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Profiting from Customer Experience: *Why An Easy Customer Journey Makes Easy Money*

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Profiting from Customer Experience:

Why An Easy Customer Journey Makes Easy Money

Introduction

Customer experience sometimes falls into that murky category of business terms without a clear definition or with varying ones. As such, it's often used without sufficient ties to quantifiable metrics. Companies may set out to "improve customer experience," but not be able to determine whether they actually have, other than with loose or anecdotal accounts of better customer-facing processes.

However, when carefully examined, there's a direct relationship between customer experience, customer feedback, and financial performance. And, there are models and measures that can be instituted to track how much you're profiting from these initiatives.

The Business Value of Customer Experience

To begin, let's look at the effect of customer experience, purely at a business level.

A winning customer experience has positive benefits on both sides of the profit and loss account. Satisfied customers are more likely to buy more, repeatedly, and to recommend you to other potential customers.

REVENUE	COSTS
+ Sales to existing customers	- Cost of sale
+ Retention	- Marketing costs
+ Advocacy	- Complaint handling
	- Servicing costs

Equally, a good customer experience can help on the costs side of the equation. Retention, advocacy, and cross/upsell reduce your costs of sale. Advocacy is very low cost, if not free marketing, and with the power of social media, it has a broader reach than ever before. The costs of handling complaints falls as customers are satisfied with the experience you deliver. And finally, if you get the experience right, the costs of servicing fall.

The effect of this is demonstrated in research published by Oracle earlier this year (*Global Insights on Succeeding in the Customer Experience Era*, Feb 2013). Almost half of customers asked said they would pay more for a superior customer experience and almost three out of four stopped buying from a company after even a single bad experience. More significantly, most of those went straight to a competitor after abandoning the company that provided poor customer experience.

Bad experiences don't just harm you, they help your competitors — a double whammy.

- 48% — Always / often pay more for a superior experience
- 70% — Stopped buying after ONE bad experience
- 64% — Went straight to a competitor after a bad experience

What is Customer Experience?

Customer experience is a holistic entity. The customer won't separate one element from another; they will simply move on to another provider, if one or more areas aren't meeting their needs and expectations. That said, business shouldn't separate the elements either. Each should be considered as a weight-bearing column that supports a complete structure.



The six elements of customer experience.

1. **Product or service** — Your product or service is the core of customer experience and the starting point for a winning customer experience. While differentiation is possible and should be sought, in many industries your product alone will rarely ensure success.
2. **Be easy to do business with** — Understand exactly how your customer expects to do business with you and make it as easy as possible. From the design of your website to your call center to your invoices, simplicity and clarity are critical.
3. **Be nice to do business with** — People buy from people they like. Business relationships, just like personal ones require respect and communication to survive. This may sound like a no-brainer, but be nice, friendly, and empathetic should be a mantra of your company culture.
4. **Your reputation** — Buying decisions are often subject to what you do outside the relationship with the individual customer. Public relations messes will affect people's willingness to do business with your company.
5. **Engage with your customers** — The more you can do to help your customers take control of the buying process, the better the chances of a sale. Give them all the tools necessary through information, social media, and educational resources. Communicate with them on matters that are important to them with personalised messages and content.
6. **Offer the best value for the money** — The customer experience you offer comes at a price that your customers must consider fair. The price you set will shape the experience you can deliver and the customer's perception of what to expect. While there are limits, people will pay a premium for a superior experience.

Building a winning customer experience means understanding what mix of these factors matters most to the customer at each stage of their journey with you. That vital information becomes the key to designing and measuring your customer experience.

Building a Single View of the Customer

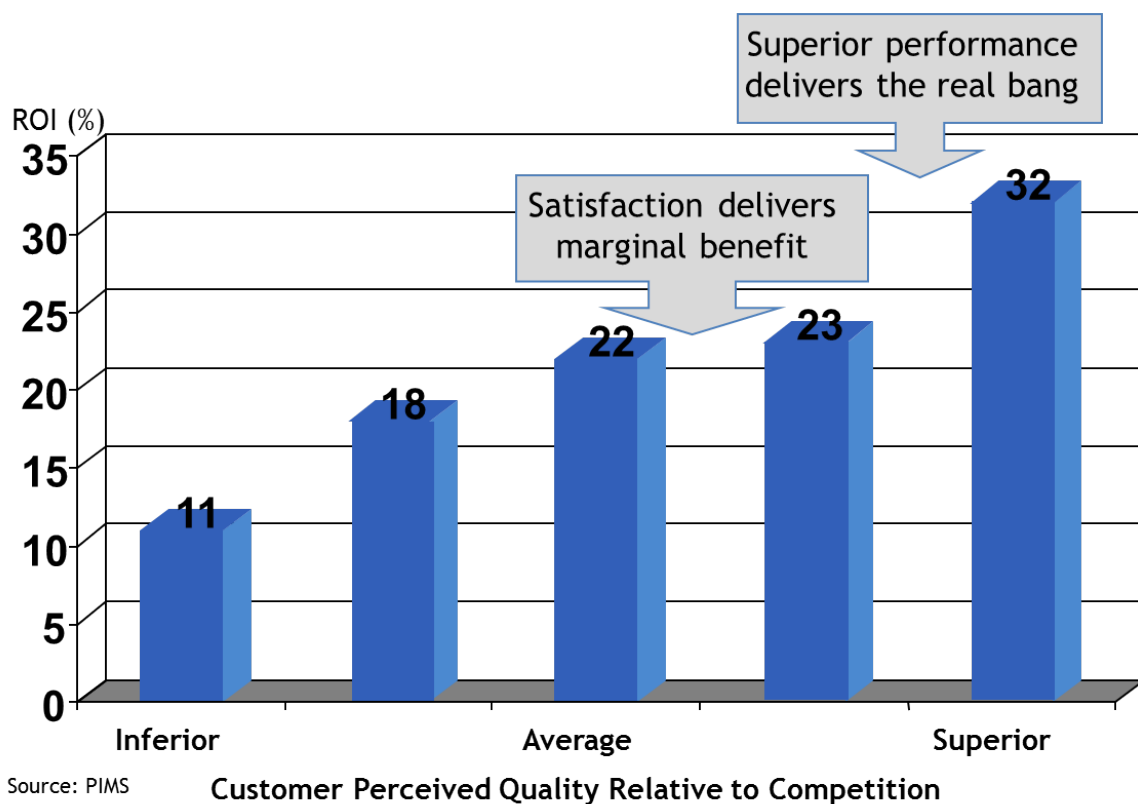
When polled, today's consumers rank very highly things such as one-touch resolution, emails answered within 24-hours, not having to provide the same information repeatedly, and having their transaction history known.

So why are so few companies able to deliver in these areas? Perhaps it is because they haven't established a single view of the customer.

When customers interact with a company, they don't see the departments and divisions that dominate corporate structures. When they share information, they expect it to be available to the appropriate people across the organization. They don't want to be

asked for the same information twice (or more) because one inquiry came from marketing and another from account management. This is why building a single view of the customer is one of the foundation stones for a winning customer experience.

Success also means going the extra mile. This data looks at the financial return from a benchmark group of companies compared to the quality of the experience they deliver. Note that the measure of “Customer Perceived Quality” is not absolute, but relative to the competition. Success requires you to figure out what aspects of the customer experience matter most and how to deliver them better than the competition.



Note also the shape of the graph. It is possible to earn a return by having a customer experience that is worse than competitors. Now, look at the increase in return between the Average and Better Than bars, compared to the Better Than and Superior bars. Just satisfying a customer makes little difference. The real returns come when the experience you provide is head and shoulders above the competition.

The Gap between Perception & Reality

- When polled, C-suite executives believed that 49% of customers would switch to a competitor following a poor experience.
✓ **Reality Check: 89% already had.**
- The C-suite believed that 44% of customers would pay more for a superior experience.
✓ **Reality Check: 86% already had.**
- Similarly, 91% of the C-suite polled wanted to be leaders in customer experience.
✓ **Reality Check: Only 21% had customer experience programs that they considered to be advanced.**

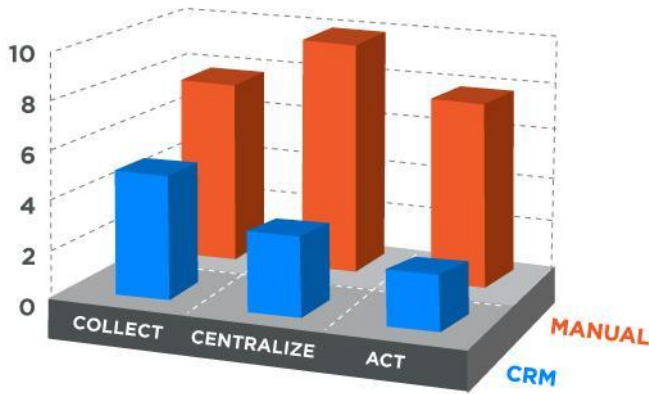
Source: Oracle, Global Insights on Succeeding in the Customer Experience Era, Feb 2013

Turning Feedback into Profit

Remember that the starting point for success is a designed customer experience at each stage of the customer journey. Designed means purposefully created, based on research with your chosen customers – those you want to serve.

Part of that design requires you to determine what feedback and other information you must collect to deliver a winning customer experience. Of course, the information all contributes to the single view of the customer and in turn is used to guide the actions and personalize interactions with customers. Feedback and its responses are increasingly event-based, driven by the needs of the customer, not an arbitrary timetable.

This may sound like a great deal more work, but that is not the case.



Time and effort to gain value from customer interactions

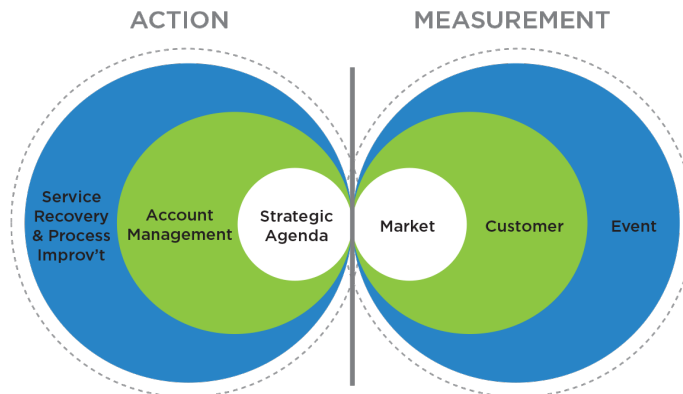
In the graph at left, the red bars represent the typical profile of workload using a standalone feedback system. The administrative elements of collecting data and manually populating it into CRM and other systems take up much of the time and effort.

A well-designed customer journey program fully integrated with CRM shifts this profile to look more like the blue bars.

When you integrate customer feedback collection with CRM, you effectively eliminate the time and effort required to collect and centralize information, as it is automated using CRM workflow and point-and-click integration. This frees more time for you to spend on understanding and following up the results. This is the added-value part of feedback, where you'll see the biggest returns. Second, you can look at feedback alongside other customer data, such as buying activity, campaign responses, and even financial performance. This will create much richer insights to guide important decisions.

The Balance of Action & Measurement

Gathering feedback across your organization only creates value if you act on it. There are three levels of action to consider, each with a corresponding category of measurement.



The first type of feedback (represented by the outer, blue arc in the diagram) is a response to a specific event or touch-point in the customer journey. This drives any necessary response to an individual customer and is aggregated to give a view of the effectiveness, from the customer perspective, of how well a touch-point or process is functioning.

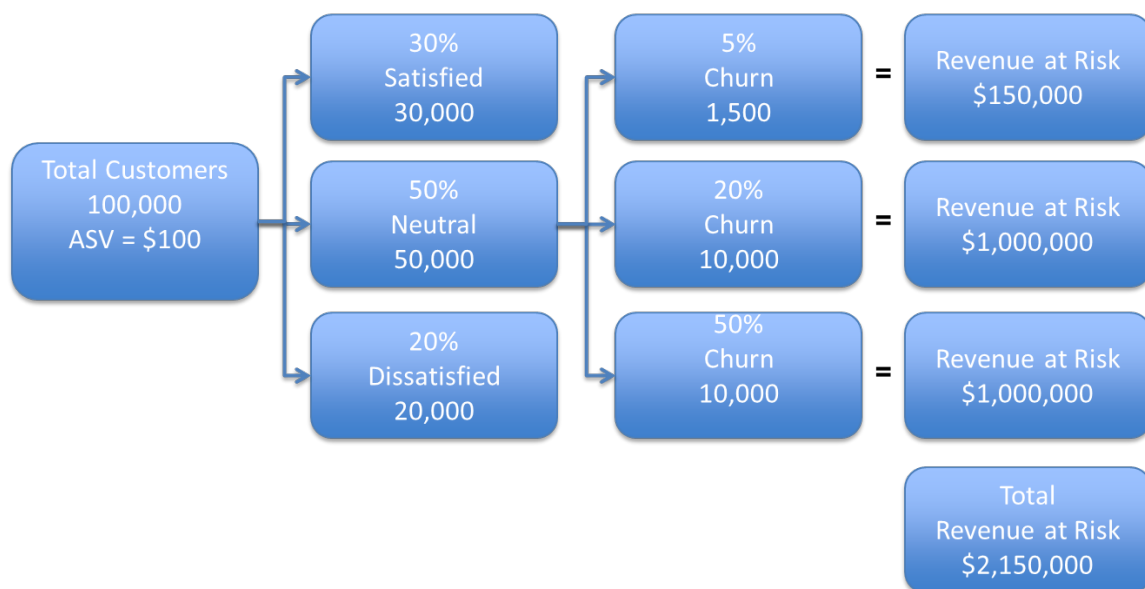
Going deeper into the circle, these views can also be aggregated to give an overview of the relationship with a customer and should be used to guide account or consumer planning.

The final feedback into action loop aggregates all feedback and takes in the wider market view, including the views of non-customers. This contributes to decisions about strategy and investments.

As you build these loops – action and measurement (or reporting) – rest assured that much of the reporting can be automated, but action itself can only be prompted. It cannot be overstated that taking and tracking action is the most important part of any customer feedback program.

Do the Math: Feedback Matters

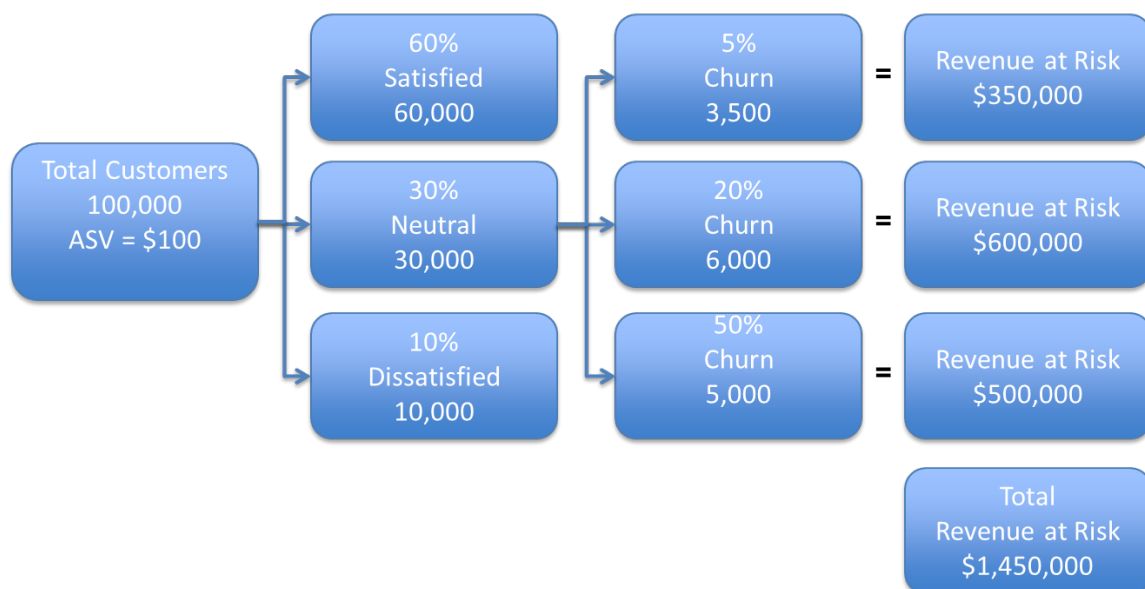
One way to drive action within your organization is to put a value on it. This simple chart¹ uses feedback data with transaction data to put a financial value on feedback.



¹ The linkage charts are based on work done by TARP

The example uses feedback data that shows 50% of customers as neutral (passives), 30% satisfied (promoters), and 20% dissatisfied (detractors). CRM data shows that 20% of passives churn, compared with only 5% of promoters and 50% of detractors. With 100,000 customers, the total revenue at risk is \$2,150,000.

Now, consider how the figures change with some significant improvements in customer experience. If you converted an additional 20% of the passives into promoters and reduce detractors down to 10%, the net impact on revenue is an increase of \$700k. This assumes that the churn rate for all three groups remains unchanged.



This type of calculation moves feedback out of the realm of anecdotal and creates a meaningful business case that you can confidently defend. Clearly, it is possible to profit from customer experience improvements – essentially paving an easier journey for customers to more easily drive revenue and decrease risk.

Where to Start: Next Steps

There is no doubt that all of this data points to the value of a superior customer experience, but how do you make it happen in your organization? As demonstrated earlier, customer experience touches nearly every department, often making it difficult to execute a fully aligned program. Here we have outlined a recommended set of next steps to enhance your ability to profit from your customer experience improvements:

1. Build a cross-functional team representing the functions that touch the customer.

2. Estimate the financial benefits of a happy customer. Use the [Customer Experience Calculator](#) to determine your actual profit increase.
3. Show the actual dollar value to other key stakeholders in your organization to sell them on the improvement initiative.
4. Build a customer experience taskforce within your organization that includes all key stakeholders.
5. Map out your customer journey identifying the key touch points and the things that matter to each customer at each stage. Use this as the basis of your designed customer experience and the measures you use.
6. Identify the information and feedback you need to provide and collect at each touch point and build these into your processes.
7. Automate the issuing of feedback and provide easy-to-use mechanisms for prospects and customers to provide information.
8. Integrate all the information collected into your CRM system to enable you to build and exploit a single view of the customer.
9. For each touch point, establish an owner and an action mechanism to follow-up any issues raised by customers.
10. Establish mechanisms to link feedback with other customer data.
11. Set up reporting for key stakeholders focused on what matters most to customers. Include estimates of the financial impact of the issues they raise.
12. Develop ways to report back to customers on the feedback you have received and the resulting actions.
13. Need help? Contact Clicktools today.

READY TO SEE RETURNS FROM CUSTOMER EXPERIENCE IMPROVEMENTS?

Clicktools is the leading provider of solutions to collect, centralize, and act on customer interactions, leveraging the power of CRM. Since 2001, Clicktools has helped organizations of all sizes and across industries improve customer experience.

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