback received

SO WHAT:

- Executives need to design their voice of customer programs with actionability in mind
- Companies need to demonstrate to their employees the how listening and responding to customer insight and feedback creates a competitive advantage
- Customer surveys should be designed to affect change internally and create competitive advantage
- Wherever possible, survey results should be linked to actual customer behavior (spend, share of wallet, attrition, etc.) to enable the company to compare the behavior of loyal or satisfied customers to that of other customers. This will help companies build a business case for increasing customer loyalty
- Voice of customer programs should serve as a method of building trust with customers by acting on their insight and communicating change back to them
- Customer loyalty scores should be tied to employee compensation to align employee incentives to customer satisfaction

Profile of a Customer-Centric Company

Successful companies realize that all employees need to share the same definition of customer experience to ensure that customers receive a consistent experience that meets or exceeds their expectations.

The results of the 2009 CEM Benchmark Study provide insight into the characteristics of a successful customer-centric company. Companies that combine many or all of the characteristics listed below are more likely to succeed than their counterparts in establishing themselves as preferred vendors in the customers' minds and wallets. This preference is then translated into greater profitability because these businesses generate more referrals, enjoy a lower attrition rate and have a higher level of customer satisfaction, which translates into fewer complaints. Based on the study's findings, the core characteristics of customer-centric organizations are:

- **Design a customer-centric organization**
  - <u>Translate the Brand Promise into Customer Experience Delivery</u> – Successful companies link their customer experience delivery to their brand promise to ensure that they fulfill the expectations they create through the brand promise.
  - <u>Measure the Linkage between the Brand Promise and Customer Experience</u> - Customer-focused companies understand that they must regularly measure the linkage between their brand promise and customer experience delivery to ensure continuous alignment.
  - <u>Deliver a consistent customer experience across the entire organization</u> - Successful companies realize that all employees need to share the same definition of success. Employees must share a single definition of customer experience to ensure that customers receive a consistent experience that meets or exceeds their expectations.
- **Deliver a complete and customized solution**
  - <u>Maximize the Value To Customers Through Complete Solutions</u> - Successful companies maximize their business with customers through the delivery of a complete solution. They constantly seek to identify value extensions to provide their customers with a complete experience.
  - <u>Deliver a Personalized Experience</u> - Successful companies create an experience that is personalized for each customer. They use personalization and customization to adapt their value to the customer's unique needs and wishes
  - <u>Provide Fast Delivery</u> - Customer-centric companies design for fast delivery. They incorporate the element of speed as an integral part of the customer experience.

- **Invest in the customer experience**
  - o Establish a Customer Experience Financial Decision Platform– Successful customer-centric companies research and establish a financial decision platform that provides transparency to all relevant costs and revenues. These companies manage their customer experience as a science and make decisions based on the economics of customer experience
  - o Increase Financial Literacy Among All Employees - Successful companies arm their employees with an understanding of the key financial drivers of customer experience so they can factor these drivers into business and investment decisions
  - o Increase Investment In Customer Experience - Companies that differentiate themselves based upon their customer experience allocate a greater portion of their revenues to customer experience. They sustain and, sometimes, even increase their investment in the customer experience during economic downturns
- **Deliver Differentiation not Parity**
  - o Focus on Differentiation - Successful companies set their goals beyond merely fixing processes and optimizing procedures. They seek to deliver experiences that are beyond expectations
  - o Innovate the Core Experience - Successful companies allocate resources to and focus on customer experience innovation. They seek to create unique, personalized value for each customer
  - o Measure Beyond Satisfaction – Successful companies incorporate measurements of customer experience that goes beyond meeting expectations. Their target is exceeding expectations and they design their measurements to reflect this goal. They live by a higher standard that requires them to stretch their performance
- **Create a workforce of employees who are passionate customer advocates**
  - o Link Compensation to Customer Experience Performance – Successful customer-centric companies link individual compensation to measurements of customer experience. This ensures that every employee understands the seriousness of the required commitment
  - o Provide Employees with the Necessary Tools and Authority – Customer-centric organizations ensure that employees have all of the relevant information, authority and tools necessary to delight customers

- **Listen and Act On Customer Insight**
  - Design Customer Dialogue for Action – Successful customer-centric companies design their customer dialogue to be useful and actionable. They do not seek a score; they seek insight for improvements
  - Provide Resources for Implementation – Successful customer-centric companies provide the resources needed to act on customer feedback and turn it into real improvements
  - Communicate the Improvements – Successful customer-centric companies communicate to their customers the changes and improvements they made. Additionally, they spread the word among their employees to ensure that they see the commitment the company makes to customer feedback
  - Make Voice of Customer a Strategic Competitive Advantage - Customer-centric companies design their customer dialogue to be a strategic competitive advantage. Customer feedback serves as a platform to design innovative customer experiences and keep the customer experience fresh, relevant and differentiating

Recommendations

Those organizations that make a strategic commitment and back it up with resources and investment capture the financial benefits of customer experience strategies even in this difficult economic environment.

Companies looking to succeed during this economic downturn and beyond must reconsider their commitment to customer experience and evaluate their current resources and investment. Incremental efforts do not deliver the expected impact and often result in, at best, merely meeting customer expectations. The 2009 CEM Benchmark Study clearly demonstrates that only those organizations that make a strategic commitment and back it up with resources and investment capture the financial benefits of customer experience strategies even in this difficult economic environment.

The results of the 2009 Customer Experience Management Benchmarking Study point to the following recommendations for companies looking to become more profitable through customer-centricity:

- **Build the business case for customer experience** - It is insufficient to believe that good customer experience is simply common sense. Investing in the customer experience is a business strategy that needs to result in increased profitability. To ensure that a customer experience strategy will have long-lasting success, it must be grounded not merely in satisfaction and loyalty, but in a strong business case against which performance can be measured
- **Invest in the customer experience** - Once a company has built the business case for customer experience, it needs to invest in the experience to ensure that it has a chance to be successful. Too many companies stop once they have issued the memo and placed the posters on the wall. Customer experience requires continuous investment, not only during good times but at all times
- **Link the customer experience to the brand promise** - A successful customer experience strategy fulfills the promise made to customers. It is critical for there to be a single strategy against which a company executes. Rather than have a brand strategy and a customer experience strategy, there must be a single strategy that links the brand to the customer experience in a measurable way
- **Operationalize the Experience** - Customer experience is ultimately a matter of performance. Each function in the operation must be dedicated to delivering great experiences and understanding their role in the entire customer experience. Companies need to break down the experience promise into clear actions and assign different parts of the organization to each one of those actions. Finally, companies must measure and reward based on adherence to the customer experience action targets

- **Create a Consistently Extraordinary Experience** - Design the performance of each employee to reflect the commitment to customer experience. All employees must share the same level of understanding, empowerment and motivation to deliver exceptional customer experience
- **Ensure Organizational Readiness** - Anchor the commitment to customer experience in organizational dimensions such as performance evaluation criteria, rewards and recognition, as well as hiring and promotions criteria. The more the customer experience commitment is reflected in every aspect of an organization, the more likely it is to stay and become sustainable.
- **Conduct Actionable Dialogue** - Customer surveys are a popular method to solicit and communicate with customers. Make sure that customer dialogue programs are effective. Collecting responses is just the beginning of an effective customer dialogue. Driving actions internally is crucial to the success of these programs. Design studies with action in mind and drive the required action throughout the organization. In short, if you can't act, don't ask
- **Continuously Manage the Customer Experience** - Customer experience is not a onetime event or a project. Design your customer experience to be managed and evolve it over time to retain its relevance and differentiating impact

Survey & Research Methodology

The research was conducted via a structured, anonymous, on-line survey that was used for assessment and qualitative insight. 869 surveys were submitted by executives from North, Central and South Americas, Europe, Africa and Asia. The survey was conducted in English, Spanish and Portuguese from February 3, 2009 through May 4, 2009. Respondents were not compensated for their participation in the study. Participating companies represent a wide range of sizes and business types.

For more details about the Global Customer Experience Management Benchmark Study, please visit http://www.Strativity.com, email info@Strativity.com or call (201) 843-1315.

About Strativity Group

Strativity Group, Inc. is a global customer experience research and consulting firm specializing in design, innovation and deployment of differentiating, profitable customer experiences. Utilizing a multidisciplinary methodology that includes diagnostics, consulting innovation, organizational readiness, employee education and communication we ensure successful execution and realization of the financial benefits. Our focus is very simple: successful execution of your customer experience strategy.

Strativity Group. Inc. works with both Global 2000 companies as well as emerging businesses around the world. Our clients include Nokia, Computer Associates, SAP, American Management Association, Seagate Technology, Honeywell, Siemens, Dimension Data, FedEx, CATIC, Circle K, University of Pennsylvania, The Fund, Capital One, Jacada, Wyeth, Sage, Herbalife, Akibia, National, Lockheed Martin, Crown Plaza Hotels & Resorts and Nordea.