



The experience revolution

Mobilizing to win – are you ready?

Executive Report

Customer Experience

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Customer experience – an elite sport

Companies have considered customer experience (CX) a strategic priority for quite a while, but executing with excellence has proven to be quite a challenge. As organizations are moving to the next generation of digital and physical engagement, they are discovering just how complex improving CX can be. Our research shows that only a small percentage of companies are pulling all the levers. For them, CX is not just a set of enhancements, but a fundamental component of their business strategy and corporate culture. As others embark on their own experience reinvention, there is much they can learn from this elite group.

Executive summary

As customer expectations for useful, frictionless experiences continue to rise, companies are replacing manual processes and augmenting physical experiences with new digital interactions. This embrace of digital stems from more than the need to delight and engage – it is about providing real utility to customers at an acceptable cost to serve. For many companies, this is simply one of several requirements for doing business in the digital age. For others, operationalizing customer experience (CX) is a mission that defines their corporate zeitgeist. It is an opportunity to continually improve CX; and for some, CX is a true brand differentiator and driver of their business.

The specific attributes and leading practices of these CX aficionados – we call them the *Elites* – became clear as we analyzed how organizations are mobilizing to improve their performance through CX. This report, part of the year-long Customer Experience study conducted by the IBM Institute for Business Value (IBV), is based on the survey responses of 501 C-suite and line of business executives from multiple industries and regions.¹ It builds on our first report, “The experience revolution: The game is on,” where we identified top trends executives are facing as they reinvent their CX.²

In this second report, we reveal how organizations approach CX ownership, strategy, cross-functional collaboration, use of data, use of Experience Design methods and customer feedback to enhance and measure CX.³ As anticipated, we found that CX responsibility and leadership is expanding beyond the traditional siloed domains of the Chief Marketing Officer (CMO) and marketing departments. Whether managing from the C-suite or the functional level, the Elites have injected customer-centricity into their corporate cultures and are executing CX with more complexity and finesse than others.

When compared to Professionals and Amateurs, Elites are:



81% more likely to conduct **touchpoint analysis** to determine the impact of CX.



46% more likely to regularly iterate, test and **optimize experiences** based on data.



35% more likely to solicit **employees' feedback** about CX.

Indeed, when we compare Elites' methods for assessing the value of CX to what other respondents do, the differences are striking. For example, Elites are more likely than others to apply advanced techniques such as attribution modeling to measure the impact of CX on their business.⁴

In today's digital world, companies can maintain an intimate relationship with their customers and continually enhance experiences in ways that are affordable and immediate. However, the entire sample of respondents still has a long way to go to become truly customer experience driven. Even the Elites struggle to get everyone in their organization on board.

Yet, we can learn a lot by looking at the characteristics that distinguish the Elites from the other two groups we identified, the *Professionals* and the *Amateurs*. By exploring what Elites do to fuel their CX reinvention, we have uncovered three practices we believe set them apart from everyone else. Elites:

- Assign customer and business value to CX – testing and continuously optimizing
- Engage employees as critical drivers of the experience
- Dive deep into the insight.

We also uncover the capability gaps that challenge each group and provide a set of recommendations organizations can adopt to accelerate a CX-centric approach that is applicable today and can scale into the future.

The CX mantle – the coach responsible for team performance

For CX to become truly transformational, according to the familiar mantra, the C-suite had to own it. Why? Because if an organization is faithfully customer-centric, every function across the business will feel the impact of CX as it drives the top line and delivers the bottom line.

Naturally, then, leaders at the very top would be the ones responsible for establishing a pan-organizational CX vision – or so we thought. In fact, our data suggests that CX leadership models are far more diverse. When we asked whether primary responsibility for CX strategy lives within the C-suite or at a functional level, 55 percent said the functional level owns it; 44 percent cited the C-suite.

Interestingly, only 18 percent of respondents said that a lone C-suite officer is responsible. Traditionally, many considered the CMO the sole owner of CX, but those who cite a single owner today are more inclined to point to the CEO.

More often, though, primary ownership doesn't sit with just one person; it is shared among two to five leaders. The composition of officers with CX responsibility varies widely, with no pattern within industry or region. The 217 respondents who said CX responsibility resides in the C-suite identified as many as 173 unique combinations of officers. The most popular is a team of three: The CEO, the CMO and the Chief Sales Officer. Alternatively, for those who report that CX responsibility resides outside the C-suite, with line of business executives, the most popular cross-functional team includes, as expected, traditional customer-focused functions: Marketing, customer service and analytics/customer insights.

The assortment of roles and functions owning CX indicates there is no one CX leadership model surfacing as the gold standard. CX is not a process; rather, it is about maintaining a deep understanding of how an enterprise serves customers, end to end. CX is a business driver for the whole organization.

However, while the majority of companies in our survey has adopted a multi-functional CX approach, our findings indicate the companies' ability to execute a holistic CX transformation relies on a number of factors that go far beyond leadership's coordination of CX improvements across functions.

Three CX leadership profiles

To uncover how companies are organizing and mobilizing to implement CX strategies, we conducted a cluster analysis, a statistical method that groups respondents based on the similarity of their responses to a select set of survey questions. We chose these questions using the following criteria – key factors that characterize an organization's CX agenda:

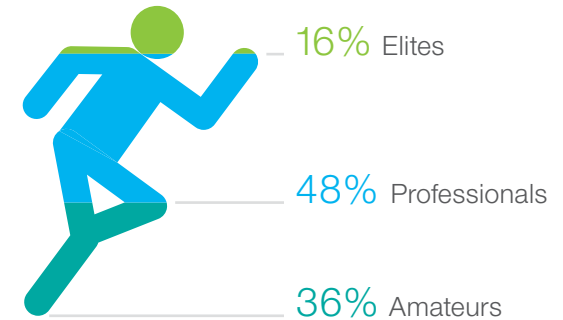
- Ownership of CX strategy
- Coordination of CX initiatives
- Decision making for CX improvements
- Practices and tools used to design and deliver CX improvements
- Use of Experience Design methods for CX and other applications.

We named the three groups that emerged from this multivariate analysis the *Amateurs*, the *Professionals* and the *Elites*. The groups exhibit unique characteristics that define their different CX approaches and the extent to which CX has become a business priority (see Figure 1).

Amateurs are in the early stages of establishing a CX mandate for their business. Most have yet to institute a corporate CX vision, despite the fact that Amateurs consist exclusively of C-suite officers responsible for CX. The majority says their CX initiatives are still disparate projects or loosely coordinated, and many make do without enterprise-wide CX governance or standards.

Figure 1

Profiles of CX leadership: Elites, Professionals and Amateurs



Source: IBM Institute for Business Value, n = 501.

Figure 2*Elite's mindset: Put CX at the core of your business*

Source: IBM Institute for Business Value; Full sample n = 501; Elites n = 82.

Professionals, the largest cluster, are characterized by their closely coordinated CX initiatives and the CX standards they have established across functions. Yet, despite their collaboration, they lack an overarching CX strategy or vision. Made up entirely of functional leaders, the Professionals are tactical. They focus on execution and approach CX like a program that they need to manage.

Elites are remarkably more visionary and advanced across a wide array of factors than the other two groups. They are evenly represented by those citing C-suite CX ownership (51 percent) and those who say responsibility resides at the functional level (48 percent). They are defined by their mindset and the lengths they go to ensure CX is embedded in the DNA of their business. They cast their teams with the right mix of talent, leadership and influence to create and nurture a distinct CX vision that permeates their organizations. Their CX approach – strategic, collaborative, design-driven and data-rich – is tightly integrated, enabling them to find new ways to provide more utility to customers and generate more value (see Figure 2).

Defining characteristics

Strategy and vision

Having an overarching, unifying direction for CX is a key differentiator for Elites. Seventy percent report that strategy and vision drive their CX. By comparison, fewer than a third of Professionals and only 20 percent of Amateurs claim to have a strategic CX vision. This means Amateurs and Professionals risk engaging in a lot of CX activity without fully understanding the business impact or how to dramatically improve utility for customers. For them, CX becomes a set of initiatives and not a philosophy – a North Star with the power to help define their organizations' corporate values and drive results.

Collaboration

Elites are team-oriented. Nearly all, 93 percent, reach across functions to gain buy-in for CX improvements, paving the way for smoother implementation downstream. The majority of Amateurs (61 percent) and Professionals (54 percent) work this way too, but not to the same extent as Elites.

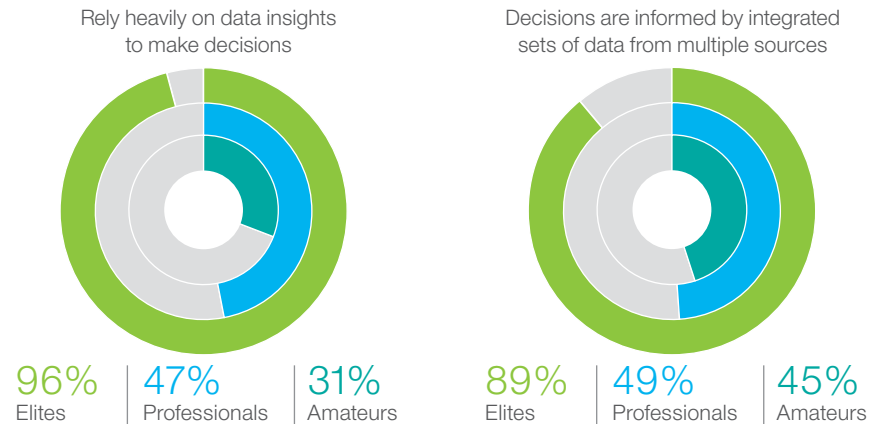
As we noted in “The game is on,” building a solid business case for CX reinvention is a serious challenge for companies.⁵ But with a collaborative culture – like the Elites have – leaders can look at their organizations holistically through a customer lens and determine the business impact across functions with sufficient detail to create an effective business case for CX transformation.

Integrated data

Elites don't bank on their instincts. When making CX strategy decisions, almost all say they rely heavily on data. Far fewer Professionals and Amateurs do. But, even more telling is the quality of data Elites use to inform their decisions. The vast majority of Elites accesses integrated sets of data from multiple sources (see Figure 3). This approach enables Elites to use richer, nuanced, reliable insights to make informed, targeted decisions about CX improvements.

Figure 3

Input for CX decisions: Elites are characterized by their reliance on data insights, especially integrated data from multiple sources



Source: IBM Institute for Business Value, n = 501.

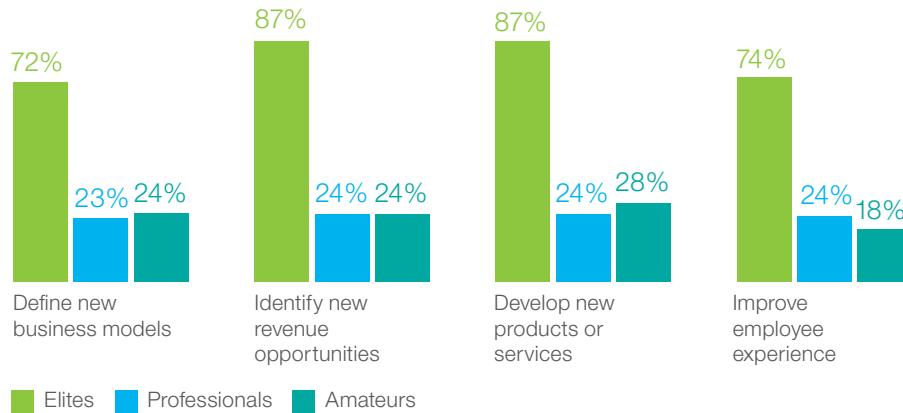
Experience Design

Experience Design is a human-centric approach. It's design driven by empathy, which Elites acquire by understanding problems from their customers' point of view so they can devise a solution that will fit customer needs.

Yet, Elites don't reserve this method for CX only. They routinely apply Experience Design concepts to a wide range of business challenges (see Figure 4). Notably, this includes improving employee experiences – just one example of Elites' appreciation for the critical role employees play in the delivery of CX excellence.

Figure 4

Experience Design: A favorite method Elites use to solve numerous business challenges



Source: IBM Institute for Business Value, n = 501.

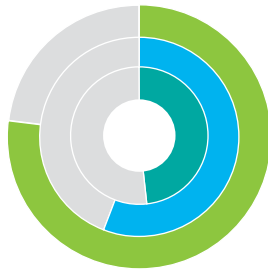
Customer feedback

Elites make sure customers are part of the CX team. Eighty-eight percent have processes to acquire direct customer feedback to help shape their CX solutions. Most maintain an ongoing customer panel to assess their CX. Elites also mine social sentiment to understand customer preferences. By incorporating customers' ideas into the design process, Elites can quickly zero in on customers' needs and make CX improvements. Fewer than one in three Professionals operate at this level; for Amateurs, it's fewer than one in four.

Figure 5

Elites' tenure: Elites are more likely to have the experience needed to govern CX transformation across their business

Percentage of CX leaders with three or more years in their role



77%
Elites

56%
Professionals

47%
Amateurs

Source: IBM Institute for Business Value, n = 501.

How Elites lead for reinvention

Effective CX change agents need a deftness of hand to navigate their organization. They need to know the inner workings of their business, have an intimate understanding of their customers, and have earned their colleagues' trust. This can take time. It is no surprise, then, to find that Elites have more experience in their respective roles than do Professionals or Amateurs (see Figure 5).

With this informed perspective, Elites drive CX reinvention and its business impact in ways that are distinctly different from Professionals or Amateurs. Three practices stand out:

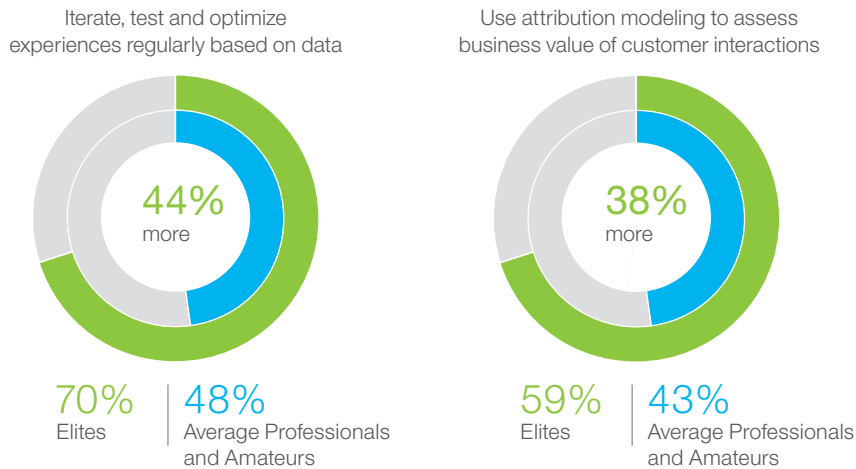
Assign customer and business value to CX interactions – test and optimize continually

Elites don't look at CX improvements as a once-and-done exercise. For them, CX is a constantly evolving commitment, requiring everything from tweaks to whole-scale innovations to keep customers happy. To determine the right improvements to make, Elites regularly iterate and test. Then they optimize experiences based on data.

But they don't stop there. It's all well and good to delight customers, but Elites recognize they also need to determine the business value of their CX improvements with comprehensive methods that deliver detailed, meaningful insights (see Figure 6). By testing and targeting what works and what doesn't for all experiences – customers' and employees' – companies can allocate resources with greater precision to achieve experience improvements and business results.

Figure 6

Understanding customers and business value: Elites are more likely to use advanced methods to determine CX's impact



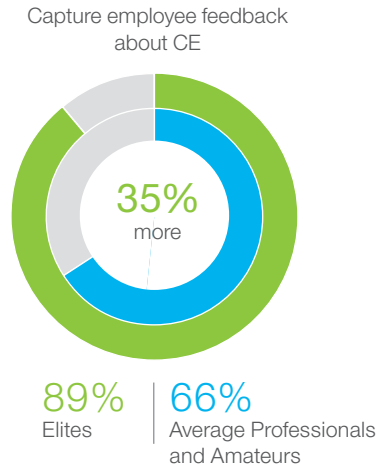
Source: IBM Institute for Business Value, n = 501.

Engage employees as critical drivers of the experience

Employees are a fertile source of customer insights. And with the right training and support, employees can facilitate customer experiences that personify their organizations' brand promises. The majority of respondents includes "voice of the employee" data among their CX metrics, but Elites are more likely to engage employees to capture their feedback specifically

Figure 7

Employee intel: Elites are more likely to tap staff for CX insights



Source: IBM Institute for Business Value, n = 501.

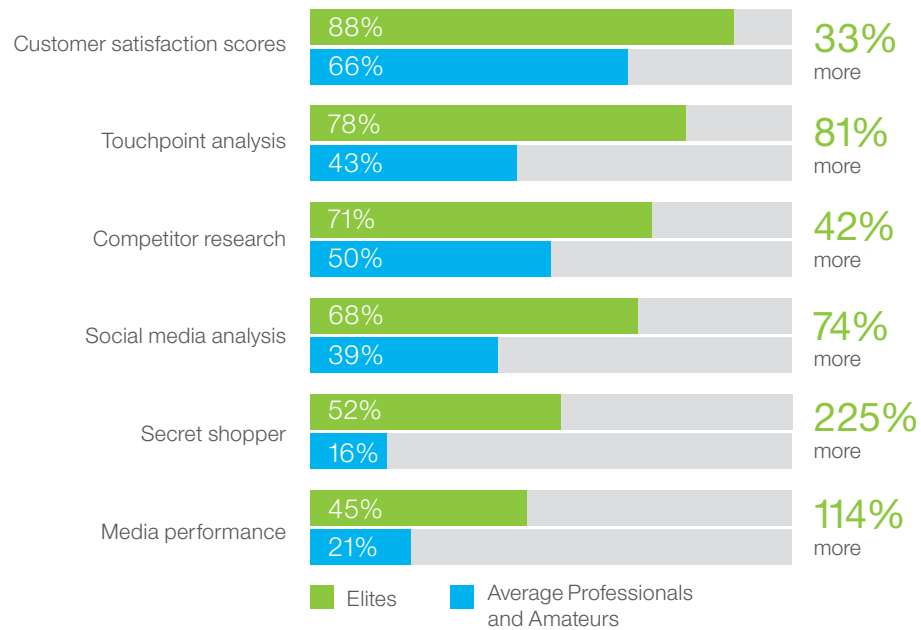
about CX (see Figure 7). Tapping employees for their unique perspectives is an excellent way to uncover CX delights or pain points that other approaches might miss, providing vital pieces of the CX value puzzle.

Dive deep into the insight

Elites are especially good at sourcing a variety of data to tease out insights that help them weigh the business impact of their CX. Taking cues from the retail industry, Elites are far more likely to collect secret shopper data than Amateurs or Professionals. And they are more inclined to assess media performance, social media, competitor research, touchpoint analysis and customer satisfaction scores (see Figure 8). Accessing a smorgasbord of data types enables companies to analyze their CX through multiple lenses for a far more nuanced understanding of their CX.

Figure 8

Elites eagerly harvest insights: Multiple data sources paint a rich picture of CX's impact



Source: IBM Institute for Business Value, n = 501.

Capability gaps

Successfully fulfilling a CX vision with so many levers is quite an undertaking, even for Elites. Elites overwhelmingly selected “change management and training” as their number one capability gap. Infusing a CX mindset into an organization is one of the most challenging aspects of CX excellence. This process is about change through doing – reinventing the way business is conducted, from the ground up. Otherwise, even the best vision can fall apart in execution, and often, regrettably, right in front of customers.

In contrast, Amateurs and Professionals struggle with a longer list of capability shortfalls. While they, too, worry about change management, they also are concerned about transitioning from pilots to full-scale rollouts. And they list “developing a CX strategy” and “accessing meaningful insights from data” as concerns, two capabilities that Elites consider priorities and are especially dedicated to doing well.

Recommendations: Join the winner's circle

Find your North Star

Lack of a unifying CX vision is a key gap Amateurs and Professionals share. These groups are incapable of executing CX on the many fronts that Elites manage consistently, in part because they have no CX rallying cry that applies to all functions. Even if they have CX standards and integrated initiatives, as many Professionals do, their CX aspirations can fall prey to competing departmental agendas. As the Elites clearly demonstrate, it matters less who owns the vision. What counts is leadership commitment and buy-in across the organization.

Don't just coordinate — collaborate

Organizations that fail to align across functions with a CX governance structure risk getting sucked into a vicious cycle of reactionary, disconnected, one-off CX fixes that may never quite hit the mark. Our results show CX is not the domain of any one function. Customer expectations for seamless, frictionless experiences require a pan-organizational approach to CX that will be impossible to achieve without tight cross-functional collaboration and teamwork.

Integrate data for better performance

As the Elites have demonstrated, organizations can make more informed decisions about CX improvements if they use integrated sets of data from multiple sources, both internal and external, to reveal the subtleties and complexities of customer needs and behaviors. These insights fuel CX decisions, increasing the extent to which organizations can confidently embark on their CX initiatives. Analytics will only gain in importance as data continues to explode; you need to harness its insights in more immediate and agile ways to optimize experiences, services and utilities.

Unleash the design ethos

Elites know that they can apply the principles of Experience Design to more than just customer interfaces. This problem-solving method can be used for everything from reinventing business processes to improving employee experiences. To help employees become effective brand ambassadors and a source for meaningful customer insights, organizations need to apply the same consideration to employees' experiences as they do to their CX.

Put customers in the game

Not only do Elites effectively gather, integrate and analyze mountains of data about their customers, they also engage customers directly to get feedback on their CX. When organizations can combine data analytics with first-hand insights from customers for context, sentiment and innovative ideas, they stand a far better chance of making the right CX decisions.

Ready or not? Ask yourself these questions

- How can your organization develop and cultivate a strategic vision for CX that employees across your business can embrace as relevant, authentic to your brand and actionable?
- What steps can you take to build pan-organizational CX governance so that all functions – those that are customer-facing and those impacting customers indirectly – are collaborating on CX decisions?
- What types of data are you sourcing to inform your CX decisions, and how could you better integrate data to capture a more nuanced, accurate understanding of your customers?
- How could your organization employ the principles of Design Thinking to improve customer *and* employee experiences?
- To what extent is your company reaching out to customers to capture their ideas for improving your CX, as well as your products and services?

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The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical public and private sector issues.

Notes and sources

- 1 Data findings in this brief are based on a 2016 IBM Institute for Business Value survey, issued in partnership with The Economist Intelligence Unit (EIU), to 501 CEOs, CMOs, Chief Customer Officers, Chief Digital Officers and line of business executives in Brazil, China, Germany, India, Japan, the United Kingdom and the United States. Industries represented include automotive, banking, consumer products, insurance, retail, telecommunications, travel and transportation.
- 2 Dalzell-Payne, Philip, and Carolyn Baird, The experience revolution: The game is on. IBM Institute for Business Value, February 2016. ibm.biz/cxrevolution
- 3 Experience Design is the practice of creating people’s broad experience with a product, service, process, or event by focusing on user needs and a targeted outcome. It involves defining and coordinating a set of interactions (physical or digital) and can be applied to customers, clients, citizens, employees, partners or vendors.
- 4 Attribution modeling is the practice of defining a set of customer actions along the customer journey that can impact a desired outcome, such as conversion, and assigning value to each interaction. This enables companies to test, at a detailed level, the influence of customer behavior against the company’s CX goals and make precise adjustments as needed.
- 5 Dalzell-Payne, Philip, and Carolyn Baird, The experience revolution: The game is on. IBM Institute for Business Value, February 2016. ibm.biz/cxrevolution

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