Driving Return on Customer Experience (ROCX)

Designing the Right Customer Experience Strategy and Evaluating Its Value Over Time

White Paper

Customer Experience

Most marketers struggle to design a customer experience (CX) program that truly moves the needle for their business. This is because customer touch-points have become more complex, and customers are more connected to your brand than ever. With a growing need for programs that truly identify what matters to your customers and lead to sustainable customer delight, many new tools and methodologies claim to know what you need to load your CX arsenal.

This paper aims to identify which questions a CX program must help you address, which performance indicators are optimal for your brand, and how to truly understand customer expectations and tie it back to a tangible revenue impact that justifies the investment of time, effort, and money.

Overview

Customers today are spoilt for choice. Customer journeys have become a lot more dynamic, with multiple touch-points across online and offline channels and a lot more information available at the touch of a button. How many of us use online reviews, for example, before making a big purchase? All this is coupled with the complexities of constantly changing customer expectations. As customers mature in their relationship with your brand, their needs and expectations evolve. Your customers may be new to your brand but need not be new to the category that your brand serves. In such a situation, how much of your focus needs to be on designing the right experiences for your customers keeping the monetary impact in mind? Acar rental company used advanced analytics to dive deep into its database of drivers and trips completed. They carved out ten specific customer archetypes and used a scoring model to allocate all drivers to each of these archetypes. Then, they designed offers and messaging that works for every archetype. This simple analysis helped them increase their customer base by 10%, and revenues by 20%**

CX continues to take center stage for any high-performing organization worth its salt. According to a study by a leading consulting firm, successful CX enhancements can increase sales, facilitate cross-selling, and boost revenues by as much as 15 to 20%**.

While most organizations plan to include CXin their growth strategy, the burden of implementing it, unfortunately, falls on CMOs' shoulders solely. To effectively implement CX, the change needs to be brought at an organizational level from the top down. Leaders should be clear about what they need to design the right CX program and how to monitor its impact on business metrics. This can ensure that they keep out-innovating their competitors and stay ahead in the game by building what their customers want.

Committing to CX

We hear about the value of investing in CX constantly. We know it is important, we know it moves the sales needle over time. A recent study by a leading market research firm revealed that a moderate improvement in CX could lead to an average revenue increase of over $800 million over three years for a company with annual revenues of about $1 billion*.

Did you know?

Companies that deliver well on CX have a 16% advantage in customers that have a higher willingness to pay, 10% advantage in customers willing to forgive mistakes, and 7% advantage in customers willing to try new products, as compared to those that deliver a poor show on CX*.

However, it is quite understandable to have reservations on how much time, effort, and dollars you need to spend on improving customer experience if you don't know the exact value of returns your company derives from it. This apprehension leads to a lack of 100% dedication to revamping the CX infrastructure, and half-baked efforts don't deliver full-scale results.

What is the right CX program for you?

A CX program helps improve customer experience on metrics like customer satisfaction (CSAT) or Net Promoter Score (NPS), but that is not where its role stops. A truly effective CX program's end goal should be to provide your business with organic growth with the existing customer base while also acquiring new customers.

Your CX program must be able to answer the following questions:

How do we continuously improve CX?

How do we address the changing needs and expectations of customers?

How do we estimate the Return on Customer Experience (ROCX) from all the investment being pumped in year after year in improving CX delivered by our brand/organization?

How do we continuously improve CX?

With the changing economic environment and increased information and exposure to customers, expectations are defined by experiences being delivered globally by brands, and how customers expect you to raise the bar in serving them.

Keeping this in mind, we recommend a simple three-step framework for developing superior experiences. We call it the 3E's of Customer Experience.

The 3E framework for improved customer experiences

To continuously improve CX for your brand or organization, it is imperative to decode what your customers expectfrom you. Understanding the needs of your customers to identify gaps is the foundation for a comprehensive CX program. Once armed with this information, it becomes easier to design experiencesbased onwhat matters the most to them. This leads to organic growth in customer engagement, leading to higher revenues.

> CX initiatives mean nothing to the organization and cannot impact revenues if they are not coupled with an understanding of the needs of customers.

How do we address the changing needs and expectations of customers?

It is imperative to understand the needs that drive usage of your products or services rather than evaluating only the tangible and intangible touchpoints with customers. For this, we recommend behavioral analysis of your customers' choice patterns. In this methodology, customer needs are framed in the form of benefits that they expect or need from your brand's product/service. This is done by reviewing past unstructured data on voice of the customer to understand what possible needs customers might have from your brand. Below is an example of such need statements for a banking client:

Is a financially stable bank

Protection against fraudulent transactions

Large network of branches that are easy to access

Extensive ATM network

Provides relevant offers and rewards

Easy to redeem offers, rewards, and loyalty points

Known as an industry leader across banking sector

Good reputation among friends and family

Quick application process for new products

Certified relationship managers to address my needs

Clear explanation on all fees and charges

Open, purchase, and transact products through website or mobile app

The key to identifying customer needs is to ensure they cover all possible touchpoints and outcomes of those touchpoints from the customers' point of view.

Post-need-identification, you can bring in OSG's proprietary behavioral analytics platform, ASEMAP, to assess the hierarchy of needs for each customer. ASEMAP, however, doesn't stop just at hierarchy. It uses a forced trade-off mechanism to determine how important every need is to the customer, quantitatively. Given the nature of the methodology, it is not sample-dependent and works at an individual level to understand what is important to every customer.

How do we estimate the Return on Customer Experience (ROCX) from all the investment being pumped in year after year in improving CX delivered by our brand/organization?

Building an understanding of how CX initiatives impact your top line can be done in three steps:
1. Understanding the level of CX your organization delivers
2. Linking business metrics with CX metrics to understand the impact of CX improvements
3. Monitoring the movement of CX metrics over time

Understanding the level of CX your organization delivers

Organizations typically use metrics like Net Promoter Score and CSAT to rate the level of CX they deliver. These are coupled with open-ended questions to get honest feedback from customers. However, these metrics are not useful in providing a quantitative understanding of the drivers of CX. To try and quantify drivers of customer behavior, organizations use regression over these stated rating scales. Do we get our answers from this?

From our experience, here are some of the questions that every CX manager continues to have even after having a well-designed program that uses NPS, CSAT or other such metrics:

Are stated areas of improvements (typically open-ended questions) biased by recent interactions?
Well, the truth is - they are biased. For any research, respondents are hesitant to give time even to the close-ended questions, let alone open-ended ones that require them to think through and churn out honest answers.

Are regression-based methods on stated ratings coupled with open-ended questions a powerful enough tool to ensure we have a way forward to nudge customers?
Let us ask ourselves a few questions: Are the stated responses not biased because of ethnicity? Does your research not fatigue respondents? The answer to both questions is: Yes. How do you handle this?

To avoid stated rating-based and open-ended questions and overcome the ethnic and cultural differences that exist between global customers, your research can be powered by ASEMAP. This not only accurately arrives at key drivers, but also keeps respondents engaged through gamification. Read more on how ASEMAP works on our website.

Once the key drivers and the magnitude of their impact are known, what you have are actionable insights for different micro-segments, enabling you to impact your metrics and show significant improvement. This helps you with not only the drivers that nudge customers but also the magnitude of impact a combination of these drivers could have on your business.

Understanding the level of CX your organization delivers

It is imperative to identify the metrics that represent the customer experience delivered and their impact on overall business goals. Some of the key areas you will see an impact on as you focus on CX are as follows:

Repeat Purchases
How many more customers are making frequent purchases,thus becoming loyal to your brand?

Value of Purchases
Is the value of a single purchase going up? Does that imply that customers trust the quality of your product and customer service more over time, and are willing to spend more money on the offerings of your business?

Cost of Acquisition
The cost of acquiring a new customer is a lot higher than the cost of retaining a customer. So, as your repeat purchases go up and the value of purchases also increases, you are saving the cost of new customer acquisitions, and hence contributing to the top line.

Customer Support Costs
With a high number of dissatisfied customers, you end up spending a lot of money on returns, customer support tickets, phone calls etc. As the satisfaction with a brand increases, all these avoidable costs go down, leading to savings for the business.

Reviews
Positive reviews can lead to incremental sales, while a negative review can do a lot of damage to your brand. According to a survey by a leading global cards company, happy customers tell 9 people about their positive experience with a company, whileunhappy customers end up telling 16 customers about their bad experience. Improved CX should ideally lead to advocacy, and we all know the power of referrals.

Similar metrics can help you establish the impact of your CX programs on revenue/profitability per customer.

It is important to know your customers, and this can be done by tagging back respondents to your database. Tagging helps you understand how individual customers are performing on various business metrics. A simple analytical model can be built to identify the impact of every CX movement on all your key business metrics. This in turn helps you estimate the return on the investment made to change CX levels.

Monitoring the movement of CX Metrics over time

We recommend building a dashboard that helps you continuously monitor:

What is important to your customers, by micro-segment, and by how much, and how is that changing over time?

How are you doing on these customer expectations? – a final score, as well as attribute wise score, broken down to as many levels as needed (store, city, state, country, or region)

Which customers are satisfied, moderate, and dissatisfied customers?

What can you do to improve your performance for these three categories of customers, at a store, region, country level? –actionable insights in real-time that lead to quick results on the sales and revenue front

In Conclusion…

Today, brands aim to differentiate themselves purely based on how quickly and effectively they respond to their customers' evolving and varied needs. Blindly following what others do will cause more harm than good. Instead, by following the guidelines mentioned in this paper, you can analyze what CX measurement means for your brand, what is the right way to build it, and how these metrics can be tied back to an impact on your business growth.

References

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About the Authors

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Isha has a decade of experience in marketing and business strategy. She began her career with Google and subsequently worked with Matrimony.com, Caratlane, and Cleartrip in different roles that built expertise in various digital media like Pay per Click (PPC), social, mobile, apps, email, and display campaigns. Skilled in management, marketing strategy, digital marketing, analytics, and customer experience, she is currently leading OSG's brand and content marketing strategy. She has a Master of Business Administration (MBA) focused in Marketing and Strategy from the Indian School of Business.

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Vaibhav Sharma has over a decade of research and analytics-based consultancy experience. He has helped organizations across the globe create and implement customer experience (CX) programs that bridge the gap between research metrics and business performance. Apart from CX, he has extensive experience in choice modeling, segmentation, messaging, brand equity, new product launch, and innovation gateway work. He has worked across multiple B2C domains like FMCG, retail, BFSI, auto, and B2B domains like manufacturing, healthcare, and life sciences.

The Power of OSG Analytics

OSG is a global technology and analytics provider that delivers outcomes on customer engagement to Fortune 500 clients with the help of leading analytical technologies and world-class global resources. OSG uniquely combines historical data with the future needs of patients, physicians, consumers, or customers of our clients by going beyond the "who" and the "what" and understanding the "how" and "why" behind their decision-making. OSG focuses on the 3E's, Behavioral Expectations, Superior Experiences, Guaranteed Engagement, to help drive growth through customer-centricity.

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