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customer intelligence **made in switzerland**



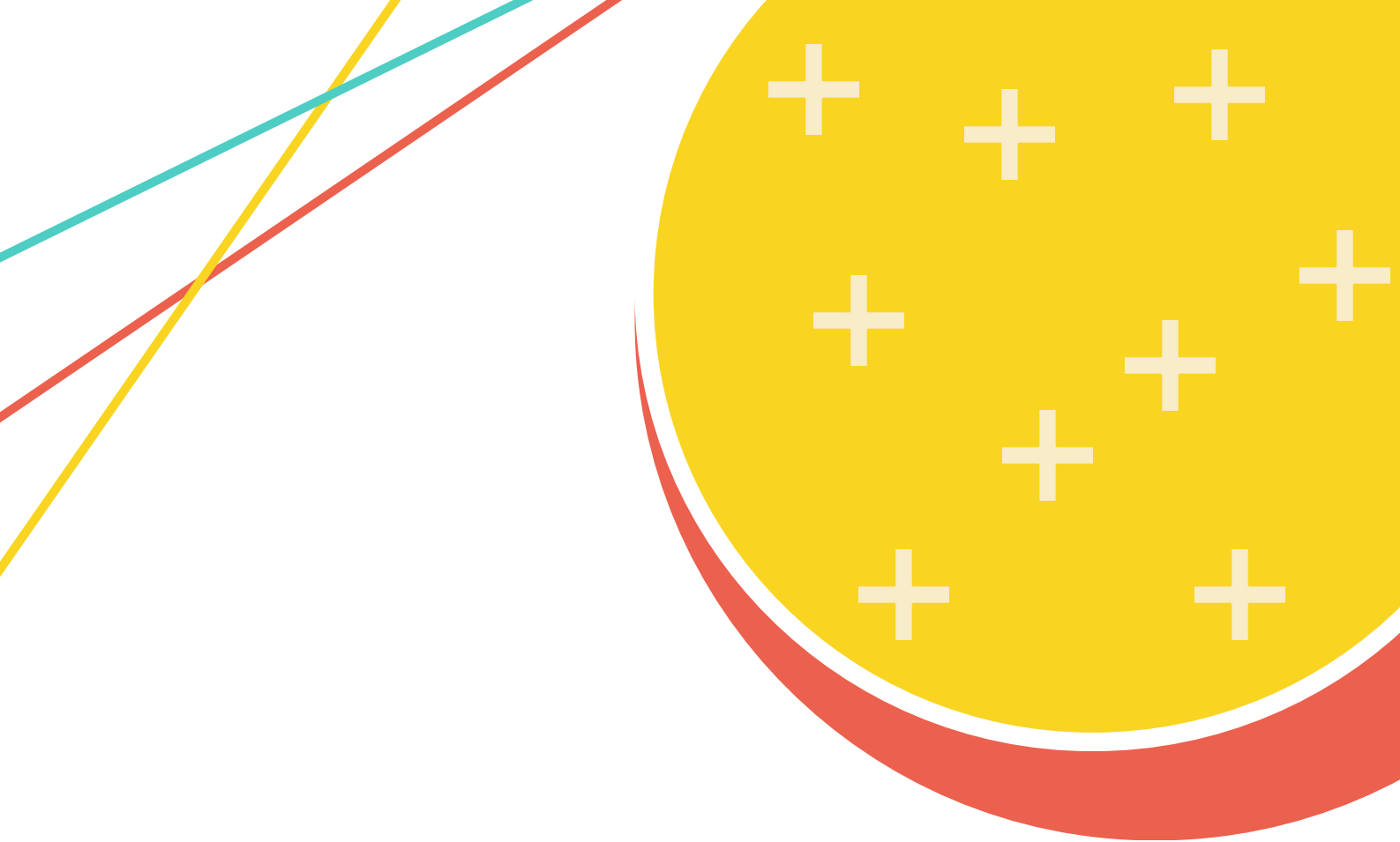
# THE CUSTOMER EXPERIENCE MANAGEMENT BUSINESS CASE



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# EXECUTIVE SUMMARY

The age of the socially enabled customer is upon us, it has been for some time. Giving the customer voice is now seen as a proven way to build loyalty and extend the reach of the brand. CXM (Customer Experience Management) is the driving force behind this new way in which businesses can reap the benefits offered by empowering the customer.

This paper will attempt to outline the basics of CXM, as well as show how a business case must be developed to support its implementation across the enterprise.

Additionally, we will discuss the key factors which could stand in the way of CXM becoming successful in any business, and then move on to taking a look at the way in which the success of CXM can be measured.





# AN INTRODUCTION TO CUSTOMER EXPERIENCE MANAGEMENT

Customers are instinctive animals; they will naturally favor vendors of products and services who provide them with a good customer experience. Most consumers make their buying decisions subconsciously (Global Associates, 2006), and one of the factors which will play a large part in this subconscious decision, is the ease with which they can procure what they are seeking to purchase, combined with the level of trust they apportion the supplier.

Without CXM it is impossible to gauge either the quality of the customer experience or the level of trust customers have in the business.

A business is usually already interacting with customers. With proper training and tools, employees can serve as the eyes and ears of the business (Cesconi, 2011). It is a short step from interacting with customers to communicating with customers. What is the difference between interacting and communicating? Quite simply, communicating enables the Voice of the Customer (VOC), which in turn allows the business to gather feedback and implement feedback management.

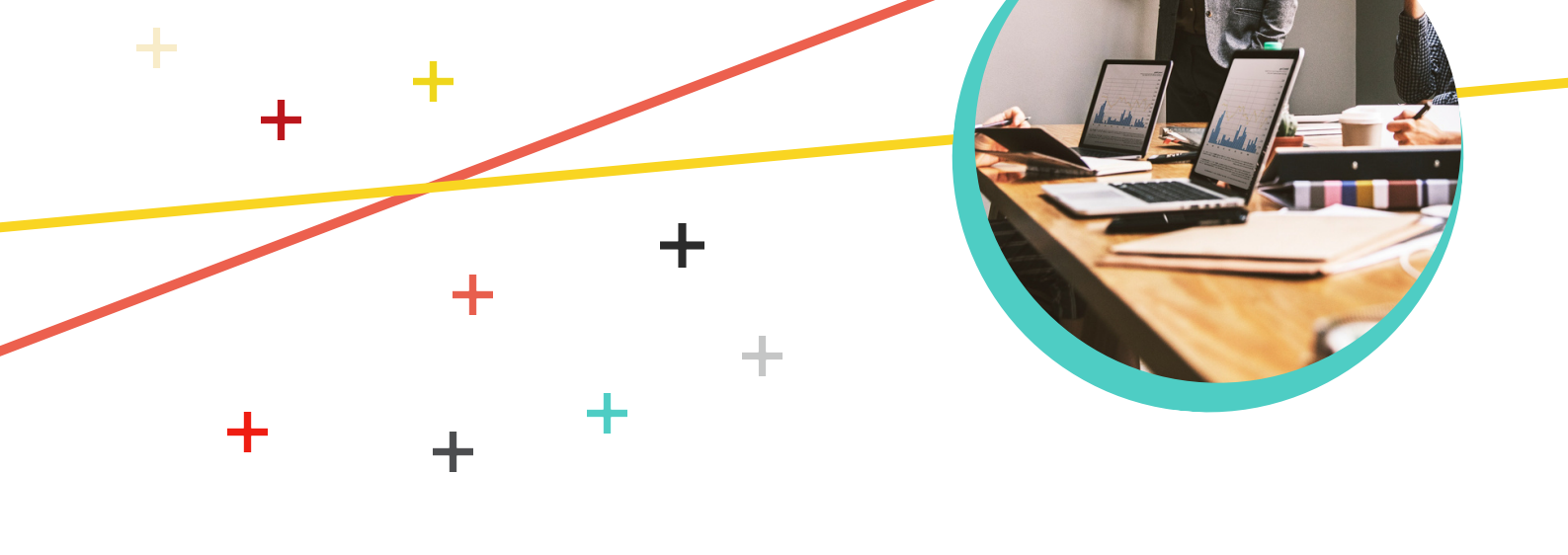
Researchers and managers of service firms concur that service quality involves a comparison of expectations with performance (Parasuraman, Zeithaml, & Berry, 1985).

In the past, Customer Relationship Management (CRM) was deemed to be a suitable tool for performing these types of comparison. However, in a CXM enabled enterprise, CRM is just part of a much more in-depth way in which the experience of the customer is managed, monitored and maintained.

CXM enables the business to bring the customer into a closed loop. By doing so, the business is able to provide the customer with a way to voice any praise, criticism or complaint regarding the service the business has provided, directly back to the business, instead of venting to external third parties.

The value in this is two-fold. Firstly, strategic business intelligence is gathered, and secondly the customer is far less likely to voice complaints externally, and thereby damaging the brand.

The enterprise may further increase the return on investment of implementing CXM practices by building a community of social customers. This community of social customers will interact most usually using Web 2.0 functionality to be found within the Business's website, in a similar fashion to the way in which they would use social networking sites such as Facebook and LinkedIn.



Now that customer-centricity is the fashion thanks to top performing companies such as Dell, Amazon, General Electric, and Starbucks, it is taken for granted that customer-centricity can create strategic advantage. (Global Associates, 2006)

These businesses have clearly demonstrated that the voice of the customer is an asset which can be exploited to build a stronger brand and a community of loyal social customers, who carry the brand further.

Brand boosting and customer loyalty sound good, but what is the bottom line? Just how much of an impact can a successful CXM solution have upon a business? Forecasts show that market sectors such as wireless carriers could generate something in the region of \$1,711,000,000 extra revenue by implementing CXM. (Burns, 2010) This is a single market sector used as an example; any business regardless of the arena they operate within can expect to see a boost in revenue due to CXM.

With such clearly evident benefits to be had, it is somewhat surprising how many companies still do not leverage value from their customers by implementing a

CXM solution. 95% of businesses do collect feedback from clients. 45% of them actually pass this feedback on to staff. 35% will use feedback data as part of the strategic decision making process.

Only 10% will actually deploy solutions to improve the customer experience based on this feedback, and just 5% will inform customers of changes made based on their feedback. (Davies)

Designing and deploying a customer experience strategy can no longer be considered as a “nice to have” but should be viewed in the larger context of an organization’s long-term sustainability and overall success. (Strativity Group, 2007)

It is important to manage the customer experience because the enterprise cannot avoid providing one. In the fight for the customers’ hearts as well as their minds, it is an ever-growing battlefield. (Kirkby, Wecksell, Janowski, & Berg)

Here lays the most compelling argument for every company to implement CXM. The business is already providing a customer experience, although one which is not being exploited to its full potential.

# HOW SATISFACTION AND LOYALTY DRIVE PROFIT

As with any strategic decision which will affect the architecture of the business, it is vitally important that a valid business case be put forward to support the proposed implementation of CXM enterprise wide.

It is clearly established that satisfied customers are critical to the long term success of a business. While customers are important, so is the financial bottom line (Cesconi, 2011). Therefore it is important that any business case put forward for the implementation of CXM within the business must show a significant ROI in the medium to long term.

There are three significant ways in which the implementation of CXM can produce a considerable positive effect on revenue, these are:

## Increased revenue through higher spending

By establishing a trustworthy brand, and a healthy relationship with customers, they will spend more, giving the business a larger share of the customer's wallet.

## Increased revenue through willingness to pay higher prices

Customers who have developed brand loyalty are likely to attribute value to this loyalty, and will be prepared to pay for it by meeting higher prices.

## Increased revenue through increased loyalty

Because customers have such a strong loyalty to the brand, they will have a far longer customer lifetime, staying with the brand for future purchases.

Here we can see three very definite ways in which CXM can be said to provide a significant ROI through increased revenue.



However, there is another way in which a business can profit financially through CXM and this is in the area of decreased costs, thus:

### + Reduced cost of acquisition

Word of mouth generating sales, and reducing the cost of acquisition usually attributed to conventional marketing strategies.

### + Reduced cost of retention

A lower level of customer attrition means fewer resources need to be allocated towards retaining customers.

### + Reduced cost of market research

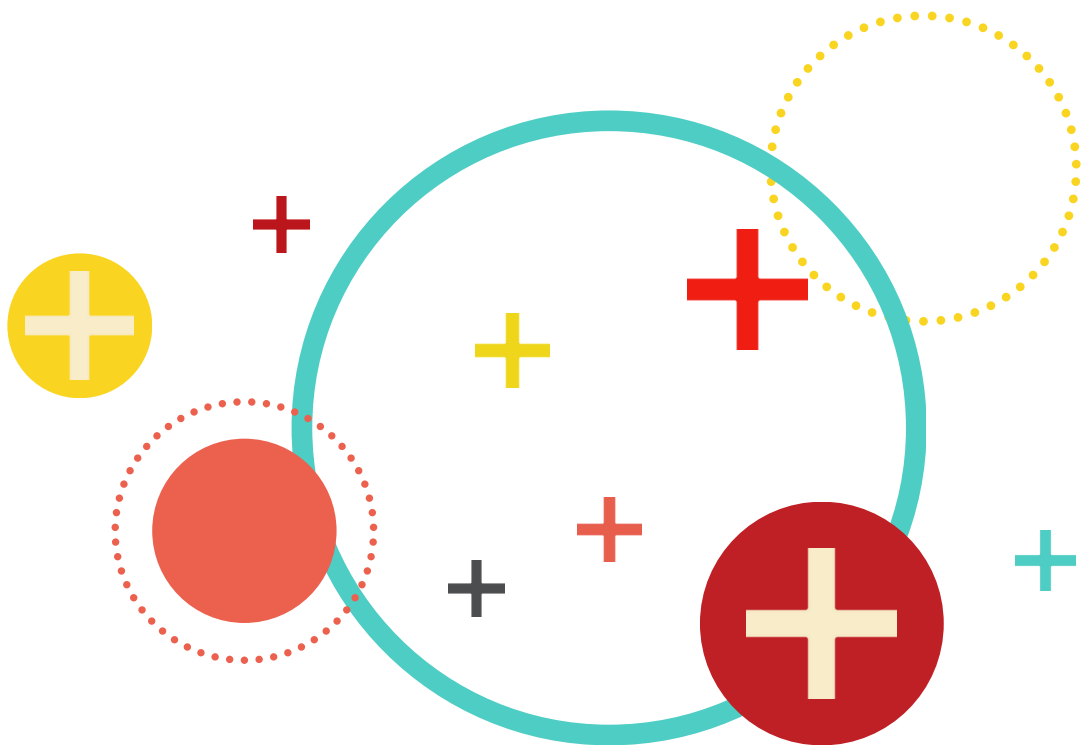
Customer feedback gleaned via the process of CXM can replace traditional market research in some cases.

### + Reduced cost of service

CXM offers a variety of ways in which service costs can be decreased, including a decrease in the requirement for customer support (especially true of CXM encompasses the idea of the social customer).

Study after study has proven that loyal customers are more profitable than other customers. Loyal Customers will spend more, attrite less, recommend other customers and purchase additional products. (Strativity Group, 2008)

We can now clearly see how any business case put forward should be able to highlight a significant ROI across many areas of the business.







# HOW TO MEASURE CXM

While you might come up with a compelling business case for improving customer experience, it will not serve any purpose unless stakeholders see it and believe it. You should plan on actively “selling” the findings. That’s why it’s important to develop a compelling presentation. (Temkin, 2009)

Measuring the effects of CXM across the enterprise is not straightforward, simply because so many of the benefits CXM can bring are intangible. The effect on revenue can be measured quite easily, but how does a business gauge the effectiveness of their CXM outside of the financial side?

When Steve Jobs, the CEO of Apple introduced the iPhone at the annual Apple convention, the reaction of the audience was more akin to a religious meeting than a product launch. (Smith, 2009)

What we are seeing in the above example is the emergence of customers as advocates of the brand. A customer, who is an advocate, has gone beyond simple brand loyalty. They will now begin to actively recommend and promote the company and its products.

Attempting to measure the level of advocacy across the customer base is a good place to start when attempting to judge the effectiveness of the social side of CXM. The NPS (Net Promoter Score) is the perfect tool for this job, allowing the business to measure customer loyalty quickly and accurately.

Forming part of the overall customer loyalty picture is the CES (Customer Effort Score). This metric uses a single question to gauge how much effort is required on the part of the customer during a service request.

Whilst on the subject of useful metrics to use for measuring the effectiveness of CXM, it is important to include CLV (Customer Lifetime Value). Algorithms based on this metric can often be used to forecast the actual monetary worth of each customer. Although not strictly a function of CXM, it is certainly a valuable by-product.

To actually judge and measure the overall CXM performance of a business, a customer experience dashboard can be used. By examining certain core KPIs, metrics can be uncovered. There are two sides to this, outside in and inside out:

## + Inside Out

Measure business performance by analyzing KPIs such as Average Handling Time and First Call Resolution, or any other range of metrics.

## + Outside In

VOC is used to measure the same KPIs as were analyzed in the inside out scenario. But this time the customer view is what counts.

This two part analysis helps to give the business a 360 degree view of the entire customer experience, something that previously was impossible, until CXM platforms enabled VOC.

# CONCLUSION

There can be no doubt that CXM needs to become a major issue within any enterprise which intends to compete in the current commercial environment.

Customers are beginning to expect a certain level of service, are starting to become used to having a voice, and are enjoying becoming socially connected with both the companies they purchase from, and other customers.

As was started previously, your business is already providing a customer experience to its customers, why not exploit this experience, create better customer relationships and increase revenue?

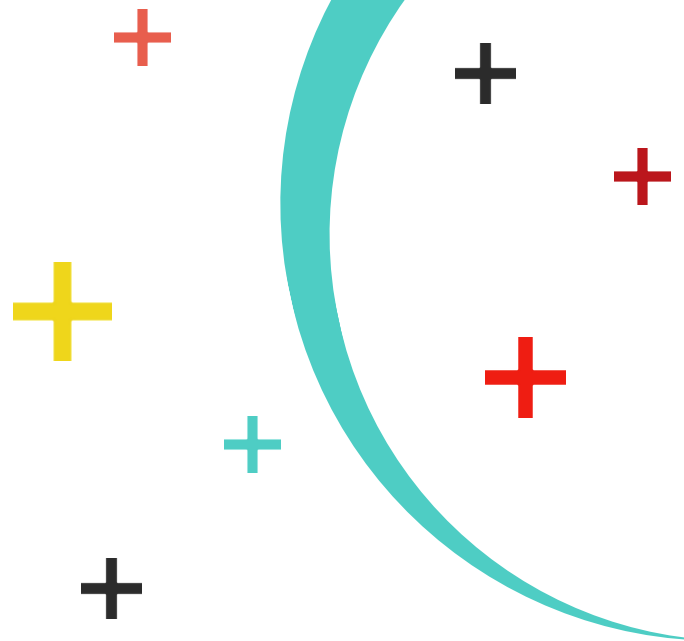


# ABOUT THE AUTHORS

## Dennis Weiss

He has more than 7 years of experience in Marketing Analytics and Business Intelligence. Prior to joining SANDSIV, he served as Senior Manager CRM Analytics at UPC Cablecom, Switzerland.

At the end of his studies for his M.Sc. in Business Informatics with a focus on Finance, Data Warehousing and Data Mining at the University of Zürich, he wrote his final thesis on the topic of “Behavioral based Customer Segmentation in Telecommunication Industries”.



## Federico Cesconi

Federico has over 20 years' experience in customer experience-based roles including 10 years with UPC Switzerland, where he held several senior roles most latterly as Director of Business Intelligence. He holds a PhD in Law from Università degli Studi di Milano and received several industry awards, across data mining and customer experience.

Federico co-founded SANDSIV in 2010 where he manages the strategic vision of the company, driving the company's business- and product-strategy as well as operations.

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# About **sandsiv+**

The background features a collection of colorful geometric shapes: solid circles in red, teal, and grey; hollow circles in yellow, red, and grey; and plus signs in red, yellow, teal, and grey. Two large, thick curved lines, one red and one yellow, sweep across the scene, framing the central elements.

SANDSIV is a Swiss software provider located in Technopark Zurich, Switzerland's main technology hub. Listed as a leading VOC vendor in Gartner's recent VOC Market report, SANDSIV has built its reputation in delivering its state-of-the-art Voice of the Customer enterprise solutions "sandsiv+" to advanced CX teams at leading organizations throughout EMEA, including leading companies in the telco, financial services, utilities, retail and transportation sectors.

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