# Designing a World-Class
# CX Approach:

## Creating Your Customer Experience
## Approach for Maximum Impact

**INTOUCH INSIGHT**

**Heart of the Customer**

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## Overview

Customer Experience (CX) has become a critical differentiator for companies. Consulting company Forrester has declared that we are in the "Age of the Customer," and Gartner argues, "A superior customer experience is one of the few remaining means of sustainable competitive differentiation as the effects of globalization take their toll."

Despite its widely-recognized importance, CX continues to be a loosely-defined concept, with each organization seeming to have its own definition. Approaches to the discipline and the arrangement of CX teams and related roles vary widely from business to business, leading to some confusion within organizations trying to select a CX approach.

Whether you are just starting your company's CX journey or you are well on your way, this white paper will help you develop a thorough understanding of the discipline and the many ways organizations view and implement CX strategies, processes, and technologies.

We'll start by defining customer experience and its importance before discussing common structures for CX roles, following up with the six pillars of CX.

## What is customer experience?

Before you can select an approach, it is first important to understand what CX is.

In their Wiki, the Customer Experience Professionals Association (CXPA) defines customer experience as "The sum of all interactions across all channels, shaped by an organization's culture. This culture is created by front-end and back-end processes and experiences that ultimately influence customer perceptions. These perceptions either strengthen or detract from our relationship with our customers and our brand consideration in the market."[1]

CX consulting firm Temkin Group uses a more succinct definition: CX is "The perception that customers have of their interactions with an organization,"[2] while Forrester agrees, defining CX as "How customers perceive their interactions with your company."[3]

At Heart of the Customer, we define CX as a combination of the experiences that customers have working with your organization across all functional areas, like sales or customer support, and all channels, like in-person sales or the internet. It's critical for an organization to have a view of the entire customer experience, not just individual interaction points. For example, while your customer may report having excellent interactions with your technical support team personnel, those same customers may be at risk because they are having the technical support issues in the first place — which is most likely not measured within your contact center survey.

As a practitioner working on CX every day, Kurt Brannian, Operations Analyst at convenience store chain Kum & Go – an Intouch Insight customer – defines CX as everything the customer experiences with their brand, even before they come into their stores, as well as after they leave.

What's more important than the definition, though, is how you recognize its importance and potential impact on your organization. The understanding that CX relates to the interactions, engagements, and expectations of your customers trumps the exact definition.

## The ROI of customer experience

Customer experience pays through a combination of customer retention, increased purchases from existing customers, and referrals to new customers. Companies with loyal customers grow more profitably through their existing customer base. Consulting company Bain found that increasing customer loyalty by 5% leads to a profitability growth of 25-90%[4] - no small reward!

The Temkin Group analyzed the financial impact of improving customer experience scores. They found that by increasing CX scores by only 10%, a typical $1 billion company could see increased revenue over three years of greater than $800 million.[5]

Similarly, when looking at CX leaders vs. laggards, Forrester found that leaders had an average growth rate of 17%, vs. 3% for the laggards. Regardless of the source, research consistently shows that CX is a successful growth strategy.[6]

# The elements of customer experience

While CX approaches vary, Heart of the Customer focuses on a three-pronged approach to defining and improving customer experience:

1. Effectiveness
2. Ease
3. Emotion

## Effectiveness: Job #1 is to get the job done

You can't have a great experience if customers can't accomplish their goals in the manner they wish to. Effectiveness isn't sexy, but it's table stakes for customer loyalty. Unfortunately, effectiveness initiatives are often starved to pay for more exciting projects.

"Customer experience is everything the customer experiences with our brand, even before they come into our stores, as well as after they leave."

- Kurt Brennian, Operations Analyst, Kum & Go
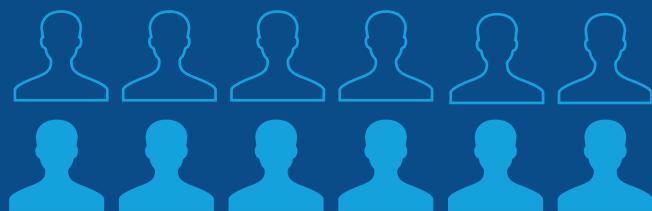
In their book *The Effortless Experience*, Dixon, Toman, and DeLisi report on a cross-industry customer service study that reported 58% of customers reaching a contact center first tried to resolve their problem online, but failed, necessitating the call. As you can imagine, 59% of them were annoyed at having to make that call. Imagine cutting calls in half through an improved experience. Your first step needs to be to make sure customers can achieve their goals the way they want to.

## Ease: Easy experiences create loyal customers

Just accomplishing goals isn't enough; it needs to be simple. The more you make your customers work, the worse the outcomes are for everybody. Or, as we like to say: thinking is bad.

The Customer Effort Score (see more on this later) has gained significant mindshare since its introduction, and with good reason — because effort really does matter. In their *Customer Complaints X-Ray*, Beyond Philosophy measures the impact of effort when customers have an issue. When customers expend more effort to chase their complaints resolution, they were:

- less satisfied with the handling of the issue
- less likely to recommend the company
- less likely to continue being clients/customers or use more services
- **more** likely to complain in the future

This last is a bit of irony — the more work you make customers do today, the more likely they are to cause additional work for you to do in the future! In fact, they found that reducing effort improved customer happiness more than giving them gift cards.
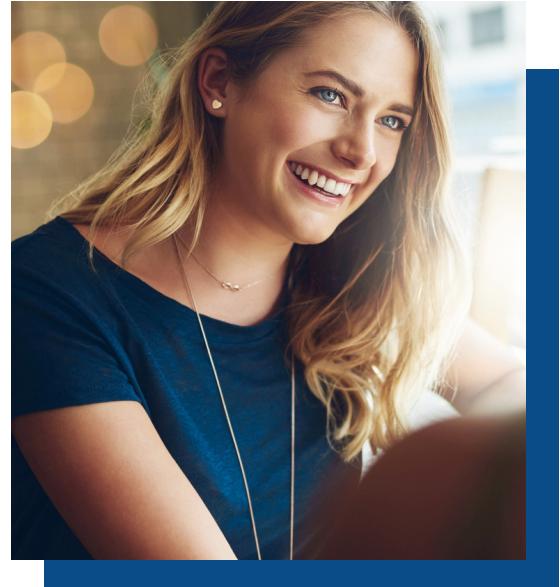
## Emotions: What trump everything else

Both Temkin Group and Forrester report that emotions outweigh other factors. The Temkin Group found that customers who rate their emotional outcome highly are promoters (see more on the Net Promoter Score later in this white paper) 76% of the time, whereas only 6% of those who rated emotions low are promoters. Similarly, 63% who rate an experience highly are willing to forgive that company for mistakes, whereas only 11% of those who rate the emotions low are.[7]

A strong emotional experience is also more difficult for competitors to copy, as sustainable emotional experiences rely on a strong, customer-focused culture. Positive emotional experiences are frequently created when passionate, well-trained staff meet the customer.

A positive emotional outcome is the best predictor of loyalty — but you can't win at emotions if you lose in effectiveness and ease. All three are important, but each plays a different role in your customer experience.

# Customer experience responsibilities

What is a CX program responsible for? Some companies define their CX program as essentially a Voice of the Customer program with a glitzier name. These organizations have their CX team focus on CX measurement, mystery shopping, and/or journey mapping. While these programs measure the customer experience, their limited scope leads to limited change.

To drive success, a CX program must focus on the six disciplines of customer experience as defined by the CXPA:

- CX Strategy
- Customer-Centric Culture
- VOC Customer Insight & Understanding
- Experience Design Improvement & Innovation
- Metrics & Measurement and ROI
- Organizational Adoption & Accountability

## CX strategy

A customer-focused strategy begins with a CX vision. A solid vision aligns teams, allowing your front-line employees to decide how best to serve the customer without needing to escalate. In a 2015 keynote speech, John Deere's Erin Wallace shared that her CX vision and strategy featured:

- A defined vision that unifies the enterprise to leverage CX as an enabler to business success; and
- A consistent, integrated, and proactive strategy that drives ongoing investment and improvement in CX

The CX strategy and vision should naturally flow from the company's overall vision and brand. For example, prior to joining the larger bank, Capital One 360 began as an independent brand focused on simplicity. They refuse to implement a new program or product without first ensuring it aligns with their vision. This not only impacts product-related decisions (for years, they refused to offer a checking account), but even their CX measurement, which asks specifically about simplicity of interacting with the company.

Creating a strategy is the first responsibility for a new CX capability, as it defines how the other five disciplines are approached.

# Six disciplines of customer experience:

1 CX Strategy

2 Customer-Centric Culture

3 VOC Customer Insight & Understanding

4 Experience Design Improvement & Innovation

5 Metrics & Measurement ROI

6 Organizational Adoption & Accountability

## Customer-centric culture

It is nearly impossible to drive sustainable customer experience improvements without a focus on culture. An organization's culture defines what gets done and what's left by the wayside.

In his post, *Building a Customer First Culture – Three Things You Can Do*, Andi Lobdell, Managing Director of Client Development of Root Inc., says, "Creating a customer-first culture means something different to every organization. The key is to clearly define what elements make up your version of being 'customer first,' and then adjust or create processes, operations, culture, and behaviors that make it a reality."

The CEO of Qumulo, Peter Godman, mandated a customer-first policy across and up and down the organization. Godman openly engages with all employees to reinforce the importance of Qumulo's customers and celebrate the successes.

Changing your company culture is hard, especially if the top of the organization is not speaking about it and acting on it. It is easy to say you care about our customer, but it is much more difficult to align cross functional teams and channels around working together for the benefit of the customer and to be rewarded for it.

That's not to say that it's required — or even the right choice for your organization — to tie compensation to customer experience scores. But unless the CX organization includes a focus on culture, there is unlikely to be sustainable change.

## VOC customer insight and understanding

Voice of the Customer (VOC) is a CX program's bread and butter. A key element of a CX role is to take the Voice of the Customer and help the rest of the organization apply it to day-to-day actions. Typical VOC programs combine qualitative and quantitative findings to help customers come to life for the company. The foundational element of most VOC programs is a customer journey map.

A customer journey map is a visual representation of the customer's experience *through their eyes*. Journey maps show what customers do, think, and feel throughout the journey. The journey being mapped may vary from an end-to-end experience to a specific sub-journey. For example, the journey map on the next page shows the underwriting sub-journey for an independent insurance agent, just one component of the end-to- end journey.

A journey map involves customer research. Its power is that it allows everyone from the front lines to the corner office to understand the customer experience, and where improvements are most needed.

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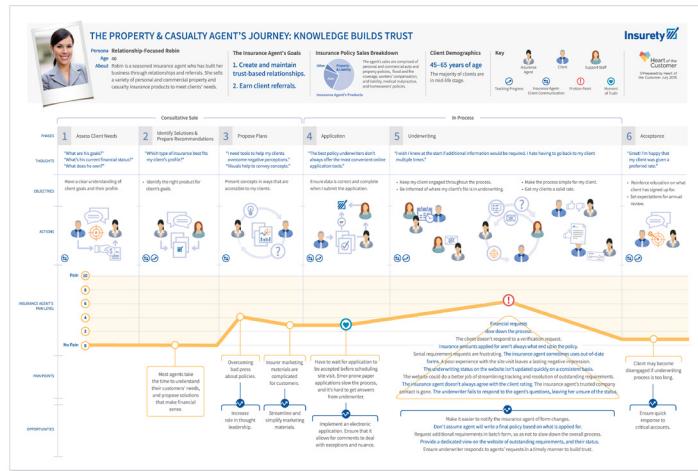
An effective map helps create customer empathy, assisting in your culture change efforts. To learn more about journey mapping, download the Journey Mapping Toolkit at heartofthecustomer.com/resources/.

Some organizations include their market research capability within customer experience, whereas in others it is housed separately. In either case, the CX capability nearly always focuses on how to embed the voice of the customer in organizational decision-making.

It's a best practice to combine your qualitative and quantitative research with other data, such as internal Key Performance Indicators (KPIs) and secondary and syndicated data. This helps to uncover more of what is going on across the entire customer experience. The more points of data you have access to, the better insight you will have into what's going on.

It is also important to take time to understand your employees' perspectives, especially those that are in direct contact with your customers. You can do this through employee surveys or empathy-building exercises, such as sitting in on calls with your call center, shadowing your store associates or going on an in- home visit with your service department. Amazon is known for doing this. In fact, not only do executives regularly listen to calls — they even take calls themselves!

## Experience design improvement & innovation

Once the VOC is discovered, the organization needs to take action to improve the experience. While the CX capability rarely owns the individual touch points where action occurs, you can — and should — coordinate the activity. A common CX design framework is made up of five phases:

1. Align
2. Discover
3. Describe
4. Design
5. Build

## Align

The first phase, Align, focuses on alignment with executives on who the customer is, which customer journeys to map, and the general makeup of the participants to work with the CX team. The alignment phase should also include a strategic planning exercise that identifies individual roles and responsibilities, as well as a timeline for deliverables. This effort fits within the CX Strategy capability.

## Discover

The second phase of the CX design process, Discover, focuses on gaining a deep understanding of the customer or persona. A persona is a specific type of customer, typically distinguished by behavioral or attitudinal differences. This phase involves a thorough review of data along the customer journey, empathy building exercises, competitive reviews, trends reviews, and analytics to identify the emotions, needs, actions, and pain points customers experience at every interaction point.

## Describe

After the customer journey has been clearly and comprehensively defined we move into phase three, Describe. This phase creates a visual representation of the customer journey. This allows the organization to see how the persona is moving through the journey and clearly identify individual pain points or barriers that should be resolved. An effort should be made to identify which pain points are most important to resolve. These are often focused on specific personas, or types of customers, to understand which experiences are most helpful in solving their needs and pain points. Once pain points are prioritized, brainstorming exercises should be conducted to design strategies to address them.

## Design

In the fourth phase, Design, concepts are created for 'new' experiences that were brainstormed around how to solve your customer problems or needs.

These are often focused on specific personas, to understand which experiences are most helpful/ useful to solve their needs and pain points. Once you have an idea of what is most helpful to your persona you can begin to map out the future state customer journey. A common next approach is to create a prioritization matrix. This session typically starts with laying out the concepts from high to low importance to improve customer outcomes; next, the cost or effort of each initiative is documented to identify quick wins (low effort, high or low customer importance) and strategic investments (high effort, high impact).

## Build

Now that priorities are established, the Build phase is where you act. As you build new experiences, it is important to consider who to include on the team.

Successful change requires cross-channel and cross-functional roles to avoid building new experiences in silos that create more pain points for your customers. It is also important to include in your roadmap how success is defined and how you will measure it.

## Metrics & measurement and ROI

Along with VOC, sharing metrics is a very common objective of CX programs. The specific metrics vary by company, although there are several that are common. CX participants are typically passionate about their metrics, leading to vigorous debates over which are best. Most measurement programs involve two types of surveys:

1. Relationship
2. Transactional

## Relationship surveys

Relationship surveys are offered on a regular but infrequent basis, and serve as a benchmark of the customer experience, with surveys covering the breadth of the experience. While most organizations conduct this survey once a year, others offer it more frequently to a subset of customers — for example, surveying ¼ of the customer population every three months. This allows for regular measurement without overwhelming customers. The most common relationship metrics are Customer Satisfaction, the Net Promoter Score, and a Customer Index.

### Customer satisfaction

This is a classic measurement, in use for decades. The phrasing varies, but a common question is, "How satisfied are you with (Company XYZ)?" There is regular debate in the CX community about the relevance of customer satisfaction as a metric; some find satisfaction strongly related to business outcomes while others finding no relationship at all. Our take:

- Companies with low-engagement experiences (such as insurance, some financial services, and B2B commodities) can benefit from measuring satisfaction, since low satisfaction leads customers to defect. For these companies, it is often easier to remain a customer than to leave, so satisfaction links to business outcomes.

Successful change requires cross-channel and cross-functional roles to avoid building new experiences in silos that create more pain points for your customers.

- High-engagement industries such as retail, restaurants, and strategic B2B services report that satisfaction is less linked to profitability, since customers can and do defect even when satisfied. These types of companies typically need to do more than simply satisfy customers to keep them coming back, necessitating a metric that captures more of an emotional experience.

## Net Promoter Score

The Net Promoter Score asks whether the customer is likely to recommend the company and is typically measured on a 0-10-point scale. Respondents who give a 9 or 10 are called "promoters," those who give a 7 or 8 are "passives," and those responding with a 0-6 are "detractors." To calculate the score, subtract the percentage of detractors from the percentage of promoters. For example, if 50% are promoters and 30% are detractors, the NPS is 20 (50-30). The average score varies by industry. For example, in health insurance, negative NPS scores are not unusual, while most retailers see much more positive scores.

## Customer Index

The Index is a combination of different customer experience scores. The most common index includes Satisfaction, NPS, and either Ease of Doing Business or Likelihood to Repurchase, although many variations exist. The benefit of this approach is that it offers a broader review, since each metric measures something different. The tradeoff is that the complexity of different scores requires explanation, making it more difficult to explain to the organization.

## Transactional Surveys

These are short surveys used to measure the experience of a specific interaction. Common examples are call center or website surveys. As these surveys are offered more frequently, they are typically much shorter. These have historically measured customer satisfaction ("How satisfied are you with your call today?"), although Net Promoter Surveys are also common.

## Customer Effort Score

A newer measurement is the Customer Effort Score (CES), promoted by the consulting company CEB. This question asks customers how simple it was to resolve their issue on a scale of 1 (low effort) to 7 (very high effort). The CEB's research has found this to be a much better predictor for loyalty than satisfaction or NPS when measuring customer service interactions.

### Other measurements

Surveys alone represent only part of the customer story. Most organizations complement these scores with business metrics to indicate how your organization is performing in critical areas, such as number of customer service calls, turnaround time, and customers gained and lost.

McKinsey, in their April 2017 article *Four Ways to Shape CX Measurement for Impact*, states that it is critical to invest in hardwired technology that can capture customer feedback daily from multiple channels. These solutions should integrate the captured data, including survey results, social media posts, and operational metrics into comprehensive, role-specific dashboards. The deeper the dashboard's data, the more effectively they will provide transparency and drive decisions at all levels.

For more information about CX metrics read the Intouch blog The ROI of Customer Experience: 16 KPIs you should be tracking.

## Organizational adoption & accountability

The biggest CX team challenge is to help their organization adopt a customer-focused approach. One common method is to link at-risk pay to customer scores. While some organizations have seen success with this method, it introduces significant risk, as seen in organizations where staff "game" the system by asking customers to rate them highly. One auto repair shop even went so far as to print out an example of the customer survey, "helpfully" filling out the scores for the customer.[8]

### Sharing the measurement

One way to help the organization adopt the findings and be accountable for the results is to broadly share the result. Maxie Schmidt-Subramanian at Forrester suggests that "Businesses need to share customer feedback in real time throughout the company if they want people to use it to drive improvements. They also need to report on CX metrics to raise awareness of the importance of measuring and managing customer experience."

To make the most of their communications, they should:
1. Define role-based dashboards and reports
2. Integrate different sources of information
3. Plan how to rally stakeholders around CX metrics

## How do organizations adopt findings and be accountable for results?

"Businesses need to share customer feedback in real time throughout the company if they want people to use it to drive improvements."

- Maxie Schmidt-Subramanian, Forrester

One company that is effective at this is Intouch Insight customer, Jungle Jim's, a restaurant chain focused on creating a unique experience. Their customer experience team uses a variety of methods to keep track of the customer experience, including surveys, mobile forms software, social media and emails to stay close to the feedback they receive from their customer.

They use a variety of tools to measure their guest experience; for example, they use the Intouch mobile forms software to perform restaurant checklists to ensure every part of the operation is in top shape for its guests. They also use surveys to get instant feedback from their guests while still in the restaurant. Often, they can resolve any problems the guest may be having in real time. They are also able to communicate with their guests via email within their Jungle Club membership program. Finally, Jungle Jim's depends on social media for getting guests into their restaurants and as a communication vehicle.

They share this feedback in a variety of ways; at regional meetings, during franchisee meetings and directly to individual restaurant owners and managers. They tackle problems first that affect the overall brand or reputation right away. Their CX leader, Dwyane Legge, feels it is equally important to include the restaurant and owners in prioritizing which problems or needs to address first.

Another company effectively sharing results to drive action is the convenience store Kum & Go. Kum & Go uses Intouch as its mystery shopping provider. Their mystery shopping program measures changes to store compliance with customer experience standards over time by performing shops at each store multiple times a month. They also measure their experience using Net Promoter Score, to get quick feedback from both purchasers and non-purchasers; this data is reviewed regularly.

Many organizations struggle to determine what to measure to show success of using a customer-first approach for their company. This is in part due to not having a centralized team where a decision can come from. Since many companies have customer experience scattered throughout an organization, it's often hard to get everyone together to make these decisions.

## Customer experience roadmap

As you build your CX program, it's helpful to develop a roadmap to guide your investments. That roadmap is typically created through a combination of outside-in (customer-focused) and inside-out (internal review) efforts.

Custom journey maps are a common input to prioritization, as they show customer pain points through their eyes. But, as important as they are, they are only one critical input. Your CX vision provides a lens through which you create your roadmap. Is your goal to have the simplest experience, or one in which customers have a strong emotional experience? Do you aim to be the low-cost provider or priced at a premium?

Developing your roadmap starts with customer needs, adds in the CX vision, then analyzes potential projects to create a prioritization based on effort and impact. Further prioritization can be based on ease of execution, potential impact and which projects provide the biggest financial value or competitive win. Building out the experiences is often a cross-functional and cross-channel exercise depending on what you are solving for the customer.

Before building a new experience, determine what success looks like. One challenge we find in customer experience is that we're so focused on the voice of the customer that we often overlook the voice of the business, which is what many of our peers find more compelling. Business KPIs — such as customer retention or turnaround time — ensure these are married together.

Roadmaps are sometimes managed by an individual working within the CX team but are most effective if led by a dedicated CX Program Manager in conjunction with a Business Program Manager. The business program manager should be working with the other channels and capabilities within each priority while the CX Program Manager works to make sure the customer experience projects are on track.

## Getting started

There are many ways to get started with a customer experience program.

Kurt Brannian, Operations System Analyst at Kum & Go, suggests continuing to listen to what your customers are thinking versus what we think is best. It's ultimately what the customer thinks that drives their behavior.

Jennifer Laws, CRM Marketing Manager at ABC Fine Wine & Spirits, suggests listening to your employees to understand their experience. Employees can often provide more context behind customer needs and will be more invested in the outcome if they are involved in the decision-making.

**DWAYNE LEGGE
SPECIAL PROJECTS MANAGER, JUNGLE JIM'S**

*"Know who you are, and who you are not. Think about how you would like to be treated, but more importantly treat your guests with respect, listen to what they are looking for, and be willing to adapt your preferences to reflect theirs."*

It takes a village to create long lasting change. It's okay to start small. Find those around you that are passionate about the customer. Engage these individuals with insights and actions they can take. Often you will find that you've made their job and decision-making easier. Show data and use as many sources of data as you can to make your point. Create a draft of a current-state journey map using all your data sources, then get feedback from a variety of functional roles and channels. Find those that are interested in helping you brainstorm how to solve those problems so that you can share a future-state vision. Grab a few leaders and have them help you to prioritize.

Once you start to implement new experiences that solve problems for your customers you should see a positive impact to your bottom line, and growing excitement to continue to use a CX approach in all that you do.

## Authors

### Jim Tincher

Jim sees the world in a special way: through the eyes of customers. With a lifelong passion for customer experience, Jim founded Heart of the Customer to help companies of all sizes increase customer engagement. Before launching the company, Jim led customer engagement initiatives at Best Buy and UnitedHealth Group.

His fascination with customer experience led him to test himself by becoming a Certified Customer Experience Professional, only the second in the world to earn such a designation. He also has served as an adjunct instructor at the Carlson School of Management at the University of Minnesota. He is an active member of the Customer Experience Professionals Association (CXPA), serving as one of their CX Experts, providing advice to members worldwide.

Jim was named one of Feedbackly's "10 Biggest Influencers in Customer Experience Around the World" and was featured in "9 Customer Experience Influencers to Start Following Now" by Influencer Marketing.

### Kate Kompelien

Kate is a customer experience leader, focused on coaching and educating across the design process. At Best Buy she pioneered a first-of-its-kind CX Design process (insights, mapping, behavioral research, design, and measurement), which has been proven to drive significant revenue growth. She understands the importance for companies to differentiate in this highly competitive environment. Change management comes from listening, communicating, and collaborating while delivering exceptional output that results in increased revenue, improved customer loyalty, and aligned decision making.

## End Notes

[1] https://www.cxpa.org/browse/knowledge-bank/entry?GlossaryKey=1eecb4d9-6aa3-4712-8947-722364cf67f6 (as of December 31, 2017. A CXPA login is required to read.

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