
24h

How to integrate Customer Experience into a real Business Case

Ronan Vander Elst
Partner
Deloitte Digital

Nicolas Vauclin
Manager
Deloitte Digital

In today's increasingly customer-centric world, there is growing value in delivering best-in-class customer experience. However, organizations struggle to improve customer experience in a systematic, measurable way because of the difficulty of assessing the value created and captured from investments related to customer experience. Defining and measuring customer experience value is a game-changing new approach that enables organizations to systematically translate customer value insight into customer experience change directly linked to a business case.

Not long ago, if you had asked a group of executives what was their organizations' key differentiator, you would have received an array of responses: low prices, free returns, fast shipping, bundled services, ease of use…the list goes on. Today, if you ask that same question, you will likely receive a very different and nearly unanimous response: superior customer experience (CX). Gartner predicts that by 2018, more than 50 percent of organizations will have implemented significant business model changes in their efforts to improve customer experience. This is a significant shift in the market, where much of the power has changed hands from the organization to customers and their ever-increasing demands. Today's customers have come to expect a superior and holistic experience across all sectors, requiring organizations to continuously innovate, disrupt the market, and become more responsive. Executives are therefore challenging their organizations to transform customer interactions into dynamic, beautiful personalized experiences, but they are still struggling to improve CX in a systematic and measurable way that would compare investments and benefits.

New technologies deliver predictive insight to drive experience

Alongside the market shift in customer power and expectations, new technologies are rapidly emerging. Digital and analytical capabilities are disrupting how organizations interact with customers. As an example, analytical reporting tools are evolving from static, historical views of the customer to predictive decision engines. Still, organizations are struggling to integrate these huge data flows given the complexities of transforming people, processes, and technology. Organizations are left with a plethora of data and metrics, but with no way of making sense of it all to identify the impact of customer experience investments.

Making Sense of the Madness:
Measuring Both Value Created and Value Captured

Organizations have traditionally attempted to determine the impact of experiences by attaching a value to CX. They measure experience value—the value the organization creates for its customers—for instance by calculating Net Promoter Scores (NPS) and increased satisfaction scores, but they struggle to connect these metrics to bottom line impact.

Additionally, a myopic focus on experience value can lead an organization to invest in experiences that increase customer satisfaction, but not necessarily revenue. Separately, organizations focus on customer profitability as a proxy for business value—the value the customer creates for an organization. Most commonly, marketers still use Customer Lifetime Value (CLV), a concept dating from the late 1980s, to calculate this value. With the large amount of customer data available today, organizations using traditional CLV are missing opportunities to fully extract value from their customers (e.g., value linked to the promotion of their brand by customers, quality of interactions).

Along with CLV, organizations use return on investment (ROI) to assess the business value of CX activities. However, ROI is often used in an ad hoc manner, specifically measuring the lift in sales or reduction in costs from a recent initiative. ROI is rarely tracked for all CX initiatives across the customer journey, at the individual customer level, or iteratively over time. Many companies are now at a crossroads, facing two distinct options: remaining a follower by trying to stick to the most successful actions, or attempting to gain a critical competitive advantage by employing a CX strategy that connects their customer investments to bottom-line results. The time has come for organizations to build the next generation of customer experiences by connecting experience value and business value, and measuring both in a systematic, predictive, and continuous way.

Organizations are left with a plethora of data and metrics, but with no way of making sense of it all to identify the impact of customer experience investments.

Defining and measuring Customer Experience Value: a game changer
Going forward, organizations aiming to differentiate themselves through customer experience should employ a "customer value" lens. They need to know what value their customers generate at an individual level so as to invest in the most effective way and achieve optimal ROI.
Defining and measuring Customer Experience Value (CXV) is a game changer for organizations. It helps organizations to create highly-personalized "moments that matter" between an organization and its customers, to invest in proportion to customer value creation, and to continuously improve CX investments.

The key components of Customer Experience Value are "experience value" and "business value," each of which can be measured through certain "value measures".

Experience value is comprised of two value measures, each in the form of a question:

- "What is the quality and nature of their interactions?" which reflects their engagement and the effort they require to interact with your organization (one point worth noting is that not every interaction is a "good" interaction for your organization; for instance, repeated service calls increase the cost of serving your customers. We will be focusing on interactions that increase, rather than decrease, value)
- "How satisfied are they?" which reflects your customers' overall satisfaction and likelihood to remain loyal

Business value includes three value measures:

- Promotion (e.g., through social media)
- Spend
- Cost to serve

Organizations often focus on either experience value or business value, but CXV is unique in its ability to connect both, enabling them to create meaningful experiences that their customers are willing to pay for.

Customer Value

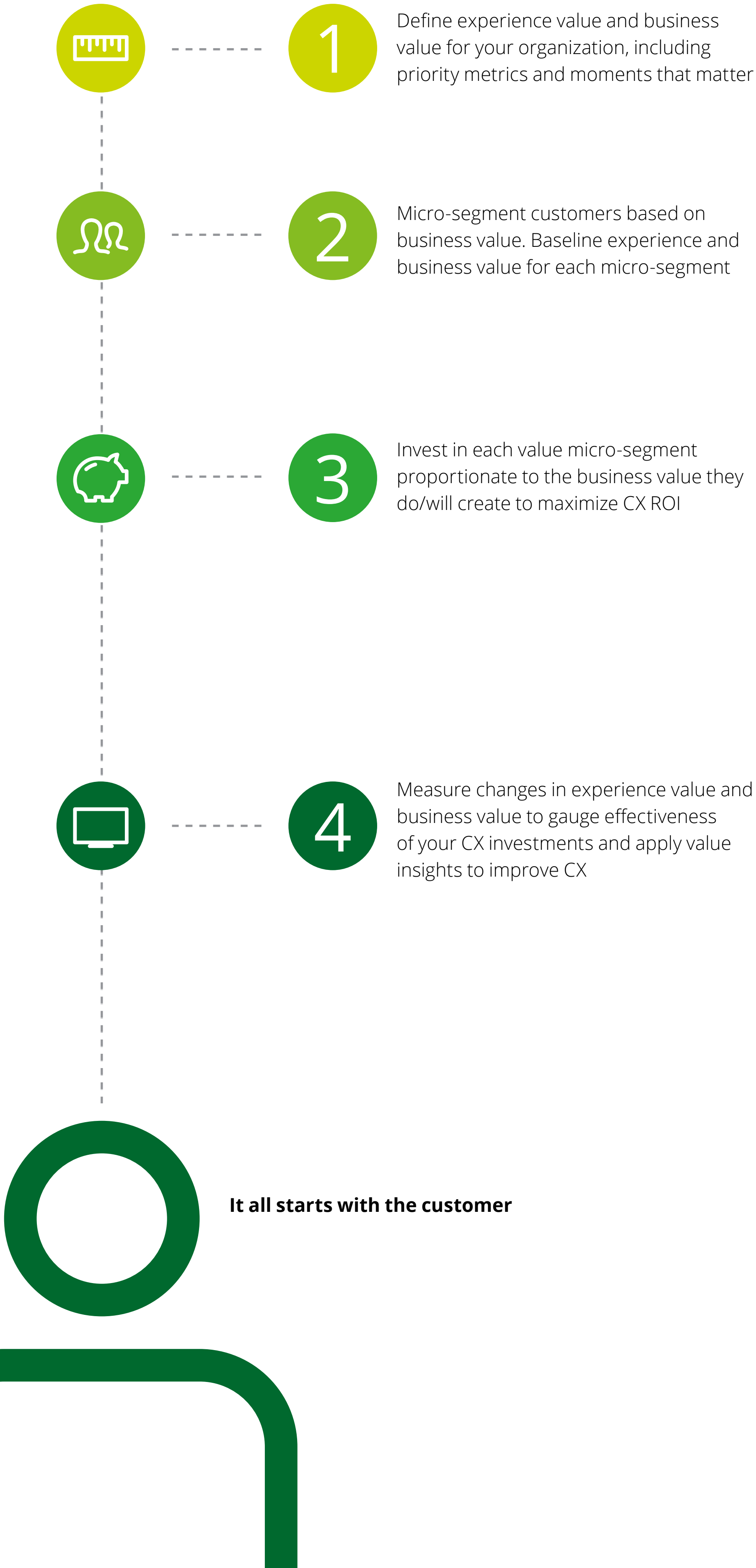
How can one define and measure customer experience value?
The approach is based on four steps:

01. Define value: Define experience value and business value for the organization, and identify the moments that matter most to the customer and the organization, and priority metrics for each.

02. Know who drives value: Micro-segment customers based on business value (e.g., spend, cost-to-serve, promotion) in addition to a traditional segmentation based on customer demographics and psychographics. Baseline the experience value (e.g., satisfaction, quality/nature of interactions) currently being created for each micro-segment.

03. Create value through experience: For each micro-segment, invest proportionately to customers' value creation, and only in experiences that customers will pay for, to improve the profitability of CX initiatives. Using a holistic view of customer value, create highly personalized, dynamic moments that matter to your customers and to you (e.g., dynamic content and treatment rules).

04. Track and enhance value creation: Leverage predictive customer value analytics linked to CX investments, measure changes in experience value and business value. Gauge effectiveness and continuously improve CX investments through real-time value insights drawn from an ecosystem of vendor partners.



Each organization needs to customize this approach based on its industry and business context. One example is provided in the case study below:

Case study: A Canadian bank wanted to improve its analytics capabilities to better understand and predict customer behavior across touchpoints. They built predictive models to identify potential first-time home buyers, the likelihood of choosing the bank, and risks of attrition. A network-based approach was used to identify customer lifestyles by analyzing the connections created by customers' day-to-day transactions.
Building these models resulted in:

- Driving greater speed and accuracy of attrition models to allow for earlier and more effective intervention
- Developing Big Data capability to enable rapid identification and analysis of customer behaviors and lifestyle attributes
- Two percent increase in annual economic profit on mortgages through an increase in product penetration and balances per customer

Transforming into a CXV-oriented organization
Keeping abreast of customer expectations and technological progress is not an easy task. An organization must embrace a digital culture and break down its organizational silos, which may include changing incentive structures. It must integrate data across its ecosystem, including front-office data (e.g., sales), back-office data (e.g., billing), and third party data (e.g., individual search). It must have the ability to not only segment its customers demographically or based on psychological profile, but also at a micro-segment level based on the value they provide. It must have the ability to determine the moments that matter for each unique customer. Data integration, in particular, is a complex challenge. In order to ensure a true 360-degree individual customer view, organizations need to capture and integrate cross-channel data such as customer profiles, social media interactions, sales interactions, service interactions, marketing interactions, and costs to acquire and serve. An organization must determine where technology gaps exist (e.g., a survey tool may be needed to capture and act on real-time customer feedback) and then strategically design its systems to provide a comprehensive customer-centric view.
Despite these challenges, transforming into a CXV-oriented organization presents a significant opportunity. Once an organization is able to develop the technical architecture and capabilities needed to capture, measure, and translate data into value insights at an individual level, it can make informed strategic decisions to offer a different customer experience and maximize ROI.

Case Study: A leading communications networking company in the United States was struggling to deliver cost-efficient, customized CX to its B2B customers, with manual touchpoints in 100 percent of their order processing instead of auto-processing. This resulted in order processing prices of more than three times the industry average. Applying the principles of CXV, the company developed an integrated solution aligning front-end and back-end systems. By capturing the right customer data, they were able to segment their customers based on value. The company then determined when, how, and to whom to offer high-touch, high-cost experiences versus streamlining experiences through automation. As a result, monthly orders increased by 50 percent and variance in order processing costs decreased by 40 percent over four years.

The Customer Experience bar has been raised for organizations. Customer expectations are constantly rising and digital capabilities are rapidly evolving. To win in the marketplace and gain a critical competitive advantage, organizations must apply a customer experience strategy that connects their customer investments to benefits within the scope of a concrete business case.

In order to ensure a true 360-degree individual customer view, organizations need to capture and integrate cross-channel data

Sources: Gartner