



The new customer experience
**Drive value by building strong customer
loyalty and advocacy**

complex **↔** confident

The new customer experience



Serving more connected, empowered customers

It's no secret that businesses are facing tough challenges in an economy that remains fragile and unpredictable. Competition is especially fierce, and organizations are under severe margin pressure. In this environment, traditional imperatives such as cost reduction, driving growth and maximizing wallet share are more important than ever.

Customer relationships, however, are changing, and companies are doing business on a new playing field. Consumers are increasingly interacting with banks, retailers, telecommunications providers and other companies via self-service channels — sometimes by their own choice and sometimes not. Self-service models are convenient and cost-effective, but by adopting these models, companies may also be sacrificing a level of intimacy with their customers.

New technology is transforming the relationships between businesses and their customers. People are becoming more connected as mobile and popular social media tools make it easy for anyone to share details about any interaction with a huge number of people, instantly.

Just one negative customer story can quickly proliferate across thousands of Twitter feeds or even cross over to mainstream media. This not only has an immediate impact on customer experience, but also can result

in a significant negative impact to an organization's brand and reputation. In our new connected world, it is critical for an organization to recognize and manage the link between customer experience and reputation.

Consumers now have access to unprecedented amounts of information and choices when it comes to purchasing new products and services. In a content-rich online world, they can quickly compare prices and browse product reviews. When it's time to buy, they can choose from a wide range of mobile, online and in-person channels to make their purchase. They can nimbly switch between channels to shop the way they want to shop. All of these choices make it much easier for customers to buy, but it's also just as easy to choose a competitor's offering.

Ultimately, end customers benefit greatly from these changes. Customers are more informed, more engaged and more empowered. They are reconsidering how and why they do business with a company. According to McKinsey & Company, 70 percent of the average buying experience is based on how the customer feels he or she is being treated. For today's savvy consumers, aggressive pricing and brand recognition alone are no longer enough to ensure growth and loyalty. Instead, consumers are placing increasing value on the quality of the customer experience.

Drive value by building strong customer loyalty and advocacy

Today's customer is king

How do we define the customer experience? It is not simply a measurement of customer satisfaction or an evaluation of how well a particular transaction went. The customer experience is the sum-total impact of every interaction that a customer has with a company and its brand. Part of this experience will consist of direct interaction with a company, such as shopping, buying or customer-service communications.

Customer experience isn't limited to direct transactions with a company. It also extends to indirect interactions, such as marketing emails, advertisements, product collateral and even word of mouth from colleagues and friends. In an environment rich with choices, all channels, messages and interactions matter, as well as the feelings and opinions they generate.



Why customer experience matters

Customer experience is more than customer satisfaction; it is directly tied to customer loyalty and advocacy. It is a powerful way to spur more revenue and improved profitability. Delivering a consistently successful experience leads to more customers who buy more, stay longer and cost less to serve. The most enthusiastic customers will even become advocates, sharing their positive stories with others in person and through social media. In a real-time, connected world, one especially helpful salesperson or a proactive support technician can quickly become the face of a company that “gets it.”

89%

OF CONSUMERS SAY THEY HAVE STOPPED DOING BUSINESS WITH A COMPANY AFTER A SINGLE POOR CUSTOMER EXPERIENCE.

Of course, consumers who suffer from a poor experience will be reluctant to return. According to a 2013 RightNow customer experience impact report, 89 percent of consumers say they have stopped doing business with a company after a single poor customer experience. They may even share their disappointment with others. Even a few disgruntled customers can do considerable damage to a company's brand and reputation, creating and spreading negative publicity that is difficult to overcome. Once a customer horror story has been tweeted or blogged, it is there to stay. With such high stakes in play, it's clear that every organization needs to develop and apply a robust customer experience management strategy. Organizations quickly are recognizing the ability to differentiate themselves through their relationships with customers. They understand the need for a single customer view, analytics linked to it and processes designed to deliver a superior customer experience.

The new customer experience



Telecommunications providers have very transparent relationships with their customers, and they will receive immediate feedback if something goes wrong.

Some types of businesses have seized this new differentiation opportunity earlier than others. For example, telecommunication providers have long understood the importance of building strong customer loyalty and satisfaction. In this highly competitive industry, customer churn is a major threat.

In contrast, financial services organizations have more recently made customer initiatives a top focus. Many of these companies are hampered by complex, siloed legacy environments that make it difficult to build a single, complete view of customers and their data across their portfolios. As their customers become more mobile, informed and empowered, financial services organizations are quickly recognizing the importance of a good customer experience.

Building a customer-centric organization

A customer-experience initiative cannot be successful if limited to a single part of a company, such as the call center. It needs to take center stage not only in customer-facing processes, but in every aspect of how a company conducts its business.

Simply understanding the need for customer experience management is not enough. According to a recent Forrester Report, 80 percent of executives believe their company is delivering a superior customer experience. Yet in 2013, only 8 percent of companies whose customers were surveyed received a top grade for customer experience from their customers.

To truly impact customer experience, an organization must first outline a customer-experience strategy and then be able to put it into action. It has to become an ingrained part of the organization and extend across the entire company — from its systems and processes to the employees who are working with customers. To power a fully coordinated service and experience-delivery plan, companies need to extend their strategy.

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People and organization —

An exceptional customer experience fundamentally starts with an organization's employees, including senior management who will provide strong support and clear ownership of the initiative. Companies need to employ a holistic approach to customer experience, based on a clearly defined strategy. The strategy must go beyond abstract objectives. The strategy must integrate closely with every business unit and channel, including sales, marketing, service and support, and customer management. To put their customer-experience strategy into practice, organizations need to follow through with a proactive, planned approach to make the initiative actionable.



Cost management —

Cost plays a key role in every business initiative, and customer experience management is no exception. Companies need to balance cost and improvement in customer experience as they develop and implement their strategy. They should evaluate each element of their strategy in terms of its cost-effectiveness, considering the short-term implications of the initiative but keeping in mind that this is a long-term strategy, with lifetime value being one of the key customer experience metrics.



Customer processes —

A company's customer processes are the point where its strategy is put into real-world action. Processes should be as simple as possible and designed to reflect a company's commitment to delivering a consistent multichannel customer experience. To constantly check progress and drive improvement, processes should include built-in mechanisms to solicit customer feedback. There isn't any reason not to take advantage of the wealth of communications technology that customers are using, so companies should use all available channels for feedback, including social media.



Systems and technology —

IT is vital to enable an improved customer experience. As part of an integrated channel management strategy, technology can help organizations bring their customer vision to life, ensuring that every interaction with every customer is consistent, personal and responsive. Technology alone, however, can't solve every customer issue. A good customer-experience strategy and implementation plan should be based on a deep understanding of customers, with technology solutions that align to business objectives. In some cases, "too much" technology, such as self-service phone systems with no option to reach a live person, actually can damage the overall customer experience. Some companies reduce their emphasis on technology if customer feedback is showing a negative impact.

The new customer experience

A comprehensive customer experience strategy provides a promising start to help organizations differentiate themselves from competitors. However, a customer initiative plan also must be put into action. Research shows that:

85%

of companies collect customer feedback.

15%

take action on it.

5%

alert their customers about their initiatives, which is a key step in letting customers know they have been heard and their concerns are being addressed.

Putting the plan into action

Putting customer experience management into motion is not a single, discrete initiative. It's an ongoing journey that requires careful planning and a strategic roadmap. The journey starts by gaining a deep understanding of customers, building a plan and measuring your success. Some key elements include:

Customer data — A deep, consolidated view of customers is essential to understand their needs and deliver an exceptional service experience. As part of their processes, companies should collect a rich array of data, including application data, behavioral data, third-party data and interaction data. Much of the essential work involves analyzing and applying this data into customer processes. Surveys show that 80 percent of customer data collected currently is wasted, either through poor data management, poor analytics or the inability to apply the resulting insights to customer processes.

Customer satisfaction surveys — To develop a baseline of how customers currently rate their experience and track success moving forward, organizations require statistically robust measurement of the customer experience.

Net Promoter Scores (NPS) have emerged as especially effective measures of customer satisfaction. Developed in 2003, these statistics compare a company's detractors with promoters to determine how likely customers are to recommend a product or service to a friend or colleague. NPS data is relevant especially in today's social media age, where tools like Yelp and Twitter can quickly amplify opinions about a customer's experience. Experian® actively measures NPS and considers the metrics essential to optimize processes, products and services to meet customer expectations.

Customer-experience testing strategy — Customer experience management needs to extend deeply throughout the organization, so thorough testing is key before any process changes are fully deployed. Companies should pilot enhancements of their customer-interaction systems. Champion/Challenger tests are ideal to refine and optimize decision strategies and help minimize risks and control costs.

Predictive modeling — Modeling customer experience and engagement is another effective way to gain insights into the expected impact of processes and decisions on different types of customers. Custom models also can help organizations score an initiative's predicted impact on customer satisfaction across the customer base.

Drive value by building strong customer loyalty and advocacy

Measuring financial impact — To measure success and keep costs in line, it is critical to track the financial impact of customer-experience initiatives on the overall health of a business. A thorough analysis of customer data and satisfaction surveys can help companies determine the true value of a highly satisfied, engaged customer.

Closing the communication loop — It is not enough to have a great customer-experience strategy and a well-implemented plan if an organization has not done a good job of getting the message out to inform customers of changes made, especially the changes that are primarily due to customer feedback. Closing the communication loop with customers will raise the profile of an organization's customer-experience initiative and let them know that their views are valued.

Avoiding common pitfalls

Although the benefits of a customer-centric approach are clear, not all companies have been successful in making their customer initiatives a reality. Even an organization that's committed to an aggressive strategy can face obstacles. Some

Lack of channel integration

Today's customers are more sophisticated, and they expect agile, informed interaction with companies over any channel they choose. Yet all too often, they face poor cross-channel coordination, resulting in an inconsistent, uninformed experience. According to Forrester Research, only 20 percent of organizations say they are fully integrated across all of their channels.

Reliance on technology and automation

Technology is a tremendously powerful tool for interacting with customers, but ultimately, a customer experience should focus on how to best serve customers, who are real people. Technology alone will be ineffective unless it is backed by a full understanding of each customer's needs and expectations.

Internal view of customer experience

It seems intuitive, but companies need to remind themselves continually that customer experience management ultimately is about helping the customer. A customer-experience objective won't be effective unless an organization is actively involved in soliciting regular customer input and gaining an understanding of those customers' pain points.

Lack of clear ownership

As with any strategic plan, customer experience needs clear owners who can drive the initiative forward within the organization. This can be challenging since customer experience management spans internal company boundaries and extends across every process within an organization. With early buy-in and leadership from senior managers across key departments and lines of business, organizations can assemble a team that can aggressively move their customer strategy forward.

The new customer experience

A dramatic business impact

With the right strategy applied across the entire organization, businesses can enhance every customer interaction dramatically. Customer experience has a direct impact on customer satisfaction and retention. Customer experience does more than simply foster goodwill.

Strong evidence indicates that customer experience has a direct impact on customer lifetime value and a company's profitability:



A better customer experience is worth paying extra, according to 55 percent of consumers (Defaqto Research)



A \$10 billion company would experience more than a \$300 million revenue increase from modest experience improvement (Forrester Research)



A 10 percent rise in customer retention yields a 30 percent increase in value to the company (Bain & Company)

In a changing world with changing expectations, customer experience management is an essential competitive differentiator. Companies of all sizes and types can develop and apply an initiative that aligns with their specific customers and business needs.

CASE STUDY:

Wireless carrier drives growth and loyalty

A U.S. wireless telecommunications provider understood the impact that NPS and planned engagement could have on improving its customer experience. The telecommunications provider developed a complete customer-experience strategy and applied it across the entire organization with a comprehensive approach.

The initiative started with a focus on internal communication and senior level buy-in. Top stakeholders all agreed that customer-experience improvement was a key goal in all customer-management initiatives. To fully define and understand NPS, the telecommunications provider identified the key drivers of the scores, correlating them with customer satisfaction and engagement metrics. The organization then implemented an action plan to deliver on customer expectations.

Customer-experience solution

The telecommunications provider launched a NPS program built around monthly phone and email interviews with consumers. The firm surveyed not only its own customers, but competitors' customers as well and developed competitive benchmarks. The firm continued to measure the impact of its initiatives through NPS, additional customer feedback and engagement-activity measurement.

After implementing the suggested changes from the initiative, the telecommunications provider achieved very positive results, driving organic growth through loyalty and referrals. The benefits included:

- 4 percent reduction in churn
- 7 percent increase in new referral customers

Today, the wireless carrier enjoys not only more loyal customers, but fewer detractors who can have a disproportionate negative impact.

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CASE STUDY:

Consumer bank improves retention

A large UK bank was looking for new ways to control costs. The bank evaluated several of its systems and processes, identified call centers as an area where significant savings were available and migrated to offshore call centers across all of its customer-service operations. Unfortunately, the organization had not considered the impact of its changes on customer experience.

The move to offshore call centers sparked an unexpected downturn in customer satisfaction and retention. Customers were not shy about expressing their unhappiness with what they perceived as a lack of appropriate service and understanding of their needs.

Customer-experience solution

Research showed that customers preferred to speak to someone local, who they could easily understand and who they felt understood them and their needs. The bank realized that a cost-effective operational decision had a significant negative impact on the customer experience and reversed its decision.

The results were dramatic. After bringing back local call centers, the bank experienced a very positive reaction from customers, including:

- Immediate bounce back in customer satisfaction and NPS
- Improved retention by 5 percent

The bank was able to turn the challenge into a new opportunity, when its marketing team focused on the change as part of a successful marketing campaign.

Conclusion:

When customers win, you win

Consumer expectations are changing rapidly, and there has never been a better time to foster a more customer-centric organization. However, companies need to do more than simply survey customers and sketch out a strategy. They need to take aggressive steps to develop an in-depth understanding of their customers and then create and implement a comprehensive customer-experience program.

A structured, planned approach is an important first step. Companies need to ensure they have the appropriate corporate ownership, processes and systems in place as they embark on the customer-experience journey. They should remember that a planned, consistent customer experience is the ultimate objective for all interactions across all channels.



The new customer experience

Every aspect of the initiative should function to optimize the customer experience through appropriate engagement monitoring, improvements and decisioning. In the end, it's most important to remember whose customer experience will be managed and optimized. By maintaining a continual focus on the customer and his or her needs, companies can set the stage for immediate financial benefits as well as sustained growth and loyalty in the years ahead.

Not all organizations will have the in-house expertise needed to take advantage of the customer-experience opportunity. A proven partner with rich experience in customer experience, such as Experian, can offer best practices and support throughout all phases of planning, deploying and optimizing customer initiatives.

About Experian Global Consulting Services

Experian's business consultants provide clients with exceptional strategic credit risk management insight, detailed enhancement opportunities, and deployment strategies. They ensure consistency through deep business subject matter expertise, client familiarity and a proven client engagement methodology.

Experian builds a strong partnership with clients at all levels, delivering a balanced portfolio of improvements and needs close to the relationship to ensure implementation plans are delivered and benefits are realized. Clients are left fully equipped and empowered to enhance and sustain profitability and focus in their business.

Experian serves clients in more than 50 countries and offices in more than 15 countries, delivering more than 700 engagements worldwide with a rigorous focus on quantifiable benefits.



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