Forbes insights

Proving The Value Of CX

How To Place Customer Experience At The Center Of Your Business

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Summary

In this report, our objective is to help executives across the globe become better customer experience (CX) leaders. We outline everything you need to develop a robust CX strategy and make it happen. From a comprehensive background of CX to the customer-centric culture needed to make your company an authentic *experience brand*, we equip you with the tools you need to unify your stakeholders, gain buy-in from the C-suite, and demonstrate ROI for CX investments.

Along the way, we'll discuss data analytics tools and frameworks that will help you achieve this in a measurable and repeatable way. Whether you are a mid-sized company in automotive or manufacturing or a large-scale retail company, we are all in the business of creating better experiences for the modern customer.

The report is categorized into the following sections to help you build a CX strategy that makes sense for your company:

- What Is CX, Really?
- Understanding A Customer-Centered Culture
- Managing CX As The Whole Business, Not Part Of It
- Avoiding The Risks Of Standing Still
- Making It Happen
- Introducing The CX Value-Generation Framework
- Using The Framework To Prove ROI

Introduction

Imagine if the cook at your local pizza place pulled your slice out of the oven, took a bite out of it and gave it to you. What would you do?

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Marcus by Goldman Sachs, an online consumer bank, ran this experiment in a commercial they filmed to promote their personal loan product. Their loans don't take unexpected origination fees, where the bank keeps a portion of your approved loan for themselves. To help illustrate to customers how unfair it was that other loan providers do, the team at Marcus paid an actor at a pizza shop to take a bite out of every pizza he served before handing it to real paying customers. When customers looked puzzled, he explained that what he did was no different than what banks do to their customers on a regular basis. Banks take a bite out of their customers' proverbial pizza every single time.

What was more interesting is the part that didn't make it into the commercial—the fact that many customers still took the slice and ate it.

"Many people, after having a back-and-forth with this pizza cook, actually said, 'All right, you know what, throw it back in the oven, and I'll take it,'" says Dustin Cohn, head of brand marketing for the consumer and investment management division at Goldman Sachs. "We had a few people that actually just got fed up with the conversation and took the pizza and started eating around [the bite]."

This example showcases what goes wrong with so many customer experiences.

"Some of us have been beaten down so much by fees that we're willing to put up with something so gross as a stranger taking a bite out of our pizza," Cohn continues.

Compare this to the 90% of leaders who told Forbes Insights, in a recent survey of 200 CX executives, that their company's CX strategy was competitive compared to their industry peers. Does that perception seem unreasonably optimistic to you? We thought so, too, and it may reflect a disconnect between what customers really expect and what CX leaders think they expect.

"In this day and age, we don't just compete against our competitive set," says David VanderWaal, senior vice president of marketing at LG Electronics. "The customer is used to the Caspers and Warby Parkers, and their expectation is that."

Because of companies like these, the modern customer has increasingly high expectations of the way they interact with companies, as well as their products and services. While this isn't news to CMOs, we are hearing the same sentiment across industries that CX is valuable, but the question is: How *valuable* is it?

Forbes Insights conducted a worldwide survey of over 1,000 consumers and found that 77% consider a company's customer experience just as important as the quality of its products and services. But there are gaps when it comes to understanding what CX really is. Because there are many stakeholders involved, it's natural for CX to mean different things to different people.

So here's the big question: If we don't have a universal understanding of CX, then how do we know how to grade ourselves against our peers? More importantly, how do we know we are meeting customer expectations? And finally, how do we know we're not just delivering any experience, but a consistently good one?

SECTION 1

What Is CX, Really?

CX is a term that is misused almost as much as it is undervalued.

CX is often confused with user experience (UX), the customer's journey or customer service exclusively. To complicate things further, a customer's experience is also heavily fragmented both contextually and across industries. To prove the value of CX and create repeatable and scalable processes to manage it, we must understand exactly what it is and how it has taken on a more useful meaning over time.

Not too long ago, CX was primarily understood through a lens of marketing and improving the public perception of a company. The economic-managerial literature of the time used the term "experience logic" to explain the customer's experience at the center of the value-creation process in a managerial marketing approach.

Today, a company's CX is more about whether a company can holistically fulfill customers' expectations across every part of their journey—from awareness to post-sale and across every touchpoint. Brands that meet this standard know that the customer is evaluating whether their attention and money are well spent, not just whether one company's experience is better than their competitors'. Marketing alone does not fulfill these expectations. Therefore, bringing together the data and expertise of all parts of the enterprise to create a full view, or a single truth, is a basic requirement for becoming an experience-focused brand.

In a world where data is readily available to both the consumer and the company, how do we avoid commoditizing a discipline that's intended to be a key differentiator? It helps to define what exactly CX covers in a universal context. According to our survey, 45% of CX leaders define CX as "the customer's aggregate perception of your company based on all their interactions with your brand, product or service." While this approach to CX is accurate, there are elements missing that actually contribute to the value-creation process.

A more accurate way to think about CX is as the sum of customers' activities in pursuit of solving a problem, including interactions with a brand and its offerings. This definition includes essential facts about CX that aren't captured in the traditional mindset; for instance, a customer's experience doesn't begin when they encounter a company's products or services—it begins when they recognize they have a problem. This approach is the fundamental idea within the culture of a customer-centered company, as opposed to the culture of a product-centered company. Beginning with this shift in mindset, we can start to understand what gives a customer-centered organization a competitive advantage.

Some of the results companies can expect from investing in CX include:

- A more valuable brand
- Improved customer lifetime value
- The ability to collect more first-party data
- Cost savings from fixing hidden inefficiencies that upset customers

SECTION 2

Understanding A Customer-Centered Culture

Anyone with responsibility over a company's CX strategy needs to realize that their goal is to solve a customer's problem first, not to push their product.

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CX experts like Jeanne Bliss, president of CustomerBLISS, explains how a multinational manufacturer of aviation and rail parts transformed into a customer-centric organization to improve the lives of their customers who purchased private airplanes.

"Does any customer want to have a service and parts experience? No. The experience they want to have is the 'keep me flying' experience. This is where the mind shift occurs," Bliss says. "It's not about the number of parts we're selling now, it's about how many people we're keeping in the air so a happy and seamless experience happens, and they're going to buy another plane and tell everyone about it."

The premise of customer-centricity stems from design thinking, a methodology that has been around in the design world for decades but became popularized by IDEO founder David Kelley, who coined the term in 2003. Design thinking is the idea that problems can be solved by creating solutions around customer needs. Goldman Sachs' Cohn describes the concept as "building things together with the customer from day one."

There are key advantages to having an organizational culture that emphasizes a customer-centric business model. This approach has helped companies achieve long-term sustainable growth, create personas to achieve cult-like brand loyalty and improve product through direct customer engagement.

At Goldman Sachs, Cohn and his team lead the company as a customer-centric organization by being a brand that's on the side of the customer. They took the pain points—challenges in the customer journey that detract from a positive experience—in the financial industry to build both an experience and a product offering.

When the personal loan product Marcus by Goldman Sachs launched, its features and benefits were designed to solve certain pain points. One critical challenge involved customer service, specifically when customers had to navigate automated systems with long wait times. As much as people wanted to self-serve on the platform, Cohn observed that customers ultimately preferred talking to somebody.

To address this need, the company built a call center without an automated system that requires customers to press different numbers to reach the right person. By eliminating such a system, Goldman Sachs could answer calls in 30 seconds or less.

In the survey, we asked consumers to identify the key reasons they would trust a company over its competitors. Two-thirds of consumers said the quality of the product, and more than half cited customer experience (Figure 1).

Figure 1

What are the key reasons you would trust a company over its competitors?

(Select up to three)

CX involves stakeholders across the organization, not just the marketers and data scientists. In fact, a quarter of CX executives say not having the right people involved is a constraint that prevents their team from implementing a streamlined CX strategy. The default approach would be to assume that marketing conversion and sales volume would be enough to dictate how well a company is providing world-class experiences to their customer. To avoid reverting to the default approach, which is akin to shooting in the dark, we have to look at CX as something to manage, not simply measure.

SECTION 3

Managing CX As The Whole Business, Not Just Part Of It

The fragmented nature of customer experience has led too many companies to focus on a narrow set of factors that they control, ignoring the rest.

For instance, consider a Samsung phone. Samsung makes the device, hundreds of other companies make the phone's apps and a phone company provides the service. Even though Samsung only controls one part of this offering, a customer's experience with the telephone service and the apps they use affect their experience with Samsung's product.

Samsung realized the service they provided to customers needed to extend beyond the parts they controlled.

CX was its business, not just a part of it.

Michael Lawder, Samsung's former senior vice president of customer care, helped solve this problem by working with Direct.ly, a startup that connected those calling into Samsung's customer service line with other customers who owned the products and were paid if they helped resolve a problem.

"When you're a customer and you want help, do you want to call in and talk to a call center agent who probably doesn't own the product, where the attrition is 100% a year, and where they're given a little bit of training and let loose?" asked Lawder, whom Forbes Insights interviewed while he had worked at Samsung. "Or do you want to talk to someone who uses the same product as you, who's using it for the same reasons you're using it and who's an expert at it? That's where companies like Direct.ly and the rise of the gig economy can help enable powerful new connections between customers. Here's what blew my mind—inside the Expert Network, not only were they supporting Samsung questions, they were also supporting questions customers had about non-Samsung experiences like YouTube, WhatsApp and other third-party services. Typically, companies don't have the ability to support these questions, so they send it off to another company, making the experience worse for the customer."

Running a novel kind of help line is one example of a company working to better prioritize the customer experience—albeit one part of it. For a comprehensive view of all touchpoints, some business leaders use customer experience management, or CEM, which creates a process for strategically managing a customer's entire experience with a product or company.

It instills a process-oriented discipline to create customer satisfaction through continuous improvement. According to Bernd Schmitt, author of "Customer Experience Management: A Revolutionary Approach to Connecting with Your Customers," CEM is all about "building rich relations with customers."

Sound like a big commitment? That's because it is. Reorganizing around CX requires reimagining your company's processes and organizational structures. Lawder said there are advantages to aligning organizational capabilities to quickly anticipate changes in consumer behavior: "It's not one-size-fits-all. We're approaching an inflection point of moving to multichannel, asynchronous experiences. Consumers really like to interact with companies in the same place where they interact with their friends and family. The very best-performing experiences that I've ever seen in this space are in asynchronous channels where customers already are."

LG Electronics' VanderWaal also explains a successful project that won buy-in from senior leadership: "First, we showed success for what data could do for our media approach to show quick wins. We got a better idea of what's going on with the digital behavior, and we conducted our beta test of what an enhanced CX experience could deliver in terms of media efficiency and ran it in the back half of 2019 for our televisions. What we saw was amazing success. Our efficiency rate dramatically increased, our media impact was higher than it had ever been in my 12 years at LG, and we also saw sales increases. From there, we started marketing this new way of looking at data to improve CX and got buy-in from our senior leadership to invest in a bigger way. I would encourage leaders to look for quick wins to get buy-in from both the board and the C-suite."

At the other end of a journey like VanderWaal's, companies can expect all those CX investments to accrue to the value of their brand. Even though CX isn't primarily about changing perceptions, it still does that if done right. As Jeremy Korst, president of research at GBH Insights explains, "There is an increasing understanding of just how important and impactful the variety of experiences are at every phase of the customer journey—from initial awareness all the way through retention. We now appreciate just how these individual experiences all add up in the psychology of one's mind to create this notion of brand. A brand is really a quite valuable piece of the customer's mind that our companies occupy."

SECTION 4

Avoiding The Risks Of Standing Still

Perhaps even more sobering is the fact that yet another buzzword, “disruption,” is not as far away from reality for most companies.

Steve Blank, a retired Silicon Valley serial entrepreneur who developed the “customer development methodology” now used by many startups, explains that ideas around disruption can be delivered as quickly as existing products can. This demonstrates the need to start positioning your company’s business model in a way that allows it to iterate and adapt in anticipation of changing customer preferences.

> Blank says, “When you’re explaining CX to C-level executives—yes, they want to be customer-centric, but they’re having the crap beaten out of them by those who are truly customer-centric because they’re living with their customers, and you’re still living out of retail stores. In the past, the thought of competing with startups was almost laughable. But now, some startups have more R&D capital than you do.”

Another elephant in most boardrooms is the age-old culprit of short-termism. While VanderWaal was able to gain buy-in from senior leadership by demonstrating quick wins, he didn’t stop there. The objective of using small successes is to establish them as stepping stones to a larger investment that would turn CX into the basis of the business itself.

According to the Forbes Insights survey of 200 executives with responsibility for their firm’s CX strategy, three main factors prevent teams from implementing a streamlined CX strategy:

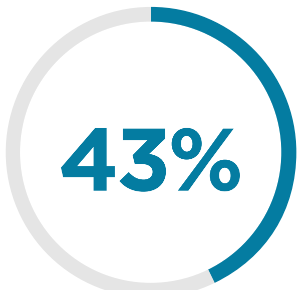
1. Pressure for CX investment to pay off immediately
2. Prioritizing short-term goals from board/investors
3. No easy way to integrate data across the organization

Executives across the industry at least have an idea of the potential risks of subpar CX. A full 83% of executives surveyed said they faced moderate to severe risks to their revenue and market share as a result of unimproved CX. These risks are even more exacerbated by the rise of the sharing and gig economy, where digital experiences are pretty much the bread and butter of creating customer value. David Reibstein, professor of marketing at the Wharton School of the University of Pennsylvania, emphasizes how “the companies doing the best job at personalizing and individualizing to customers are those who have great individual-level data.” Without the minimum level of shared resources across the organization, especially shared insights from data pools, companies risk being left behind industry competitors who are adapting to changing consumer preferences.

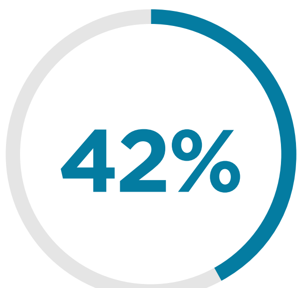
The survey found that customers consider the following CX capabilities as basic standards that companies should have:

The company's customer service representatives are empathetic and genuinely understand my needs and/or frustrations

The company is able to find answers to my questions on the first try



The company resolves my inquiries on live platforms (like phone or instant messaging)



The company's customer service representatives are available 24/7

The company provides relevant recommendations for additional products and services after a single purchase

With these features considered baseline CX standards, the stakes are rising. It's tempting to evaluate CX through simple, short-term metrics for the sake of measuring progress easily, but that dilutes the value of long-term gains from building stronger customer relationships.

In the next sections, we'll help you understand what it takes to make CX happen.

SECTION 5

Making It Happen

While traditional wisdom dictates that the very first and best thing to do is make a case for how you can lower costs, that's not the right place to start.

This isn't about tweaking a process; this is about a mindset shift from being a product-focused company to a customer-focused company.

"Most companies, if you asked them, 'Is your company product-centric or customer-centric?' they would say 'product-centric,'" observed Lawder. "That means the lead story on how they interact in every experience is by product. What product do you want to buy? What product do you need help with? In every channel, that's how it goes. But that's not how customers think, and that's not how you build loyalty and make service a feature of your products."

Lawder said his company's transition from product-focused to customer-focused both lowered costs and improved experience.

CX advisor Blake Morgan explains the link between brand interactions with customer touchpoints: "Every interaction a customer has with a brand matters. Each touchpoint should be connected for a seamless experience, not a haphazard journey where the customer never knows what they are going to get. A connected, omnichannel experience of everyone working together acts as an early warning system because a bad interaction or touchpoint can be quickly addressed instead of waiting until the end of the journey. The big picture is important, but it shouldn't overshadow each individual interaction."

Taking customer touchpoints several steps further, VanderWaal also emphasizes blending a meaningful methodology across the digital journey as well as the qualitative context to meet and exceed customer expectations.

"We work really hard to find the right measurements for all the touchpoints along the journey, whether that's advertising, media, or owned assets that are not on the digital journey," he says. "Influencing through data is also key, where that's showing how this co-owned customer journey with a retailer is better than the year before, ensuring consistency to tell the same brand story across every one of those touchpoints."

"Context and content need to be blended. That's the merging of the heart and the head," continues VanderWaal. "Our consumer insights group really gets a lot of context around the qualitative data by talking to consumers to find out more about the relevance around the behavior they're exhibiting, so we now know what they do and what they feel. Those two things allow us to have a personalized message as well as be personable."

Steve Blank takes this further by explaining what it takes for companies to have a truly blended model: "Companies used to grow by focusing on executing a repeatable business model. But to compete today, they need to be ambidextrous organizations executing and innovating in parallel. Customer discovery is an integral part of this and requires a different culture. Product management says, 'We're managing a product through its life cycle.' Customer discovery says, 'We should be so lucky if we have product-market fit.'"

Creating a cycle of data-driven improvement is what differentiates the most successful companies. To create that cycle, having the right tech stack is a minimum investment that directly enables the talent, skill sets and customer-centric mindset.

As Lawder explained: "Most of the C-suite from Fortune 500 companies will tell you that they're using one of these big CRMs to manage service and sales functions, along with a large and expensive routing system. These are all really expensive platforms that allow companies to connect customers with certain products, with certain needs, across the whole life cycle. But in the world of the sharing economy, none of that matters because what drives the connection (akin to matchmaking) is customer ratings and feedback."

With customer ratings and feedback being an essential ingredient to positive CX, the Forbes Insights survey also revealed that verified positive purchase reviews and their quantity were among the best ways to form an opinion about a brand after firsthand experiences with the product/service (Figure 2). Achieving consistently positive reviews requires enabling employees to deliver on great experiences with the appropriate resources to do so. In other words, we also need to look at the state of the underlying plumbing of a business to deliver a positive customer experience. A losing hand is trying to band together a team that neither has any semblance of CX ownership nor understands its relevance to their line of work. This proves the quality and consistency of your customer experience is really the outward expression of your company's health.

An accurate indicator of improved company health is the level of employee engagement and empowerment, or the employee experience (EX). Companies with a strong focus on EX, like Chick-fil-A, have more than twice the same store revenue as their closest competitor. Research by Future of Work University founder Jacob Morgan, as detailed in his book, The Employee Experience Advantage, also found that companies that prioritized EX had more than four times the average profit and two times the average revenue as their competitors. This is likely a result of EX's impact on CX. An Employee Engagement Benchmarking Report by the Temkin Group found that companies that excel at CX had 50% more engaged employees than those with poor CX. In short, better employee experience makes for better customer experience.

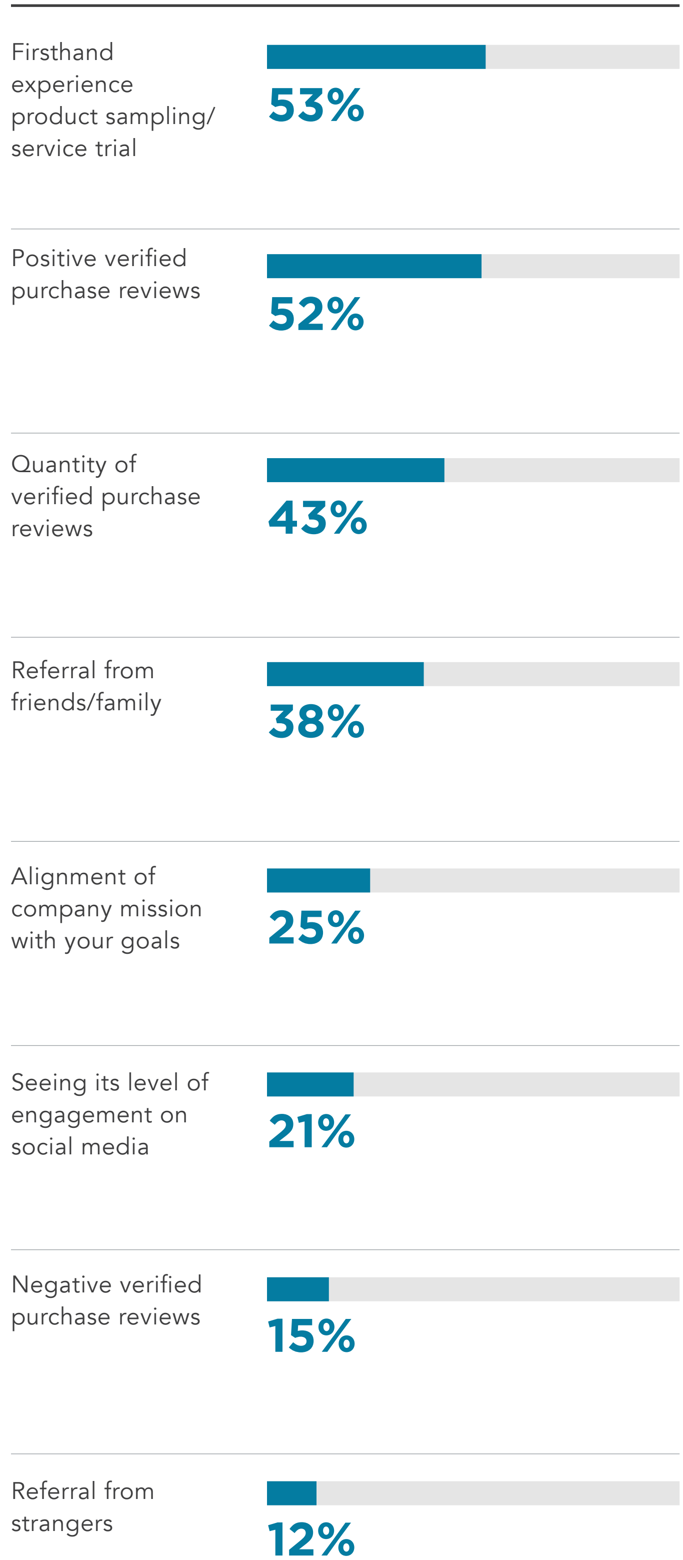
In the Forbes Insights survey, we found that the longest-tenured employees are far more likely than any other group to publicly interact with brands they believe in. If you've been loyal to a brand, especially an employer, the values that contribute to your loyalty extend to interactions outside the workplace. This shows the importance of alignment between a company's external positioning to the world and the loyalty it inspires in its employees.

While these kinds of initiatives might not produce immediate ROI, they have the potential to produce significant gains in the long run. Research by Forbes and the Marketing Accountability Standards Boards (MASB) also found that a brand's value can range from 15 to 70% of its company's share price. No matter which way you slice it, brand value is an incredibly valuable asset for any company, and requires commitment and diligence to remain relevant and improve with changing customer preferences over time.

FIGURE 2

Which of the following describes the best way to form an opinion about a brand?

(Select up to three)



SECTION 6

Introducing The CX Value-Generation Framework

To help address these issues and create an effective management tool, we developed the CX Value-Generation Framework: a step-by-step approach that, when followed correctly, yields a blueprint for your company's ideal CX strategy.

Additionally, it can help outline your company's capabilities in planning, generating and sustaining CX value, which we define as the quantifiable return of your customers' aggregate perception of your company based on interactions with your brand, product or service. This also includes qualitative factors that illustrate the business impact of loyalty (retention, repeat purchases, etc.) and building customer relationships (positive personal experiences, consistency), to name a few.

This common framework can be used to align business activity and processes to determine how to leverage technology in order to achieve an ROI with customer-centric metrics, not inward-facing operational measurements. Because a viable long-term CX strategy depends on the technology being used to solve actual customer challenges, the simple and straightforward framework is designed to cut through the noise and remove ambiguity. By creating a single playbook, every division and stakeholder can both contribute to and reference how the broader strategy applies to them.

This framework is an iterative approach that allows you to nimbly respond to changing circumstances, but in a way that's rational and consistent over time, as opposed to ad hoc and reactionary, with lagging iterations.

LG Electronics' VanderWaal mentions that this iterative approach is not just on the creative side; it's an IT iteration as well. This approach also gives stakeholders freedom to focus on what makes the most sense for their unique business. It provides a strong rationale to push back on well-ingrained impulses that may cause your company to regress to competition-chasing or building products in search of problems to solve. Using this mechanism will help ensure that technology and data are used to drive business objectives, not the other way around.

CX leaders can use our framework as the unifying tool for cross-functional teams. VanderWaal also emphasizes that "smart boards and CEOs have to be able to think in a new way, recruit new talent, assess their capabilities and know how to get there. Beyond talent, we have to start understanding how to merge the data together to get the holistic truth about our customer. That takes people who know about our technology, combined with adding senior leaders who know how to make it happen." Viable CX initiatives also require strong IT leadership.

The framework allows CX leaders to establish a three-pronged approach to creating a viable CX strategy:

1. **Define and refine the brand mission to arrive at customer-centered strategies and achieve business objectives**
   It all starts with the brand promise. By defining or reiterating your company's mission at the outset of your CX strategy, you align your employees' objectives with the experiences they wish to create with the customer. While the purpose of the business is to create and keep customers, there also has to be a more human-centered purpose (like creating financial confidence if you're a banking firm) that can guide you to the right customer-centered strategies.

2. **Design and build the solution to deliver on the brand promise**
   This allows us to determine the features of the solution we want to build and assess our capacity to execute. For instance, what are the gaps in data, technology, talent and more that may inhibit success? What resources do we need to accomplish our goals, and what is our final deadline and accompanying technical milestones?

3. **Manage the CX strategy for long-term positive ROI**
   This helps us determine what, by this point, should be both a customer-centered and feasible solution that will actually deliver the business impact to merit an investment. What market factors may affect its competitiveness? How will we measure success along the way, calculate ROI and scale the solution to accommodate increased demand?

We visualize this framework in an easy-to-understand, one-page diagram. Because of its brevity and simplicity, everyone can intuitively grasp the complexity of a CX strategy at a glance. This is also a useful document to keep around for reference because it will keep discussions focused and prevent drift in thinking or strategy after the work has been done.

The most well-defined CX strategies may have adequate resources and the best talent available, but their success ultimately lies in a customer-centric mindset shift. While it's tempting to jump to shiny new technological solutions, CX leaders should take a step back and prioritize activities that put the customer at the center of their business objectives.

What Is The Brand Promise?

Step 1: Define The Brand Mission

To be a customer-centric brand, a company's mission should be dedicated to the experience of its customers. To do this, we first need to agree on a "north star," the company's guide that unifies internal stakeholders and ensures they deliver superior customer experiences.

How data can help: Data will never tell you what your brand mission should be, but it can tell you what won't resonate with your customers. Your understanding of customer preferences and behaviors should dictate the direction you choose.

Step 2: Use The Brand Mission To Create A Positive Employee Experience

"The company's employee experience is more than just talent," explains LG Electronics' VanderWaal. The company's employees are internal champions from across the organization, such as technology, data analytics and business strategy, to serve as a cross-functional team to make the CX strategy happen. As the functional responsibilities for CX strategies blur across various areas in the organization, defining these roles at the onset of the strategy is critical. This team ultimately becomes the key enabler of success. Further, the team owns the KPIs, with a focus on using these metrics to improve customer satisfaction rather than solely a cost-cutting function or productivity driver. In short, the team must be empowered to deliver the promise of the company's brand.

How data can help: Allowing all stakeholders to see data from every silo is essential. Otherwise, it will be impossible for different teams to get a full view of the problem. Data that captures how employees are interacting with your internal systems can also help identify bad processes that frustrate not only your employees but also your customers.

Step 3: Identify The Customers And Where They Are

The company prioritizes the customer segments based on the business challenges and pain points identified in a specific customer journey. Getting more granular helps identify the finer details of the customer personas within these segments. Getting into customers' minds means understanding their behavioral motivations, constraints, lifestyle and nuanced factors that affect their decision-making process. This way, the team can focus its efforts and target testing for effective messaging, pricing, features, etc. We do this by mapping out the customer journeys to align each step with a perceived goal.

How data can help: Part of the customer journey can be mapped by digital data and consumer behavior from physical interactions with your brand. These can be used to develop an initial understanding of who your customers are and how best to create products and messaging that resonate with them. But there is no amount of data that will substitute for talking to the actual humans who buy from you.

PART II

How Are We Delivering The Brand Promise?

Step 4: Determine The Features That Support The Brand Promise

Identify how your company's products and services deliver the brand promise. In other words, what combination of features will speak to your customers in a way that makes them want to stay loyal? Here, your team lists the ideas to test before building the technological solution. We recommend using this step to validate and narrow the scope to the winning ideas that are feasible, viable and desirable to the customer (a design thinking principle). This way, your team saves time, effort and investment by learning quickly about what ideas work and which ones should be abandoned early on.

How data can help: Understanding from current product and website usage data the features that resonate the most and which ones don't can help narrow the scope of new ones. But when building new features, sometimes there simply is no analog in your existing data. You may have to run small tests by altering the experiences of a few select users to help validate new ideas before doing a more extensive build-out.

Step 5: Build Your Tech Stack

After designing the solution based on the business objectives, the team can now identify what type of data is needed to deliver the solution. This exercise naturally brings us to identifying what data we need and don't have. This is why having a single view of the customer is critical to understanding where the data gaps exist. Here, we outline the practical means of gathering, operationalizing and communicating the data.

How data can help: Having a unified view of the customer is a baseline requirement for effective CX strategies. Tools like customer data platforms (CDPs), data lakes and more are useful for achieving this. You'll also need to consider the volume of data that needs to be collected, how frequently it needs to be analyzed and how rapidly that analysis needs to be acted on. Is it sufficient to analyze and act daily, weekly or monthly? Or do you need to respond in real time?

How Are We Managing CX For Positive ROI?

Step 6: Identify KPIs To Assess The Customer Experience

Here, we emphasize that the metric is not the main goal of the business. When used correctly, KPIs can inform the team about the effectiveness of a strategy in a snapshot. For example, useful metrics that assess initiatives to boost customer loyalty include:

- Customer Lifetime Value
- Net Promoter Score
- Customer Satisfaction Score

How data can help: Wherever possible, analyze the behaviors of those customers who have given your company high marks on surveys. How does the way they interact with your company differ from others? Are there specific channels, touchpoints or products that may affect that score? On the flip side, ask the same questions for those who give your firm the lowest scores.

Step 7: Communicate The ROI And Potential Business Impact

Here, we think about the revenue streams created by the proposed solution(s). We also think through both the up-front costs and long-term costs to implement. It helps to frame these items as "How much did each cost contribute to $1 of revenue earned?" and list them separately. Additionally, you can also record the "total customer acquisition costs per customer" and "total revenue per customer."

How data can help: Data is essential to assessing the potential lifetime value of a customer. Predictive modeling that compares characteristics and usage patterns of new customers with longer-tenured ones can help project which are the most valuable.

SECTION 7

Using The Framework To Prove ROI

The standard way of measuring the ROI of customer experience initiatives has been to look at a broad set of metrics that are inconsistent across companies and indecipherable by anyone outside of the marketing department.

Beyond that, measuring qualitative benefits, like engagement time on a website, or cross-selling rates in isolation, provides a fragmented picture that often results in managers missing the forest for the trees. Instead of ignoring these metrics, find a holistic way to capture this information in two measures that properly state the results of CX: brand value and valuing customers as an asset.

Since brand perception is shaped by all the experiences customers have with a company—employees, products and services included—it's easy to understand how improving those experiences with the CX Value-Generation Framework can raise revenue. Forbes' work with the Marketing Accountability Standards Board showed that an organization's brand is often worth more than its property, plant and equipment. In today's intangibles-driven economy, this is something CFOs should find appealing.

The second and more consequential way to capture the true impact of CX is to start valuing customers as an asset. When venture capitalists are evaluating whether to invest in a startup, some of the first questions they ask are, "How many customers do you have? What do they spend with you, and what do you think they'll spend over their lifetime?" Why should this matter only to startups and not to large enterprises? This goes beyond simply calculating the lifetime value of customers.

Think of customer loyalty as an income-producing asset on a company's balance sheet the same way a CFO thinks about any other investment. A customer pays the company over time, and you can calculate the net present value of those cash flows. But unlike the types of investments CFOs deal with, there's no rule that says what a customer needs to pay, how long they should keep paying the company or that they will pay anything at all. What dictates the amount, consistency and time frame of these payments is customer loyalty.

Customer loyalty, in turn, is driven largely by customer experience. In fact, our survey showed that when asked about their most recent purchase, 65% of consumers said a consistently positive experience through their entire interaction would make them a long-term customer of the brand. That's why this measurement captures a variety of other CX metrics, like the premiums customers pay, increased frequency and value of purchases and the increase in the different number of product lines customers purchase.

But to actively manage a CX strategy, we need to get more granular.

For instance, averages like "average revenue per customer" can be misleading, since a small number of outliers can skew that number. It makes more sense for managers to break up customers into cohorts. The best way to do this is to take multiple views, depending on the type of company you're working for. Some examples include:

- **Time cohorts that compare customers by when they first purchased.** This helps managers track the improvement of CX initiatives over time. For instance, you may find that six quarters into a CX overhaul, customers who joined in Quarter 4 have a much higher value than those who joined in Quarter 1.
- **Lifetime-value cohorts that segment customers into quintiles–or even more finite groups–depending on how much they're expected to spend.** Some industries are especially reliant on their very few, biggest spenders, so this can help you zoom in on those. It's also useful to see the way customers might move among cohorts as their expected lifetime value changes. This could provide an early warning system that key clients are becoming restless or unhappy (or the converse, that your CX efforts are causing smaller fish to move up).

- **Satisfaction-based cohorts that look at customers by net promoter scores or other measures of happiness with the product or service.** Depending on the type of industry you're in and a number of other factors, it can make more sense to focus either on making your happiest customers happy and forgetting the complainers, or on fixing the problems of those most displeased. This can help you track those efforts.

- **Persona-based segments that zoom in on the customer types you've identified as having the highest product-market fit.** Don't mistake these for demographic-based cohorts, which are of limited utility compared to using personas, which are much more complex profiles that mix demographics with psychographics and behavioral data. Persona-based segments will show you how well your efforts are keying in on the needs of your best customers compared to those who fall outside your target personas.

- **Cohorts that segment customers by the category of products or services they buy from you.** While you can get a sense of which customers buy more than one type of product or service from you, that isn't the point. Customers may purchase certain products and services that speak to things like their relative sophistication as buyers and where they are on their journeys.

- **Channel and touchpoint-based cohorts that look at which ways customers have interacted with your company.** While it's the holistic customer journey that matters most, one negative touchpoint can ruin everything if it's sufficiently bad. Think of this as a canary in the coal mine to help sniff out the troubles with your CX. It can also spot areas of opportunity where customers who took certain actions or interacted in a certain channel go on to become much more loyal or valuable.

- **Geographic cohorts that look at either regions on a map or areas served by particular stores or teams.** This can help surface learnings, both bad and good, from the varied approaches regional teams and stores inevitably take on top of the company's centralized CX directives. It can also help clarify where opportunities are growing or likely to grow.

- **B2B-specific cohorts, like industry, company size or use-case type.** There are big differences between small business and enterprise clients, and companies in manufacturing versus financial services. This approach will pick up the extent to which CX varies by those elements and also pinpoint which use cases produce the most valuable and most loyal customers.

Once you've sliced and diced all this data on new and existing customers, the next step to getting the fullest picture of customer assets is putting a value on your pipeline of prospective customers. This is a bit easier to do for B2B companies that have long, documented sales cycles versus B2C companies that make impulse-buy items. Nevertheless, it can be done.

If marketers are investing so much time and energy in building up the pool of prospective buyers, there has to be some reporting on what that's accomplishing. After all, some percentage of that group will convert, and within that subset, some will be more valuable than others.

Most companies should have enough data on their existing customers and their original paths to purchase to project the potential lifetime values of prospects. However, there will be a significant amount of uncertainty.

To overcome that, you can create a predictive model and back-test it on historical data. Even then, there's no guarantee that the future will reflect the past. So until your model has been deployed for some length of time and has demonstrated success, it's best to take a significant discount on top of whatever it says in the interests of under-promising and over-delivering.

Conclusion

Every company today stands at a fork in the road.

Its leadership can either choose to be a CX-driven company or a product-driven company. Product-driven companies will continue to focus on cost-cutting, efficiency and meeting internal KPIs while their best customers walk out the door. CX-driven companies will have their arms wide open to receive them.

You have proof that CX is more than just a buzzword. Companies that put CX at the center of everything they do vastly outperform their product-driven peers. It is the single differentiating factor that will determine how your company performs in the long term.

While becoming a CX-driven company requires a big leap, tools exist to help you find the way. Our CX Value-Generation Framework will help you craft and manage a CX-focused business that can outdistance your competitors and, more importantly, delight your customers. You'll also have the evidence, in the form of financial measurements they can understand, to get the entire C-suite and your investors to join you in the journey. There simply is no alternative.

Methodology

Forbes Insights partnered with Arm Treasure Data to conduct two surveys in December 2019.

The CX executives survey polled 217 CX executives globally. Executives held marketing, sales, CX, product and IT titles. They represented a variety of industries, including automotive, consumer goods manufacturing, consumer technology platforms, media and entertainment, retail and financial services. All executives came from organizations with over $150 million USD in annual revenue, with 48% from large enterprises (revenue over $1 billion USD).

The consumer survey included 1,035 consumers globally. They represented all age groups (18+ years old) and income brackets (from $35K to over $100K), with 54% male and 46% female. Consumers represented a variety of purchasing categories, including automotive, appliances, consumer technology, media and entertainment, retail and e-commerce goods and financial services.

CX Value Generation Framework

Creating an adaptable CX Strategy through a step-by-step approach

Define The Brand Mission. Describe your company's mission as a customer-centric brand and the people they serve.

How data can help: Data will never tell you what your brand mission should be, but it can tell you what won't resonate with your customers. Your understanding of customer preferences and behaviors should dictate the direction you choose.

Use The Brand Mission To Create A Positive Employee Experience. Describe how employees of the organization are empowered to deliver the promise of the company's brand.

How data can help: Allowing all stakeholders to see data from every silo is essential. Data that shows how employees are interacting with internal systems can help identify bad processes that not only frustrate your employees, but also your customers.

Identify The Customers And Where They Are. Describe customer segments in finer detail with customer personas by identifying pain points and business challenges in the customer journey.

How data can help: The customer journey can be mapped using data that captures consumers' virtual and physical interactions with your brand. The map can be used to develop an understanding of who your customers are and how best to create relevant products and messaging. But there is no amount of data that will elicipse the value of conversing with them.

Determine The Features That Support The Brand Promise. Describe how your company's products and services deliver the brand promise.

How data can help: Using product and website data to determine which features resonate can help inspire new ones. But when building new features, sometimes there simply is no analog in your existing data. You may have to run small tests to validate new ideas before building them out.

Build Your Tech Stack. After designing a solution based on business objectives, describe what data is needed to deliver it.

How data can help: Having a unified view of the customer is a baseline requirement for an effective CX strategies. Tools like customer data platforms (CDPs), data lakes and more are useful for achieving this. You'll also need to consider the volume of data that needs to be collected, how frequently it needs to be analyzed and how rapidly that analysis needs to be acted on.

Identify KPIs To Assess The Customer Experience. Describe how KPIs can measure and explain the strategy's effectiveness.

How data can help: Analyze the behaviors of customers who have given your company high marks on surveys. How does the way they interact with your company differ from others? Are there specific channels, touchpoints or products that may affect that score? Ask the same questions of those who gave your firm the lowest scores.

Communicate The ROI And The Potential Business Impact. Describe the revenue streams created by the proposed solution, as well as the up-front and long-term costs.

How data can help: Data is essential to assessing the potential lifetime value of a customer. Predictive modeling that compares the characteristics and usage patterns of new customers with longer-tenured ones can identify which new customers are the most valuable.

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