

EXECUTIVE SUMMARY Global

The value of experience: **How the C-suite values customer** **experience in the digital age**



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Executive summary

“There is only one boss – the customer,” Sam Walton once said. “And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”

The fundamentals of business have remained unaltered in the half-century since Mr Walton delivered this blunt assessment after founding retail corporation, Walmart, in 1962. What has changed is the way in which companies interact with their customers. The rise of company websites, email, SMS and social media has firmly shifted the interaction between customer and company towards remote communication, but research by the Economist Intelligence Unit (EIU) shows that in-person communication remains an important instrument of customer experience (CX) strategy.

Companies that fail to respond to these changing modes of communication are vulnerable to large-scale customer flight. Not only is the commercial environment becoming more competitive in many industries, the proliferation of customer contact points and the frequency of customer interaction have swelled potential sources of dissatisfaction too. With no personal touch to smooth things over, one bad experience can lead a customer to leave the company for another provider. To make matters worse, that same customer can instantaneously contact many thousands of

others and regale them with a thorough appraisal of the reasons for his/ her disenchantment.

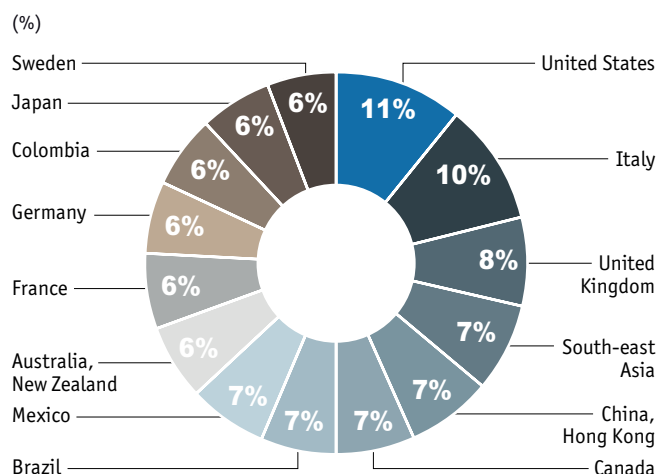
However, if done well, CX initiatives can reduce costs, increase profitability and revenues, and improve customer satisfaction. To learn how global companies manage their CX programmes, the EIU conducted a survey of 516 senior-level executives in April 2015 from 21 countries. The vast majority of these (464) were C-suite executives—of whom 165 were CEOs—while the remaining 52 respondents were heads of a business unit.

The respondents were based in four regions: Asia-Pacific (Australia, China, Hong Kong, Indonesia, Japan, New Zealand, the Philippines, Singapore, Taiwan, Thailand and Vietnam), Latin America (Brazil, Colombia and Mexico), North America (Canada and the United States) and Europe (France, Germany, Italy, Sweden and the United Kingdom).

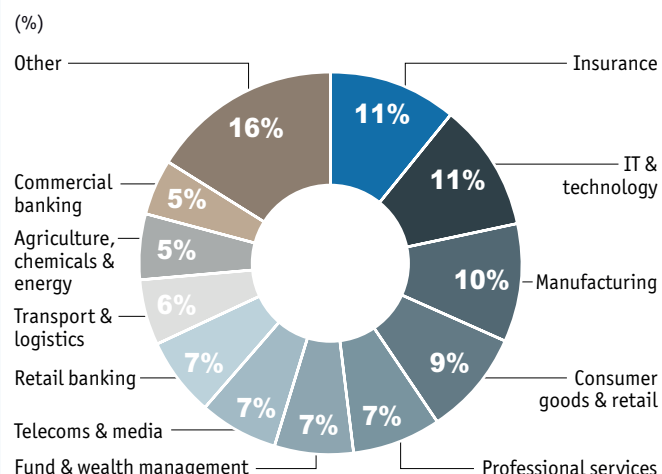
The research focused on four key questions:

- What importance is attached to CX within companies?
- Who leads CX initiatives?
- How is the success of CX measured?
- Which CX channels are most favoured by customers today and in the future?

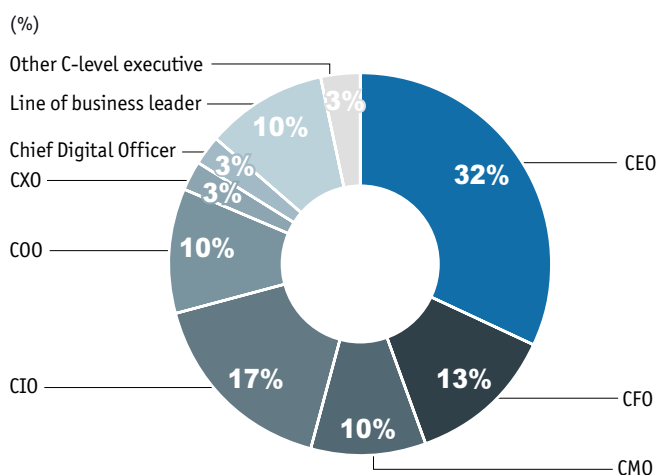
Respondents by country



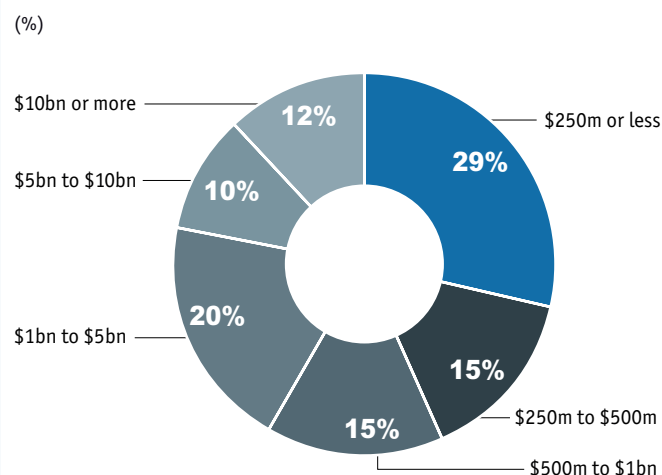
Respondents by industry



Respondents by job title



Respondents by company size



1

Benefits of prioritising

● **Most companies that prioritise future investment in CX believe they benefit from better revenue growth and profitability and are more likely to invest heavily in future CX initiatives.**

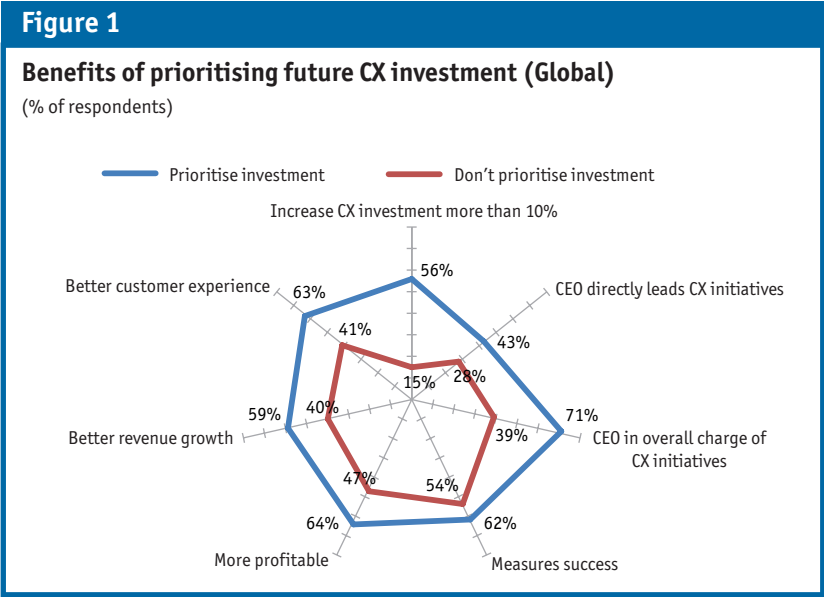
According to the EIU’s global survey results, 64% of executives who said CX is important to their organisation’s future investment priorities believe their company is more profitable than their competitors. Almost two thirds (59%) of these respondents also believe they have better revenue growth than their competitors, and 63% believe they offer a more positive customer experience. Among companies that don’t

prioritise CX investment, only 47% of executives believe they are more profitable than their competitors, 40% said they have better revenue growth and 41% believe they offer a more positive customer experience. (Figure 1)

The benefits of CX are not going unnoticed by company leaders, with CEOs in companies where CX investment is prioritised more likely to directly lead CX initiatives (43%) or be in overall charge (71%) than in companies where CX investment isn’t a priority (28% and 39% respectively). The benefits are also likely to be forming the basis for a strong business case to invest more in the future, with the majority of respondents (56%) in companies that value CX investment planning to increase investment by more than 10% over the next three years, compared to 15% of companies that consider CX less important. (Figure 1)

Asia-Pacific firms experience similar benefits when prioritising CX, but the trend there is more acute in terms of planning for future investment.

Globally, companies that don’t consider CX an important priority are missing out on the revenue and profitability benefits that prioritising CX can bring. As a result, they are struggling to build a business case for significant new investment—no respondents from companies that don’t prioritise CX expect to increase CX investment by more than 10% over the next three years.



● Focused customer experience leads to increased retention and sales

Senior executives see increased customer retention and sales as by far the most important benefit of investment in customer experience. One in three (33%) selected improved customer retention as the primary benefit, with 28% choosing increased sales. It is interesting to note the discrepancy in motivations between the largest companies in our survey (those with

annual revenue of more than US\$ 10 billion) and the smallest companies (with annual revenue of less than US\$ 250 million). The largest companies appear to be aggressively chasing market share by focusing on sales, with 38% selecting this option and only 23% choosing retention as the primary benefit. For the smallest companies, on the other hand, retention is most important (35%), whereas only 22% perceive increased sales as the primary benefit. (Figure 2)



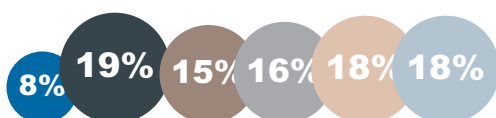
Figure 2



Primary benefits of CX by company size

(% of respondents)

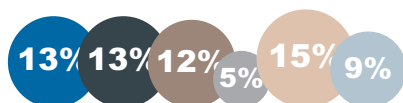
■ \$10bn or more ■ \$5bn to \$10bn ■ \$1bn to \$5bn ■ \$500m to \$1bn ■ \$250m to \$500m ■ \$250m or less



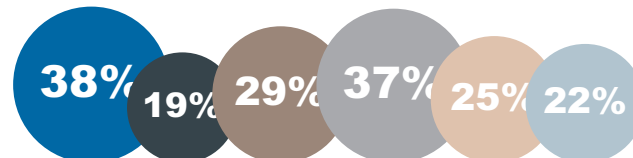
Improved customer satisfaction



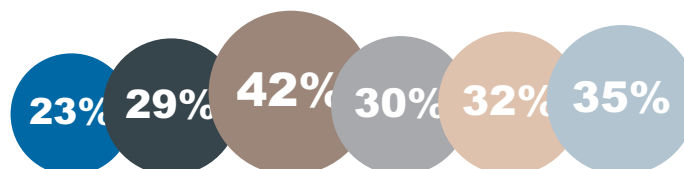
Lower cost of customer acquisition



Reduced operating costs



Increased sales



Improved customer retention

How to improve customer experience

Make CX a priority

Across the board, companies that prioritise future investment in CX believe they are reaping the benefits of better revenue growth and improved profitability more than companies that consider CX less important.

Place the CEO in charge

Survey responses indicate that companies where the CEO is in charge of CX initiatives are more likely to believe in them, and are more likely to be strongly profitable.

Find the evidence

A third of companies globally don't measure the success of CX initiatives. This poses a problem, as naysayers will have more sway if the evidence

in favour of CX investment is not compelling. The principal reason given for not measuring CX is that companies find it difficult to differentiate between the impact of CX and other factors that may improve performance. They urgently need to find a convincing method of isolating this impact and measuring it accurately.

Look at your industry peers

Our global survey reveals wide disparities in the CX channel preferences of various industries. Some cling to face-to-face communication; others focus more on newer channels like web self-service or social media. Fashion should not be all-pervasive. What is right for one industry may not necessarily be the best choice for another.



2

Importance of customer experience

● **Investment in customer experience is a very important priority for most companies**

No doubt owing to these perceived benefits, almost two in three companies surveyed (63%) say that customer experience (see box definition) is a “very important” investment priority. What’s more, the focus on customer experience is increasing. Two in five companies (42%) have boosted relevant spending by more than 10% in the last three years, a proportion which is estimated to climb to more than half (51%) over the next three years. (Figure 3)

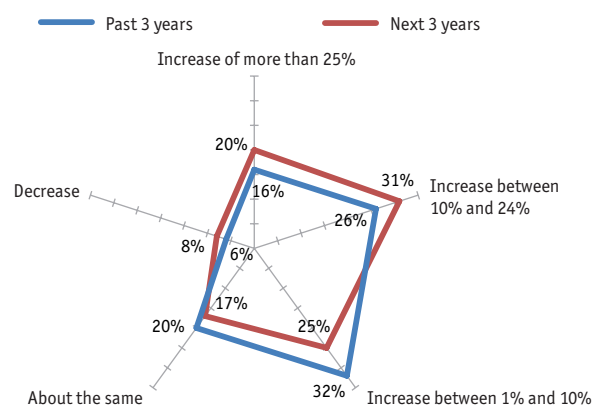
The largest companies in our survey have been more likely than others to invest heavily in customer experience over the last three years, with almost one in four (23%) increasing investment by more than 25%. However, it seems that some of these large companies are now cutting back after this spurt of investment, with just 12% planning a similar increase in spending over the next three years. The smallest companies, on the other hand, appear to be following a contrasting trajectory. The percentage of small enterprises increasing spending by more than 25% goes up from 14% in the last three years, to 25% over the next three. In the sphere of customer experience, at least, it is the largest companies which appear to have set the trend.

Most companies are reasonably satisfied with the outcome of their investment. Around a quarter of companies (24%) believe that their customers would regard their overall customer experience “very positively”, with a further 55% saying that customers would view it “positively”.

Figure 3

Change in investment in CX initiatives

(% of respondents)



Indeed, those companies which are investing most in customer experience would appear to be reaping the benefits. More than a quarter (29%) of companies that say their revenue growth is much stronger than competitors have increased spending on customer experience by more than 25% over the last three years, but only 14% of those companies with less impressive growth have made a similarly committed investment. In the same vein, 23% of those companies that say the customer experience they offer is much stronger than that of competitors have made this scale of investment over the last three years, compared to 15% of other companies.

Despite these responses, almost two thirds of companies surveyed (66%) believe that “CX is more important than my organisation realises”. Given the C-suite focus of this survey, it could be that senior-level executives overwhelmingly buy into the concept, but suspect that the grassroots

of the organisation still need to devote more effort and thought to putting it into practice.

Latin America, and commercial and retail banking, are especially enthusiastic about the customer experience concept; the retail sector is now rushing to invest...

Respondents in Latin America (Brazil, Colombia and Mexico) rate the importance of customer experience particularly highly. Seventy-one percent of respondents in that region think customer experience is a “very important” investment priority, compared to just 55% in North America. More than a third of companies in Latin America (35%) say their spending on customer experience will go up by another 25% over the next three years, compared to just 11% in North America and 17% in Europe. (Figure 4)

Latin America’s bullishness may be due, in small part, to the disproportionately high number of retail banking respondents in this region (although the sample of each industry in each region is too small to reach any firm conclusion). Perhaps unsurprisingly, given the nature of the close relationship with customers, a particularly high proportion of companies (76%) in the commercial and retail banking fields place a great

deal of importance on customer experience as an investment priority.

The retail sector, however, has been slower to embrace the customer experience concept, although it seems it is now urgently seeking to make up for lost time. Whereas only 46% say that customer experience is a very important investment priority now, this figure will jump to 69% in three years. Similarly, the proportion of retail companies increasing their investment in customer experience by more than 10% will jump from 50% in the last three years, to 77% over the next three.

.....but the finance function is not so sure

Senior executives in the finance function are more sceptical about the commercial impact of customer experience, and less inclined to agree that their company is financially committed to developing it, than their counterparts in other functions. They are significantly less likely than those in general management or sales & marketing to believe that “customer experience is more important than my organisation realises” (56% finance versus 66% other functions) or that customer experience is a “very important” investment priority (54% finance versus 72% other functions). (Figure 5)

A definition of customer experience

Customer experience encompasses each and every interaction a customer has with a company and its products.

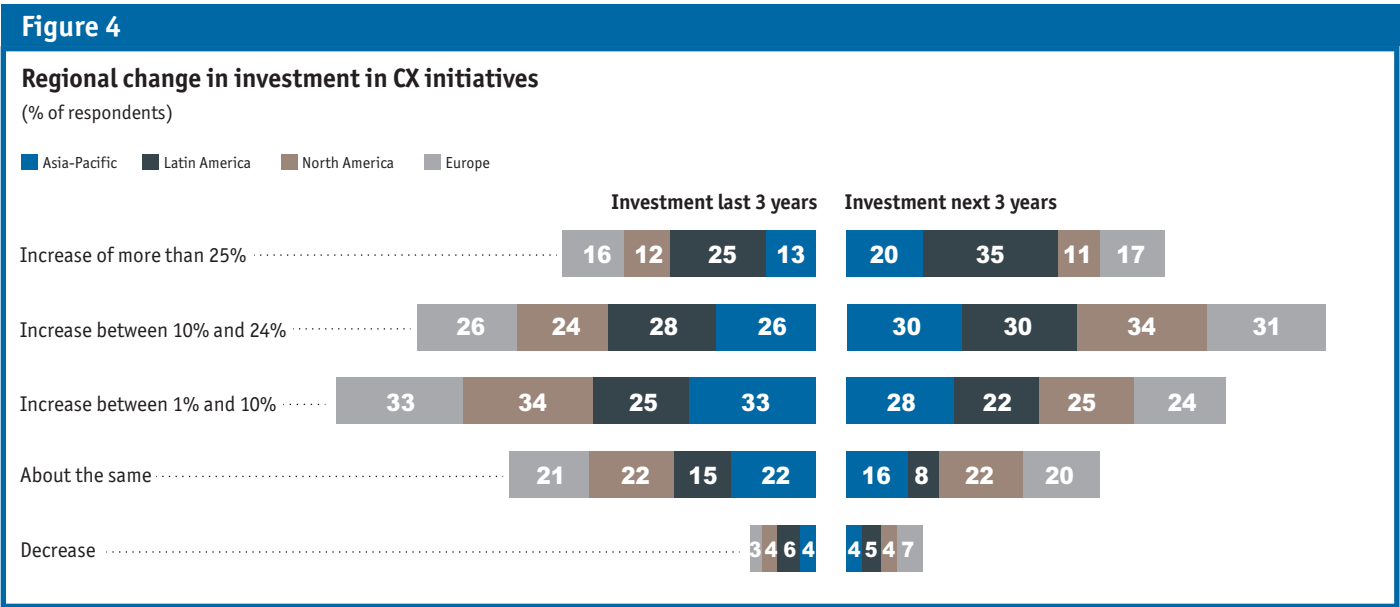
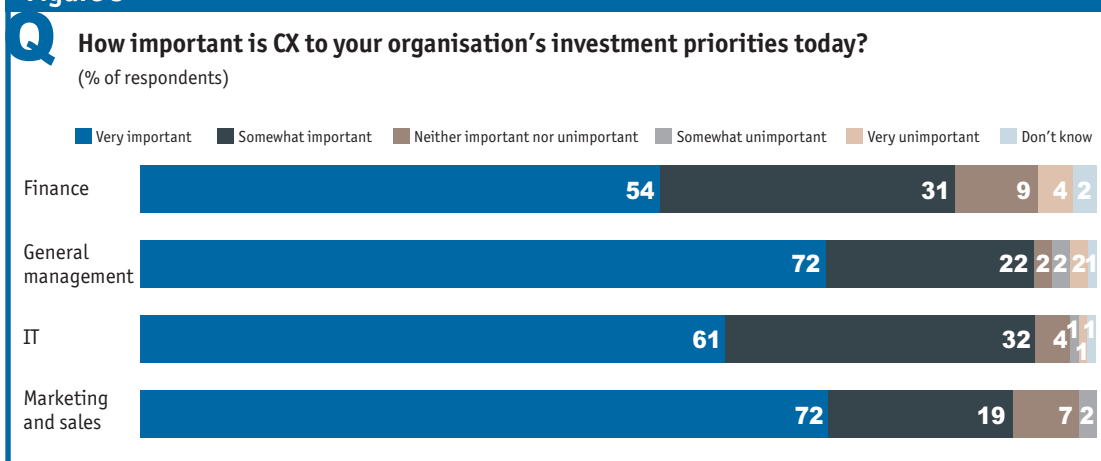


Figure 5



It may be that senior figures in the finance function, while allotting general budgets to sales and marketing, do not know the precise detail of how the money is spent. In other words, in the absence of any budget labelled 'customer experience', finance may not be aware just how much commercial importance market-facing functions actually attach to the quality of customer experience, or how much money they plough into improving it. Finance's uncertainty maybe further exacerbated by apparent difficulties in measuring the success or ROI of CX initiatives—over a third of companies (34%) fail to measure this.

It may also be that their definition of customer experience is stricter and narrower: does, for example, training of call-centre staff fall into the 'customer experience' category, or is this 'learning and development'? Equally, a more hard-headed outlook within finance may query the efficacy of customer experience initiatives. Indeed, only 20% in the finance function reckon that an increase in sales is a primary benefit deriving from investment in customer experience, compared to 35% in the sales and marketing function.

3

Who leads customer experience

● **CEO leadership of customer experience strongly correlated with profitability**

Companies which believe that they are much more profitable than their competitors are significantly more likely also to have their CEO in charge of customer experience initiatives.

Whereas 58% of companies who say that they are much profitable than their competitors report that the CEO is in charge of customer experience, only 37% of less profitable companies say the same. We can say therefore that there is a clear link in our survey between CEO ownership of customer experience and profitability.

Figure 6

Industry view on who the person leading CX transformation initiatives reports to

(% of respondents)

■ CEO/President/Managing director

■ CFO/Treasurer/Comptroller

■ CMO/Head of marketing

■ CIO/Technology director

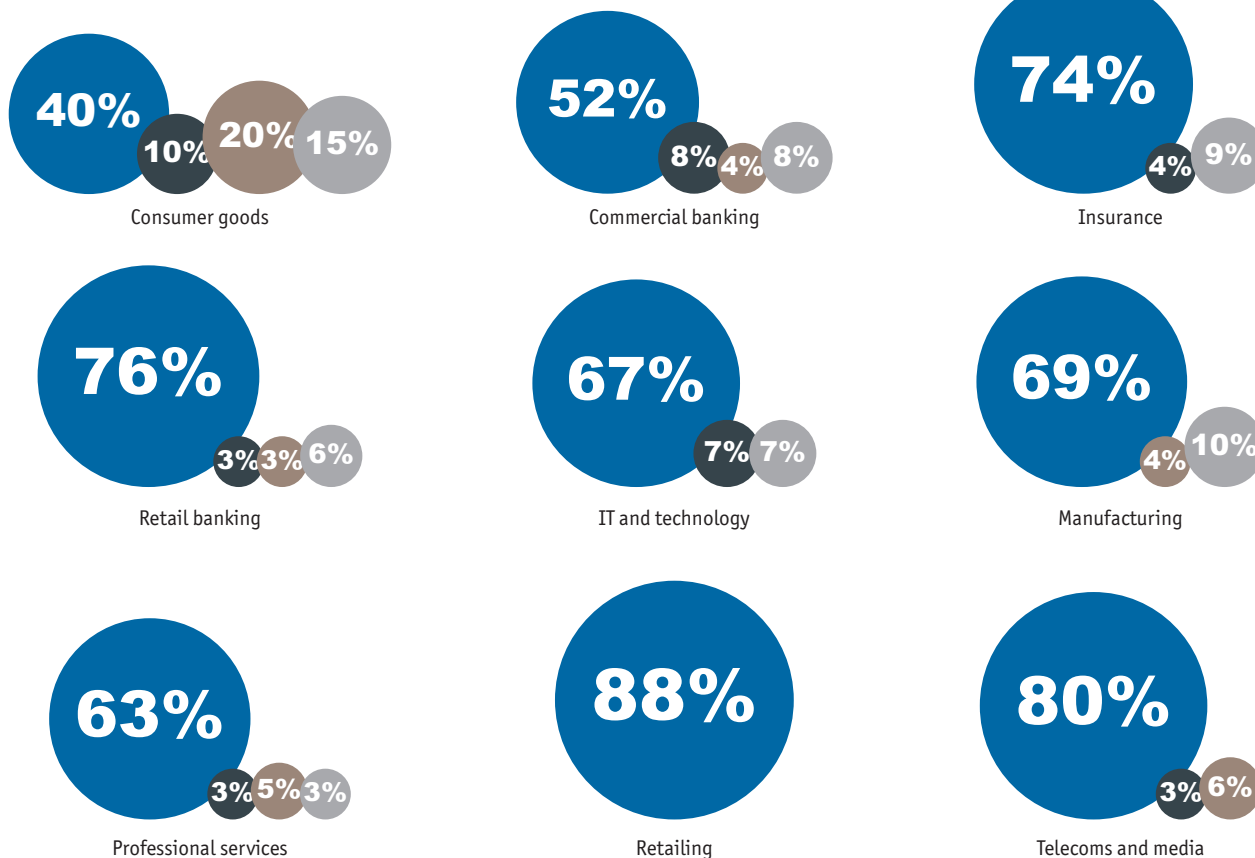
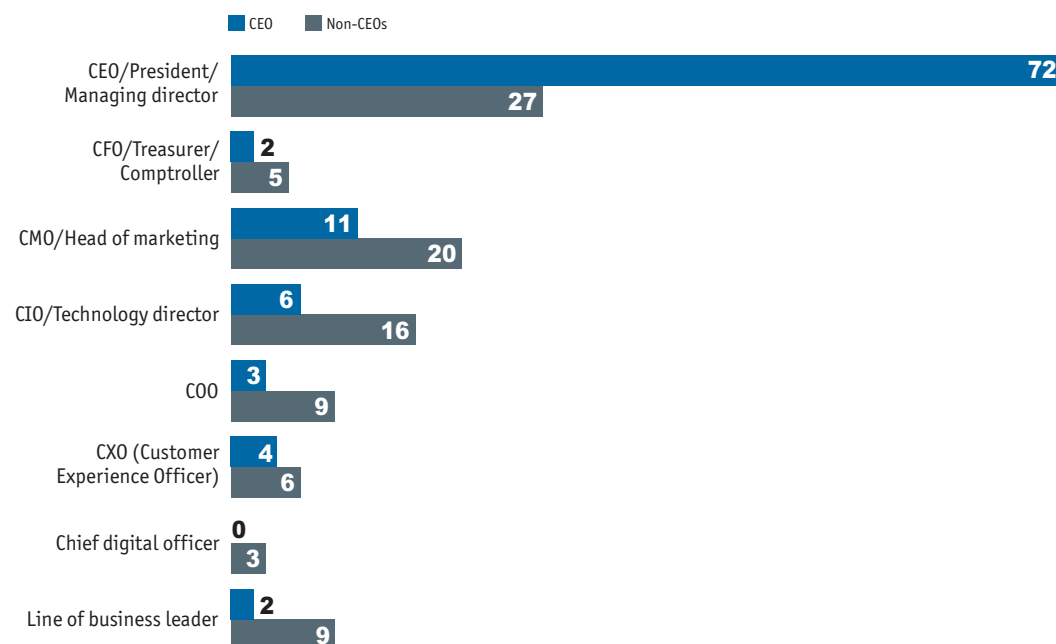


Figure 7

CEO v non-CEO view on who leads CX initiatives

(% of respondents)



CEO role appears to expand according to strategic priority

The region which is most bullish about customer experience is also most likely to report that the CEO is in charge of relevant transformation initiatives. More than half (52%) of respondents in Latin America say the CEO is in charge, but only 36% in North America give the same answer. Just 3% in Latin America say the CIO is leading initiatives, a considerably smaller percentage than in other regions.

It is worth noting that the retail sector, which is preparing to ramp up its investment in the coming years, is most likely to report that the CEO is heavily involved in the implementation of customer experience strategy. Almost nine in ten retail respondents (89%) say that the CEO has the ultimate say on relevant transformation initiatives. (Figure 6)

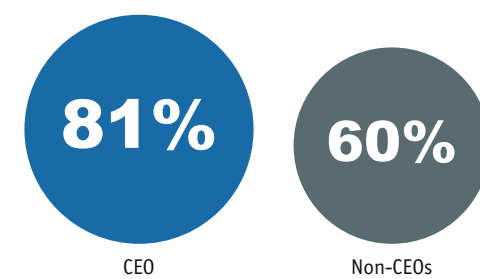
But companies are still somewhat unclear about who is leading the customer experience strategy

When asked who is leading customer experience transformation initiatives, there is a very appreciable discrepancy between what CEOs say, and what those beneath them in the organisational hierarchy say. Seventy-two percent of CEOs think they themselves are in charge, but only 27% of the other executives surveyed (predominantly, it must be emphasised again, other C-suite executives) accept that this is the case. (Figure 7)

Figure 8

CEO v non-CEO view on who has final say on CX initiatives

(% of respondents)



Of course CEOs, as leaders of the organisation, will often think that they are ultimately responsible for everything. Nevertheless only 60% of non-CEOs (still significantly less than the 72% cited above) even think the CEO has the final say on customer experience matters. (Figure 8)

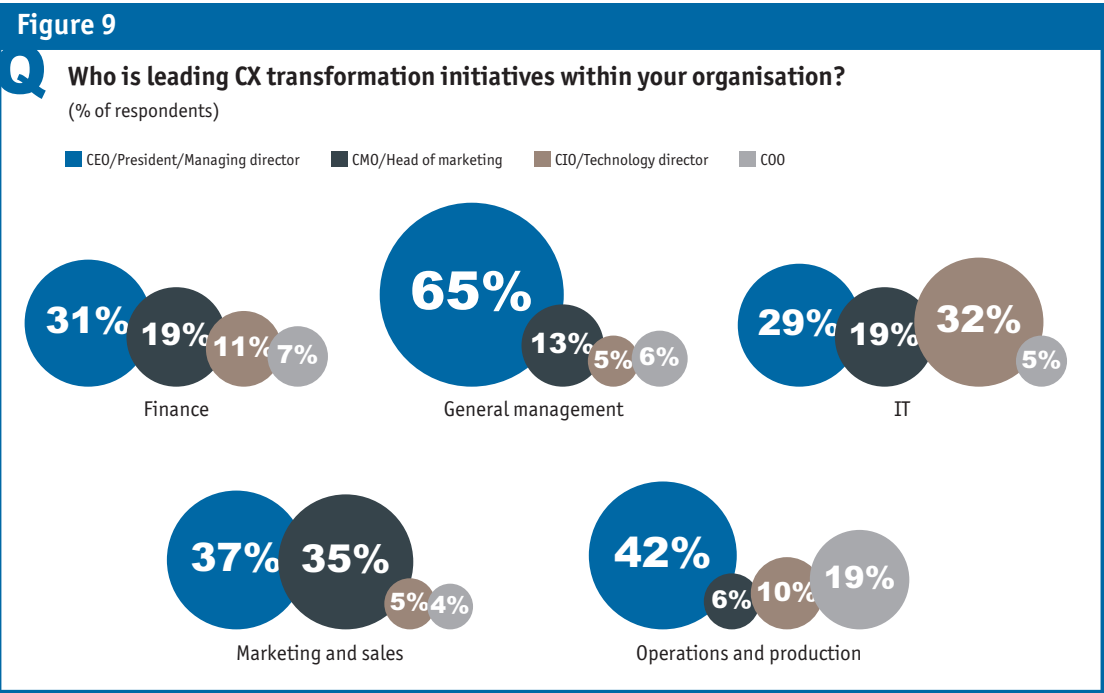
We’re in charge... no, we are!

A cross-functional analysis reveals a similar inconsistency, with senior executives in different departments often believing that they themselves are running the show. For example, almost one in three respondents in IT (32%) say that the CIO (Chief Information Officer) is in charge of customer experience transformation initiatives within the company, but only 5% in either sales and marketing or general management agree. Likewise, 35% of sales and marketing respondents say that the CMO (Chief Marketing Officer) is leading initiatives, but only 13% in general management and 6% in operations and production go along with this view. And 19% of those in operations and production think the COO (Chief Operations Officer) is in charge, an opinion shared by only 4% in sales and marketing and 5% in IT. (Figure 9)

Customer experience is a relatively new field, and companies still seem to be establishing exactly where responsibility for it should lie. However, what may appear to be unclear reporting lines have not yet translated into any large-scale concern about lack of leadership or co-ordination of strategy. Four in five respondents (80%) don’t perceive a problem with lack of leadership, and 82% don’t see any “lack of organisational structure related to customer experience responsibilities”.


It may be that companies are well aware that the division of responsibility for customer experience is still something of a grey area, but are unconcerned with how things are working out on a day-to-day basis. On the other hand, these survey results could be identifying a problem which has not yet become apparent.

The smallest companies in our survey are most likely to place the CEO in charge of customer experience, not least because there may be fewer alternative C-suite executives to take control. More than half (56%) of these smallest companies say the CEO is in charge, compared to 35% in all the other companies.



Internal support favoured for implementation of initiatives

Whoever is leading customer experience initiatives is most likely to look inside the company for the required support. More than half (53%) rely on the internal IT department, and 44% on the customer service department. External help is nevertheless still sought by many companies, with 39% using external consultants and 31% seeking the services of CRM vendors.



4

Measuring customer experience

● **One-third of companies don't measure impact of customer experience strategy**

A considerable number of companies (34%) don't bother to measure the success of customer experience initiatives. With more pressure on time and resources, that percentage predictably increases to 45% among smaller companies (those with annual revenue of up to US\$ 500 million).

Within the finance function, which should in theory be especially interested in assessing the commercial effect of various investments, the proportion saying their company doesn't measure the success of customer experience initiatives is higher than the average (40%). Meanwhile, sales and marketing is split exactly down the middle, with equivalent percentages (47%) saying their company does, or alternatively does not, measure the success of these initiatives. (Figure 10)

It seems the widespread belief and investment in customer experience frequently derives from a very strong hunch, rather than from detailed evidence-based analysis. Indeed, more than half of those companies which don't measure success (57%) still classify customer experience as a "very important" investment priority, rising to 63% who believe that it will be "very important" three years from now.

It is interesting to note that when the CEO is leading customer experience initiatives, the company is more likely to measure success. In such companies, 65% say they measure success, compared to 55% when the leader is the COO, and 52% when the leader is the CMO. Companies

Figure 10



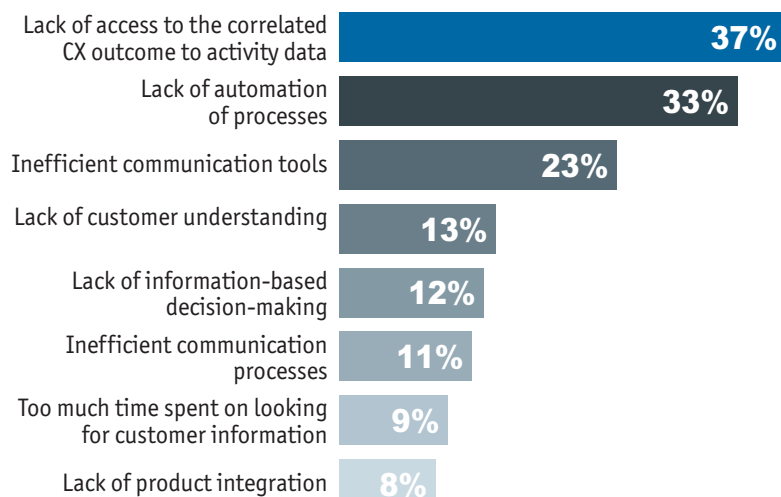
where the CIO is in charge are most likely to measure success (68%).

Lack of clear correlation between success and customer experience the major reason for not measuring success

When those who say their company doesn't measure the impact of CX initiatives are asked why, the most frequent response (37%) is the "lack of access to the correlated customer experience outcome to activity data". In other words, customer sales and retention might go up at any given point in time, but companies may understandably be finding it difficult to differentiate the impact of customer experience initiatives from other factors, such as advertising or the plummeting reputation of a key competitor. Finance and IT, perhaps the most quantitatively inclined functions in a business, are particularly likely to perceive this problem, with 44% and 59% respectively reporting this lack of clear correlation. (Figure 11)

Figure 11

Q Why don't organisations measure the success of CX initiatives? (% of respondents)



Customer retention rate and customer satisfaction score most widely used metrics

When those companies that do measure the success of customer experience are asked which metrics they use, customer retention rate (46%) and customer satisfaction score (45%) are the most popular responses. The use of these relatively unsophisticated metrics could be prevalent due to the

A large number of North American companies do not measure the impact of customer experience

North American companies are least likely to measure the success, or ROI, of customer experience. Almost as many companies don't measure as do (43% to 51%). (Figure 12)

Companies in this region that don't measure are particularly likely to blame the lack of clear correlation between the quality of customer experience and eventual results, with almost half (49%) in this region citing this reason for not measuring, compared to 24% in the Asia Pacific.

It may be, however, that not getting bogged down by the detail of complex measurement and quantitative correlations can at least serve to maintain clarity and focus. Only 14% of North American companies say that the lack of clear objectives is a major barrier to the successful implementation of customer experience initiatives, less than half the 30% proportion across all other regions.

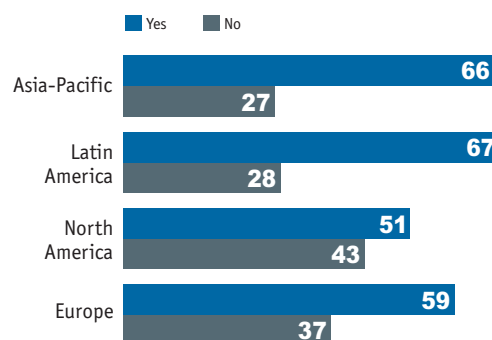
fact that companies have only recently stepped up their focus on customer experience, and more developed metrics will follow as they learn to isolate its discrete impact on performance.

The largest companies within the sample are most likely to select the more intricate "return on investment". Whereas 40% of companies with revenue of more than US\$ 5 billion use return on investment as a metric, only 26% of smaller companies do so.

Figure 12

Regions which measure the success of CX initiatives

(% of respondents)



5

Customer experience channels

- **Face-to-face communication declining in importance as a customer experience channel, but still highly valued; social media and online assistance on the increase**

Obituaries for face-to-face communication between companies and their customers may be premature, although a decline in its importance is certainly visible. Almost half of respondents (45%) say that face-to-face communication is still one of the three most important customer

experience channels used by their organisation. That proportion drops to 37%, however, when asked which channels will be most valued three years from now. (Figure 13)

Social media, and online assistance support (such as chat assistance), are both thought to be increasing in importance. Around one in four respondents (27%) emphasises the importance of social media at the present moment, rising to more than one in three (35%) in three years'

Figure 13

Most important CX channels now and in three years (globally)

(% of respondents)

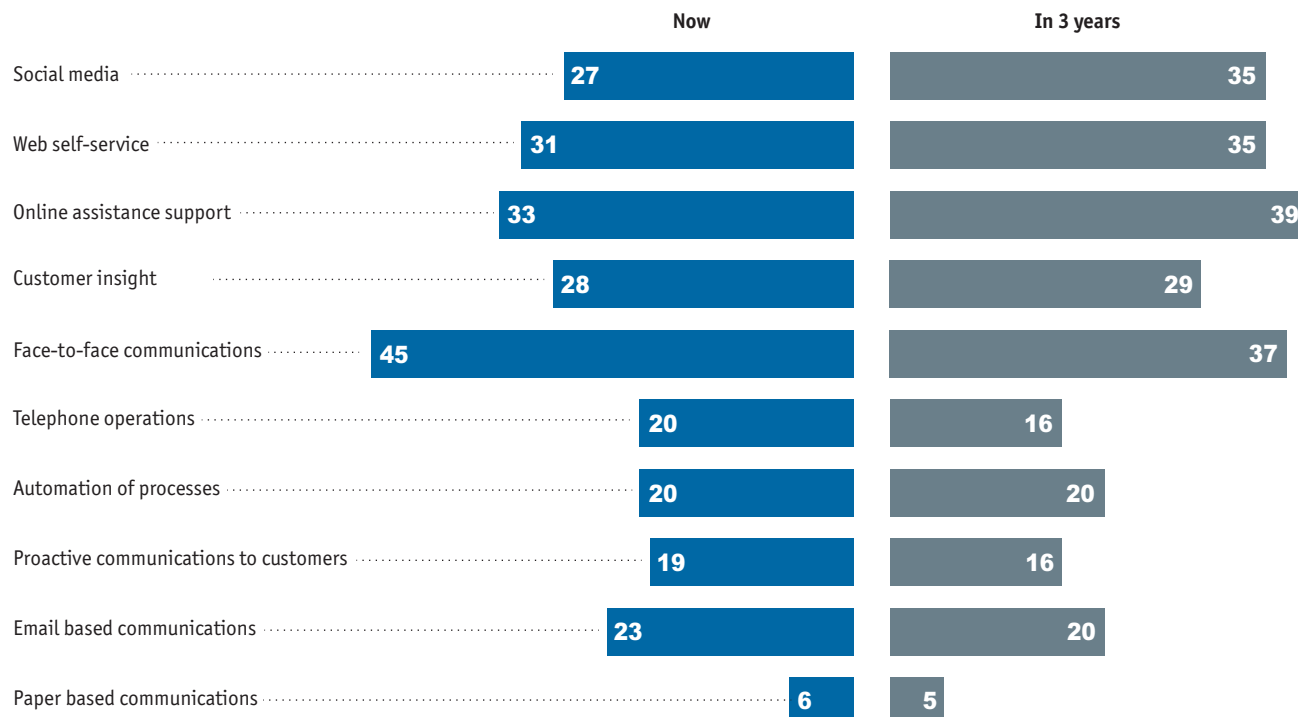
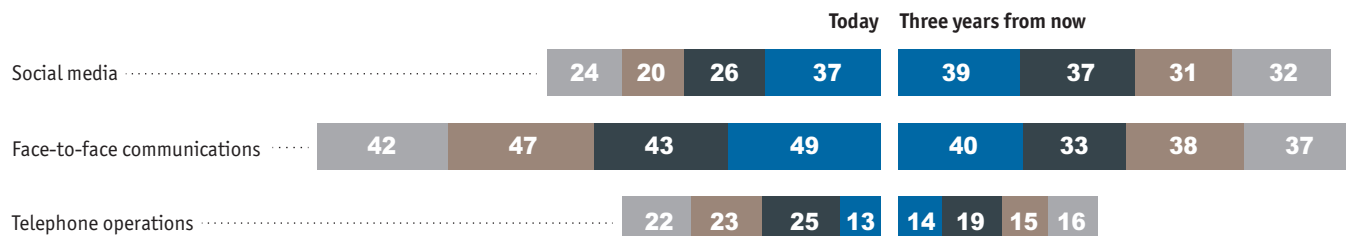


Figure 14**Most important CX channels now and in three years (regionally)**

(% of respondents)

■ Asia Pacific ■ Latin America ■ North America ■ Europe



time. Similarly, the figure for online assistance support rises from 33% to 39%.

Asia-Pacific comfortably most advanced region in social media

The social media channel is at the current moment favoured considerably more strongly in Asia-Pacific than in any other region. The proportion in Asia-Pacific citing the importance of social media (37%) dwarfs that in North America (20%) and Europe (24%). However, the latter two regions believe they will soon close much of this gap, with the percentages believing the channel will be important three years from now standing at 39% for Asia-Pacific, 31% for North America and 32% for Europe. (Figure 14)

A similar pattern can be seen when comparing the importance of telephone operations within the respective regions. This channel is favoured by only 13% in Asia-Pacific, as opposed to 23% across all the other regions. But this margin is set to shrink in three years. Whereas the proportion expected to favour telephone communication increases marginally to 14% in Asia-Pacific, the percentage across all other regions falls to 17%.

Whereas the developed world is finding it difficult to break free from its past reliance on more old-fashioned channels of communication with the customer, the fast-developing countries of Asia-Pacific have the advantage of being able to jump directly to the modern era without being mired

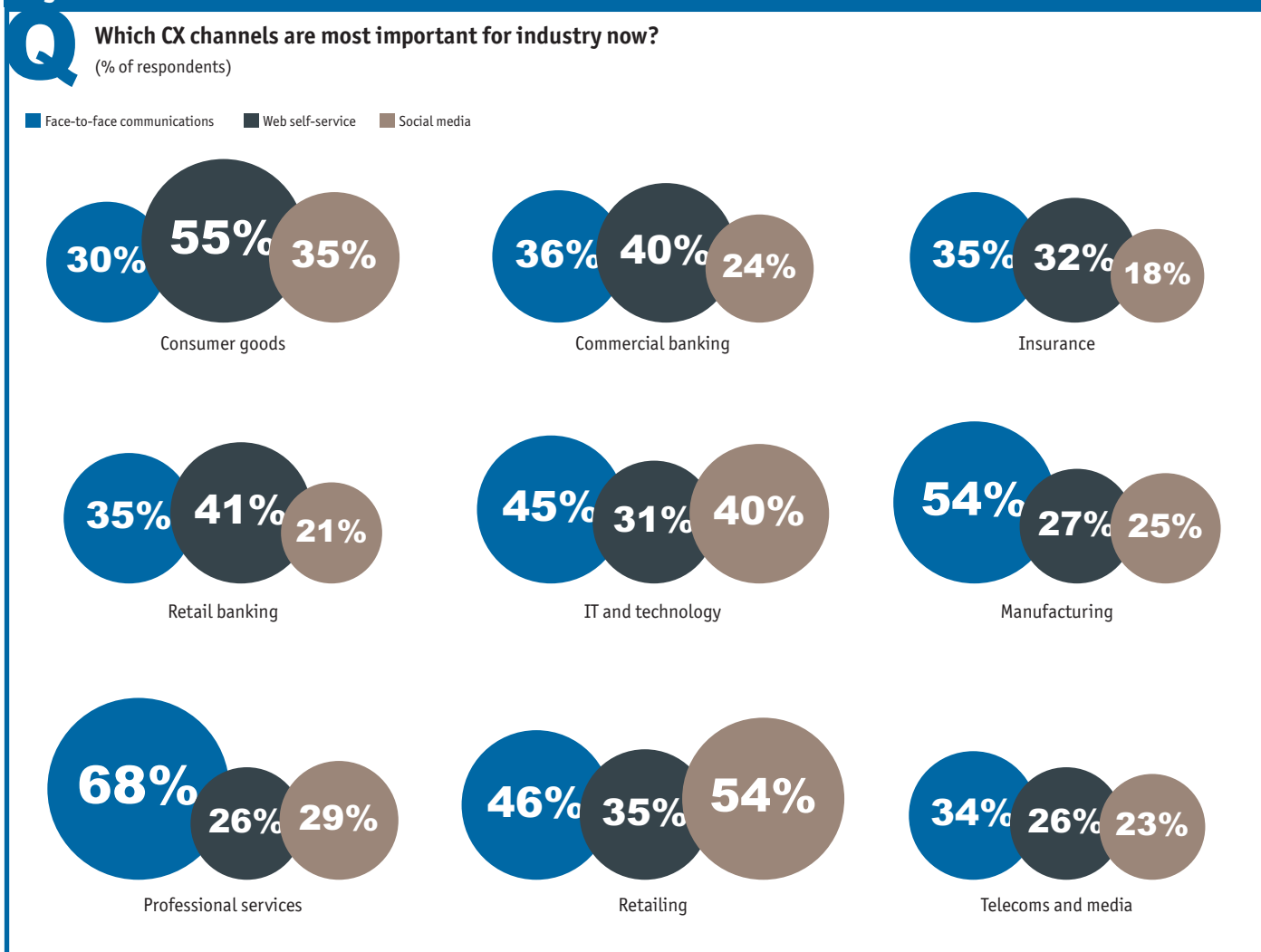
in legacy systems and a more antiquated way of doing business.

Retail favours social media; professional services cling on to face-to-face communication

We can also see clear differences between industries in channel preferences. The retail and IT & technology sectors certainly favour social media, with 54% and 40% respectively acknowledging its central importance. Interestingly, retail respondents estimate that the importance of social media will decrease over the next three years, and will be leapfrogged by web self-service (such as web transactions without human assistance). Web self-service is rated as a key channel by 35% in the retail sector at the present time, a proportion set to rise to 62% in three years. As the retail sector is in general poised for a substantial rise in investment in customer experience over the next three years, we can deduce that companies in this sector will be spending heavily on web self-service. (Figure 15)

Professional services firms (such as accounting and legal), meanwhile, are most likely to still prize face-to-face contact, with more than two in three companies (68%) favouring this channel. However, the direction of travel for this channel is still the same, as a significantly smaller share (50%) think face-to-face communication will be equally important in three years' time.

Figure 15



IT function overestimates importance of online CX channels

Senior executives within the IT function are significantly more likely than their counterparts in other key functions to believe that online customer experience channels are important to their organisation. Conversely, they are also less likely to rate the significance of face-to-face contact. For example, 49% in IT think online assistance is an important channel for their organisation, but only 26% in finance agree. With regard to social media, 39% in IT rate it as an essential customer channel, but only 20% in

general management think the same. However, while only 30% of IT executives think face-to-face communication is still important, that proportion rises to 44% in finance, and 55% in general management. (Figure 16)

This disparity may be a result of wishful thinking. It could be that the IT function invests a great deal of time and effort in devising, building and tweaking online channels, and would therefore like to believe that the results of their hard toil are more eagerly utilised by the rest of the organisation than is actually the case.

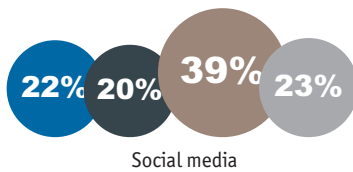
Figure 16



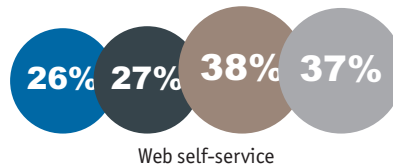
Which CX channels are most important for functions now?

(% of respondents)

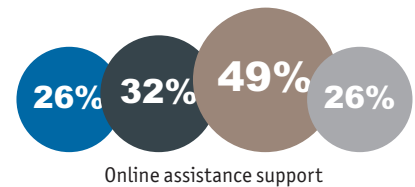
■ Finance ■ General management ■ IT ■ Marketing and sales



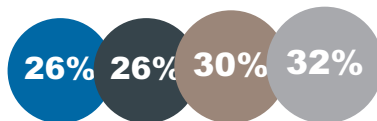
Social media



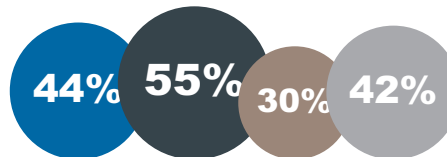
Web self-service



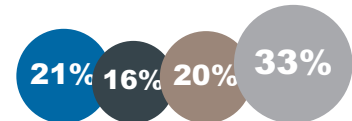
Online assistance support



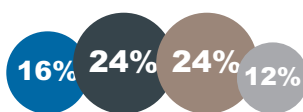
Customer insight



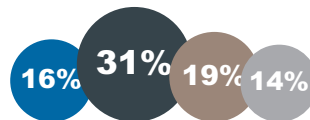
Face-to-face communications



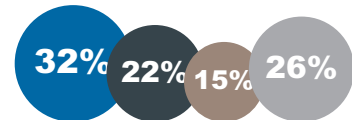
Telephone operations



Automation of processes



Proactive communications to customers



Email based communications

Conclusion: No time for complacency

One in two companies globally will be boosting investment in customer experience by more than 10% over the next three years, a clear indication of the perceived contribution of the concept to financial performance.

If this focus is to be maintained over the long term, however, lines of responsibility need to be clarified, and more effort made to isolate and then measure the impact of customer experience initiatives.

Our survey indicates a level of confusion within companies about who is leading the customer experience drive, despite the clear link in our survey between CEO control of this area and company profitability. This can only be to the detriment of a robust and potent decision-making process. Similarly, too many companies shy away from measuring the success of customer

experience initiatives, potentially giving succour to those internal cynics who doubt their effectiveness and can undermine their progress.

Indeed, despite the progress made over recent years in the attention paid to the whole area of customer experience, complacency may be the greatest enemy. An overwhelming proportion of companies currently believe their customers have a positive view of their experience. If their customers continue to support this judgement, then all is well and good. But companies should be wary of any gap that emerges between their own perception and how their customers actually view their experience. After all, companies may not know that things are going wrong, as Sam Walton prophesises, until customers start spending their money elsewhere.

While every effort has been taken to verify the accuracy of this information, The Economist Intelligence Unit Ltd. cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report.

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