



WAVESTONE

# CUSTOMER EXPERIENCE

THE KEYS TO SUCCESSFUL TRANSFORMATION

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Wavestone is a consulting firm, created from the merger of Solucom and Kurt Salmon's European Business (excluding retails and consumer goods outside of France). The firm is counted amongst the lead players in European independent consulting.

Wavestone's mission is to enlighten and guide their clients in their most critical decisions, drawing on functional, sectoral and technological expertise.

**Building on its considerable experience in the field, Wavestone has analyzed in detail how companies put in place new organizational, governance, and management models that drive better customer experience.**

The findings underline the fact that this is something all businesses need to embrace, however «customer mature» they are, competitive their sector is, or experiential their products are. This transformation must not be based on a partial understanding of customers-efforts in this area can sometimes be more about window dressing. Quite the reverse: it must place the customer at the heart of corporate decision-making.

Companies must align their internal modes of operation putting customers at the center of the business in order to sustainably improve customer experience, and optimize all customer «touchpoints» coherently-across the entire customer journey.

**This involves real transformation within a company, in terms of:**

- / **Organizational design:** companies must avoid setting up separate customer-experience «silos» with no comprehensive and consistent vision between touchpoints, or any identified «owners»;
- / **Corporate culture:** promoting an overall change in approach, in order

to put the voice of the customer at the heart of the company, learn how to co-construct with customers, etc.;

- / **Performance measurement:** to address what is often poorly measured, or simply unmeasured, customer experience.

Wavestone's experience, and its clients' own input in this area, offer a broad range of perspectives. This breadth is what has enabled this study to highlight the key areas of focus that can help every manager place their company on an equal footing with the leading players in an era of customer experience.



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# THE FUNDAMENTALS OF CUSTOMER EXPERIENCE

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## THE KEY CONCEPTS OF CUSTOMER EXPERIENCE: A RECAP

«Customer momentum»—a result of the «consumer takeover»

The need to focus on customer experience is intrinsically linked to a **context in which the relationships between businesses and their customers have been reshaped by technological change**. The rise of digital has spawned a proliferation of channels and touchpoints, resulting in ever-more complex **customer journeys** which have now become omni-channel.

As it now involves seeking and accessing information before a first contact with the company even takes place, the «expert-customer» journey is moving upstream. The development of mobile and social networks has increased the bargaining power of consumers, who can share their evaluation of a product or service. The «community-customer» journey is therefore extended downstream, with significant potential to damage, or, conversely, create, brand value.

## THE FUNDAMENTALS OF CUSTOMER EXPERIENCE

Customer experience can be defined as the sum of the feelings the consumer has about a company, at any given point in time, as a result of all their interactions with it, i.e. its employees, products, stores and websites, marketing campaigns, values, customer service centers, etc.

This experience includes all points of contact before, during, or after, a purchase itself, but is not limited just to that. In fact, it takes an overall view of the company, taking into account all direct and indirect contact with the customer.

In this context, aiming to transform the purchasing experience into a truly excellent transaction—the «wow!» effect—is not, in itself, enough. It must achieve that effect over the entire end-to-end customer journey, both from the customer's perspective (interactions with the sales and customer service teams, etc.) and that of the company (interactions between its different functions, the processes and pathways that remain «invisible» to the customer, and so on).

# FEDEX'S EXPERIENCE

## FRISBEES VS. CONFIRMERS

The customer experience at FedEx does not reside solely in its expertise in logistics. It also involves taking into account the type of customer, and their expectations, in terms of the deposit and withdrawal of parcels.

FedEx had built its service to suit a specific type of customer, the «Frisbee» whose objective is that their interaction with the company takes place as rapidly as possible.

After a disappointing satisfaction survey, FedEx decided to refine its customer segmentation, discovering that «Frisbees» represented only 10% of the customer-base—in fact, most customers were «Confirmers». These customers arrive at FedEx centers with a clear idea of delivery timescales, price, etc. They don't need advice from a FedEx employee, but simply want to be reassured that their package will be properly dispatched and get to the right place.

During the study, FedEx found that its process of stacking packages in front of the customer, without pre-sorting them, had an anxiety-inducing effect on «Confirmers».

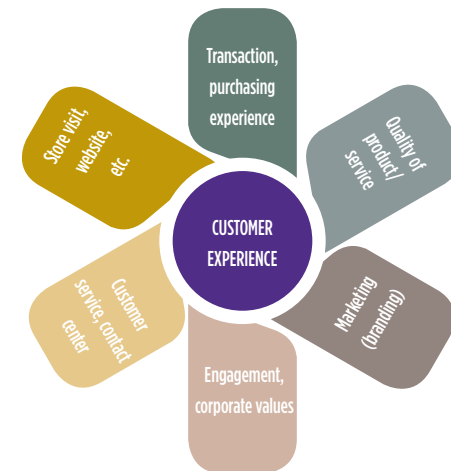
A simple and low-cost solution was found: the addition of a glass screen and a cubicle, giving the impression that the FedEx employee was going into a dedicated storage room and placing the package in the box that corresponded to its destination. While continuing to stack the packages in any order, FedEx employees could give the impression of having sorted them, which reassured «Confirmers» and boosted customer satisfaction.

Customer experience, then, includes all dimensions. It is not just about the rational evaluation of a service or brand based on tangible experiences, such as the quality of a product or the waiting time before talking to a sales representative—it is just as much about emotional experience and non-rational interactions with a brand or product.

Lastly, customer experience is a **relative concept**, which consumers continually compare on the basis of two dimensions:

- / their historical association with the brand or company;
- / the customer experience offered by its competitors.

### Customer experience is at the heart of all interactions with the brand



## CUSTOMER EXPERIENCE AND ECONOMIC PERFORMANCE

An often mentioned constraint on customer experience is the difficulty in measuring financial return. It is perceived as a «soft» topic, based on intuition and with little quantitative data supporting decisions, such as implementing customer experience improvement programs. As a result, almost one in two companies does not use customer-experience management programs due to the lack of measurable results that can be obtained from such initiatives<sup>1</sup>.

### **Better management of the customer experience is manifested in increased revenue for the company**

Better customer experience generates increased revenue as a result of three levers:

- / **Additional revenue** generated from increased average spend by loyal customers.
- / **Safeguarded revenue** as a result of lower customer attrition rates and the lengthening of the average lifecycle of a customer.
- / **Additional sales** generated by «word of mouth,” i.e. additional purchases being made as a result of a recommendation from an existing customer.

### **Better customer experience allows cost reductions**

The development of positive word-of-mouth will enable the company to reduce its customer acquisition costs. Moreover, fewer complaints lower the unit cost of retaining existing customers, allowing more resources to be allocated to the acquisition of new ones.

### **The impact on financial performance has been seen since the mid-2000s**

A study by Professor Claes Fornell, a recognized expert on the measurement of customer satisfaction, at the University of Michigan (USA), demonstrated in 2006 that companies with the best results in terms of customer satisfaction not only outperformed the market, but also experience lower volatilities in the values of their shares and in their cash flows.

1. *The ROI of Best-in-Class CEM Programs*, Aberdeen Group

# THE KEYS TO TRANSFORMING CUSTOMER EXPERIENCE



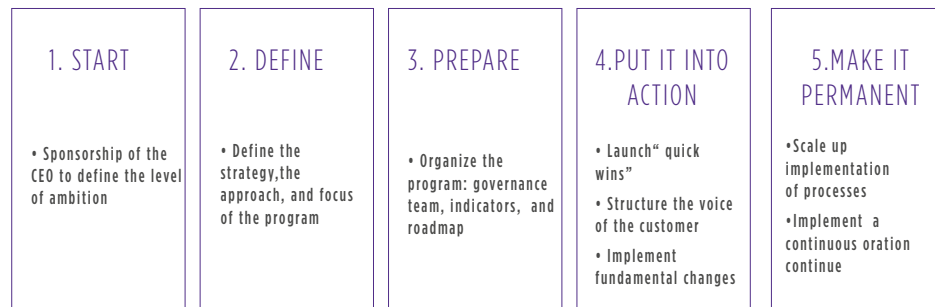
## WHAT STAGE OF MATURITY IS YOUR BUSINESS AT?

During a transformation, every company goes through different phases: from awareness of the need to improve the

customer experience, to the design of an action plan and its implementation.

The major milestones shown below comprise the essential steps in any initiative to improve customer experience:

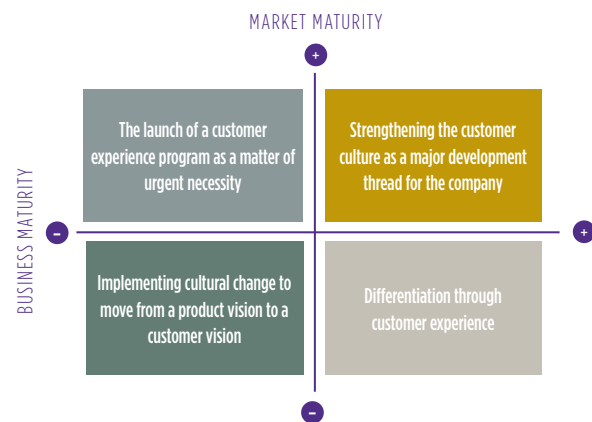
### Customer experience is at the heart of all interactions with the brand



Various factors can accelerate the realization within businesses of the need to implement such an approach. Linked to the history of the company, its level of maturity in terms of customer focus, and

the pressure from the market in terms of customer practices, these factors will determine the strategic thrust of the program.

### Customer orientation of companies as a function of their environment



Whatever the customer maturity level of the company or its markets, there are **six essential elements** to implementing a customer experience transformation program.

## KEY 1: ENSURING MANAGEMENT AWARENESS

Awareness is **often triggered by phenomena outside the company**: the arrival of a new player, a competitor's customer-oriented communication strategy, major changes in customer experience in related markets, etc. This quickly translates into effects, direct or indirect, on company performance: lower overall performance, stagnant or downward trends in customer-related indicators, or a « bad buzz » about the quality of the customer experience on offer, driven by customers themselves on social networks, and, in more serious cases, by the media.

However, customer experience does not always appear as a **solution to a performance leap** in terms of key functions or critical processes. But this kind of « shock » is key in allowing the voice of the customer to be placed at the heart of the business.

**Mirroring the actual customer experience and the management's vision for it** is one of the methods used to facilitate this awareness. The company might use:

- 1 **A management questionnaire** with questions like «How would you score your company's delivery of its commitments to customer service?» «How would you score the reliability of the information provided to your customers? ,» and, «How do you rate the company's capability in terms of addressing customers' problems?» This questionnaire can also cover their view of competitors, by putting them, realistically, in the place of a customer

having to choose between several companies for the same service.

- 2 **An audit of the four key dimensions of customer experience**, allowing the company's performance to be captured as accurately as possible (through «mystery shopping») and compared with that of competitors:

/ **the customer journey**, through analyses such as the degree of simplicity, customization, reliability, immediacy, or the cost to the customer;

/ **the interaction channels**, as much in terms of the point of sale environment, as accessibility and ease of purchase, perceived quality of customer service, and website ergonomics;

/ **the product/offer**, in terms of price, distribution methods, ranges, ease of use and installation, perceived quality, etc.;

/ **Communication**, through sales discussions and information exchanged with the customer (delivery tracking, after-sales service, etc.), but also in terms of corporate or direct communication on social networks. The consistency of the dialogue is also an evaluation criterion that should not be ignored.

«Customer experience does not always appear as a solution to a performance leap in terms of key functions or critical processes»

The comparison of these two approaches will not only trigger a «customer shock» but also identify the strengths and areas where the business needs to improve. **Senior management will be the motor to identify the explanatory factors:** what processes, what interfaces, which measures to apply in the business, what data and business tools help explain any underperformance in customer service?

**A tailored action plan** can then be built, designed for the company and taking into account its level of maturity and the

constraints on it—as well as those applying to its customers. The level of ambition of this action plan will be determined by the initially defined strategic objectives. If the desired objective is primarily to carry out a reputational exercise with customers and the market, the focus will be on marketing and communication only. However, if it is a fundamental transformation to deliver a leap in performance, the implications of the changes will be felt throughout the company.

#### The degree of ambition for the project is defined at two levels

The **vision** specifies the medium-term target. It has to be:

- / Sufficiently general to be relevant across all dimensions of customer experience;
- / Fully aligned with the company's overall strategy and in line with its values and people-related policies;
- / Sufficiently bold not to be constrained by day-to-day realities in the company (the internal environment and culture, available skills, resistance to change, and so on);
- / Sufficiently inspired to embrace foreseeable developments in trends in customer consumption, technological innovations, and competitive customer strategies.

The **customer promises** specifically identify some strong commitments on which the company wants to stand out:

- / These fit within the framework defined by the **vision**;
- / They address important current **customer expectations**, and should also enable the anticipation of future and/or differentiating expectations;
- / They should be **few in number** in order to maximize their impact and ensure effective implementation.

The last step to finalize the preparation of the action plan is, of course, the **prioritization of actions** to be carried out; for example, using a dedicated matrix. The appraisal of these actions must:

- / **Set out their feasibility**, including the costs involved, the impact of their implementation on the organizational structure or the tools it uses, deadlines, etc.;
- / **Define clearly their impact** on customer satisfaction and quality of experience, as well as an evaluation of the expected gains and potential cost savings;
- / **Refine them through the lens of the customer's view** of the major «pain points»; sometimes these have to be given priority regardless of strict rational and financial considerations.

## KEY 2: DEFINING THE TRANSFORMATION PATHWAY

**Two routes** are possible to structure and facilitate customer-experience transformation, depending on the level of customer maturity in the company:

- / **Building a customer experience transformation program** as an independent, cross-cutting vehicle which includes all business units (BUs) in a program that centralizes all the optimization measures that will be taken;
- / **Integrating the planned actions directly into the roadmaps of each BU.**

In practice, these two approaches are usually implemented in a consecutive manner. Initially, a customer experience program can quickly address some of the major pain points experienced by customers and put in place the dynamics for change. Once this first step has been taken, the major challenge is to sustain this performance by continually improving. What is needed is to do substantive work on the consolidation and mass implementation of processes, orientations, business actions...

**More than any other cross-functional program, the demands made on those responsible for actions must be very precise.**



The choice of players to do this is critical; this responsibility must be entrusted to people with the right profiles and required skills, two of which seem to be vital:

- / First, **rigor with regard to the essentials of project management:** tools, the definition of objectives for action and interfaces, anticipating risks and alerts, progress and delivery indicators, etc.
- / But above all, **a degree of maturity and the ability to step back**, something necessary to be able to prioritize the quality of implementation, and thus the customer vision, rather than the adherence «at any cost» to the project milestones.

	CUSTOMER EXPERIENCE PROGRAM	INTEGRATION INTO BUSINESS UNIT (BU) ROADMAPS
MOST LIKELY TARGETS	<ul style="list-style-type: none"> <li>• Companies with <b>low customer maturity</b> and whose ambitions require a significant change in customer performance</li> </ul>	<ul style="list-style-type: none"> <li>• Companies with <b>high customer maturity</b> or companies whose BUs have considerable power within the organization</li> </ul>
KEY ISSUES	<ul style="list-style-type: none"> <li>• Successfully <b>engaging</b> employees <b>throughout the program</b>, in order that they permanently adopt the new customer strategy</li> <li>• Quickly delivering initial improvements visible to the customer</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Maintaining - over time</b> - a unified vision of the steps taken, in order to move forward successfully and coherently toward the target</li> </ul>
BENEFITS	<ul style="list-style-type: none"> <li>• Concentration of effort and strong engagement from teams during the awareness and initiation stages</li> <li>• Delivery of a genuine step change in customer performance within a short time frame</li> <li>• More agile ways of working and with shorter feedback loops</li> <li>• The sending of a strong message throughout the company about its new customer orientation</li> <li>• High visibility to the executive committee on progress and performance improvement</li> </ul>	<ul style="list-style-type: none"> <li>• The most appropriate model to implement carefully targeted <b>continuous improvement actions</b></li> <li>• Growing competence among all the customer-oriented pockets of the company</li> <li>• The boosting of <b>customer expertise</b> with regard to the specific challenges of each BU</li> <li>• <b>Simpler supervision actions</b> because they are steered within each BU, consuming less time and energy, and representing a more agile way of working for the company (i.e. a reduced need for central control)</li> </ul>
Downsides	<ul style="list-style-type: none"> <li>• <b>Higher implementation costs</b> arising from the creation of a dedicated team, and greater management costs</li> <li>• An inherent bias toward process: the focus is more on the progress of the various parts of the program than on the desired improvements to be delivered for customers</li> <li>• <b>This type of program is difficult to implement sustainably once the first key battles have been won</b>, especially because it requires strong commitment from operational teams, which is a time-consuming process</li> </ul>	<ul style="list-style-type: none"> <li>• <b>More diffuse and decentralized;</b> efforts are less visible and may suffer from a lack of coherence and alignment</li> <li>• <b>A significant risk</b> of falling back into operational silos, with no shared vision</li> <li>• Overall management of the progress of the program is longer term: it is difficult to have an overview of achievements</li> <li>• Ways of working between the BUs and the team coordinating customer-oriented efforts become a subject in itself which requires strict discipline and a respect by all of the rules of the game(see the section on governance)</li> </ul>

### KEY 3: DEFINING THE ROLE OF THE CHIEF CUSTOMER OFFICER (CCO)

Some good news: according to a study by the IBM Institute for Business Value, CEOs consider **the voice of customers** as the element that most influences a company's strategy; in second place after members of the management committee themselves. So that customers can effectively influence the defining decisions of long-term strategy, it is essential that their voices can be heard, not only in decision-making bodies, but also at the heart of the business.

While, generally speaking, he/she may be responsible for triggering the process, the CEO alone is not enough,; as the role is not as structured as **the director of customer experience** (CCO - *Chief Customer Officer*).

The latter's role is primarily **to remove «silos» in a company and to put in place conditions that will allow the business to capture, disseminate, and act on the voice of the customer.** It aligns the organization with a single, comprehensive customer solution. According to the director of customer relations of a key digital player «the CCO should be at the heart of everything, especially any changes.» Their role, their objectives, and the means of achieving them, however, may vary depending on a company's maturity level.

While there is no typical profile of a CCO, two major trends are, nevertheless, emerging:

- / **An experienced profile** is required, that may come from a quality, operations or marketing background. The CCO must have absolute **mastery of the issues and of the company's strategy**; this not only increases

their legitimacy, but also, and above all, means that they will be able to identify the areas for improvement in each department. Since 2013, nearly nine out of ten companies have required their CCO to be present at management committee meetings (compared with only one in two, prior to 2012).

/ It is often an **internal profile** : internal appointees represent 55% of CCOs<sup>2</sup>, meaning they can draw on their existing network to communicate messages widely and gather reliable feedback.

2. The Customer-CEO: insights from the international study of leaders, IBM Institute for Business Value, 2013

### The CCO's role and objectives evolve with the level of customer maturity in their business

	ROLE	TASKS	MEANS	REPORTING LINES
BUSINESS MATURITY ↓	<b>COACH</b> The degree of authority of the CCO is quite limited, and their role is to raise internal awareness of the importance of the voice of the customer.	<ul style="list-style-type: none"> <li>Changing the internal culture of the company and reorienting it toward the client by leveraging expertise within a center of competency.</li> <li>Analyzing performance based on an internally shared set of indicators.</li> </ul>	<ul style="list-style-type: none"> <li>No dedicated team and draws on resources in the individual BUs in order to capitalize on their skills, tools and budgets.</li> <li>Budgets allocated by other centers of competence.</li> </ul>	<ul style="list-style-type: none"> <li>Generally, this means a manager who is legitimate and already in place to initiate the process, coordinate efforts related to customers, and ensure consistency.</li> </ul>
	<b>PILOTE</b> The role of the CCO is to develop new standards for measuring performance, with regard to customer experience, within the BUs in direct contact with them. The CCO has real authority and a management role.	<ul style="list-style-type: none"> <li>Defines and drives customer governance.</li> <li>Centralizes studies and analyses with a 360° view of the customer journey and expectations.</li> <li>Designs and generates momentum on the channels for gathering customer feedback.</li> </ul>	<ul style="list-style-type: none"> <li>Establishes a dedicated budget, even if it is limited.</li> <li>Dedicated team with PMO, communication, or modeling (business analyst) skills.</li> </ul>	<ul style="list-style-type: none"> <li>Reports directly to the CEO to ensure complete legitimacy, and that the CCO has the necessary means to achieve transformation within the company.</li> </ul>
	<b>OPÉRATIONNEL</b> A key player in moving from a product-centric vision to a customer-centric vision. Their role is about reorienting all business activity toward the customer.	<ul style="list-style-type: none"> <li>Defining the customer strategy.</li> <li>Identifying the actions to take.</li> <li>Defining objectives to be met for each indicator.</li> <li>Operating a "customer veto" during the redesign of customer-facing business processes or new product development.</li> </ul>	<ul style="list-style-type: none"> <li>Key customer functions are hierarchically attached to CCO (customer voice, market research, etc.) while maintaining, in parallel, a functional link to the operational functions.</li> </ul>	<ul style="list-style-type: none"> <li>Seats at the management committee.</li> </ul>

Last, the key factors for the successful creation of a customer experience department are:

- / **Putting in place a team and the necessary resources** to enable it to fully exercise its role, both in terms of tools and authority.
- / **Building legitimacy**, initially through upstream work on corporate culture and the visible support of top management. Next, this relies on the ability of the team to demonstrate the benefits of the actions it implements. According to the customer experience manager for a major European bank « the team proves its added value by introducing new services to the customer, but also by supporting business teams in analyzing the problems they face and offering simple solutions that can be implemented. How issues have been dealt with is then shared, with management support, to get other departments to involve the team right from the start. If the work of the team might be perceived as audit-like, it is important that people know this is not done in a judgmental way: the team's role is to carry the voice of the customer and find solutions. «It is about working on both the short and long term at the same time, the quick win to start with, then moving on to focus more on long-term projects.

« The team proves its added value by introducing new services to the customer »

- / **The importance of the flow of information and collaborative work.** A tight customer experience team allows better flow of information and greater responsiveness. It is also advisable to set up specific champions within BUs to exchange, relay messages, and gather relevant information in near real-time. As a genuine conductor of «customer experience» within his team, the champion is both a spokesperson for customer transformation with his peers, helping generate the momentum for change, and the spokesperson for the voice of the customer, supporting transformation at more operational levels . The introduction of a «five-minute customer slot» at the beginning of each meeting, for all departments, can be a way for the champion to involve his team. This time can be used to share some verbatim on customer feedback or complaints, and work with those present on an action plan. For multi-subsidiary companies, it is

essential to be connected with all the other subsidiaries to exchange good practice and benefit from feedback on the experience of each.

In summary, there are three fundamental conditions that appear to ensure the long-term success of the work of a CCO:

- / **Being given a genuine strategic mandate by the CEO, along with the associated resources;**
- / **The legitimacy of the CCO and ability to become a central focus for all departments;**

/ **The maturity of employees with regard to the customer culture.**

#### KEY 4: HEARING THE VOICE OF THE CUSTOMER THROUGHOUT THE COMPANY

Traditionally scattered across each part of the business, the customer voice will become a, if not the, main information source for the customer experience department. Specifically, it cuts across all expressions of the experiences that



a customer might have (complaints, comments, etc.).

**The issues are threefold:**

- / **Implement large scale processes to gather and feed back the voice of the customer:** Do we have the capacity to gather the customer's voice on every one of our channels of touchpoints? And at every point in the life cycle of our customer relations?
- / **Align all customer information flows to ensure the relevance of the analyses that will be carried out:** are there common reference materials? Are the different sources of information defined on compatible bases? Do they help me to make use of customer segmentation in order to inform my analysis?
- / **Increase the degree of professionalization and competence on customer analyses,** particularly on multidimensional analyses based on the exploitation of data collected at different stages of the customer life cycle or via the different channels.

To get the best from this, the customer voice should be **disseminated at all levels in the company**, from management committees to the daily briefs used by the teams in the field who are in contact with the customer. This is what Leroy Merlin has chosen to do: in addition to its «five-minute customer slot» at the beginning of each management committee (both at headquarters and

points of sales) it has implemented a daily briefing of the teams by the «voice of the customer» champion. To do this, it is necessary to identify who should be in charge of gathering, organizing, and disseminating this information source which is so valuable for the company.

Along with these levers, it may be worth implementing a pragmatic approach aimed at putting employees «in the shoes» of customers and using the company's services in the way a customer would. Whether in the form of «put yourself in my shoes» role-play exercises or by setting up a program to promote the effective use of the company's products and services by its employees, the main objective is to understand what the customer experiences when they come into contact with the company. This is how things are done at ING Direct, where developments to the customer journey are tested directly with employees, and also the company's customers.

**KEY 5: USING INDICATORS BEYOND THE NET PROMOTER SCORE (NPS)**

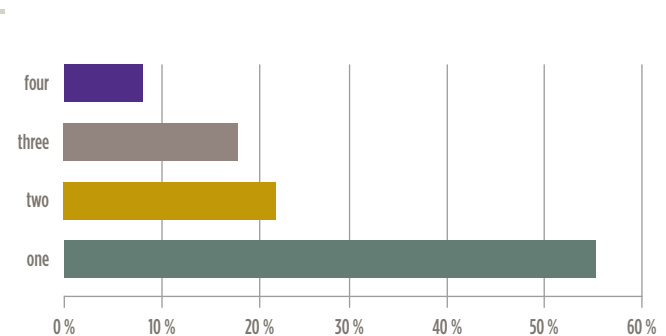
There is little point in focusing a large proportion of the company's efforts on a customer-centric approach if it has no capacity to measure the impact and draw the associated conclusions. Beyond the choice of performance indicators, we consider that there are two vital rules:

- / Each customer promise must be associated with a **specific and reliable indicator**, at the risk of it becoming simply an exercise in energizing people without the aim of making real improvements.
- / Even the best indicators will have only limited impact if each review of them is not systematically followed by a **critical analysis of the results** and creation of an **action plan**.

More than half of the companies that focus on tracking changes in their customer experience use a single indicator only. Without becoming overly zealous, it is important to design the measurement of customer performance at several levels:

1. **Overall satisfaction;**
2. **Intrinsic efficiency of customer processes;**
3. **Employee satisfaction.**

**Number of Customer Experience indicators used by businesses (all sectors combined)**



Source : Measure to Manage : three customer experience metrics, Syngro.

## Overall satisfaction

**Objective:** to measure overall customer satisfaction by assessing the impact of all the customer related actions implemented by the company.

According to Syngro, 54% of companies use NPS as the benchmark indicator to measure customer experience. NPS evaluates a customer's brand loyalty by their **propensity to recommend a brand to those around them**.

Results are collected at different times in the customer life cycle and during different interactions, by asking customers the following question: «On a scale of 1 to 10 (with 1 being the lowest score, and 10 the highest score) would you recommend our company to your friends or anyone you know?».

The score is obtained by subtracting the percentage of «detractors» (those responding with a rating between 0 and 6) from the percentage of «promoters» (those answering with ratings 9 and 10).

### Some advantages of the NPS:

- / It pulls the whole organization toward excellence, the objective being to maximize the number of promoters and to minimize the number of detractors.
- / It is easy to understand, readable, and very easy to use when communicating internally.

/ Collecting data to determine it is easy because it can be applied in a cross-cutting way to many different customer journeys, and every interaction (a website visit, a call to the customer call center, use of a service, etc.) provides an opportunity to add to the aggregate score.

/ It lays down a common basis for comparative analysis between countries, subsidiaries, and even points of sale. At Apple, for example, it is monitored daily, and the results are transmitted to all its outlets. A sign of its influence: it is worth remembering that Apple's stores are among the commercial spaces with some of the highest profitabilities per square meter.

### Why NPS alone is not sufficient:

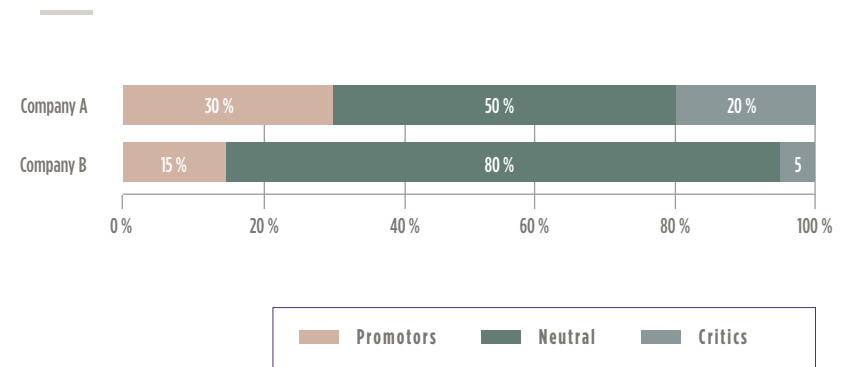
/ It provides **useful insight**, but cannot be considered in more detail without additional data because it, does not offer a clear understanding of performance. For example, the companies shown in the chart below have both an NPS of -10% (promoters - detractors). Hidden behind this score are, in reality, very different performances which require clarification by deepening the analyses on specific values and behaviors within each customer group (see the chart below).

/ Similarly, the NPS is too cross-cutting in nature to clearly identify areas that can be optimized the room for improvement. It does not allow specific action plans to be developed.

/ There is no substitute for satisfaction studies or in-depth analysis of customer expectations because, by its very design, it does not allow the complex mechanisms of satisfaction to be understood.

/ In some markets, or in countries with less expansive or enthusiastic cultures, the risk is that a large number of customers respond with neutral ratings (7 or 8) which do not influence the result either positively or negatively. An indicator that does not change and does not reflect the efforts expended becomes tedious and unhelpful.

### Different realities can exist behind the same NPS score



### The intrinsic efficiency of customer processes

**Objective:** a focused measure of the effectiveness of a customer journey or process, from the customer's point of view, from which pragmatic and targeted action plans can be derived.

#### Two approaches are possible:

- / Either by: **developing «customer» insight using existing operational indicators.** These indicators generally have a «producer» prism but by changing the paradigm to one that takes a customer viewpoint, they can gather information about areas for optimization and their impact on customer satisfaction (for example, the time to deal with an IS issue).
- / Or by: using indicators that ask customers directly about the quality, efficiency, or pleasantness of their most recent interaction. To this end, the **CES (Customer Effort Score)** aims to assess the level of effort that a customer had to make to meet their needs, on a scale of 1 to 5 (5 being the most negative rating, which is recorded as the maximum effort having been made by the customer). The key concept of the CES score is to give the company core insight on specific points for improvement in order to have a solid base to do this.

### Employee satisfaction

**Objective:** to assess the level of employee engagement and the climate in the workplace.

Employee satisfaction, and even their commitment (the difference being their level of effective involvement) is a key lever for a successful customer program. This statement is especially true in the early days of transformation, when the «system» has not been overhauled (processes, tools, etc.) and quality of service is based more on human factors.

**E-NPS** is an indicator that is based on the same principles than its counterpart, the «customer» NPS. Employees are regularly invited to answer the following question: “On a scale of 1 to 10 (with 10 being the highest), how likely are you to recommend company X, as an employer, to those close to you?”

Implementing this «internal barometer» approach is fundamental because it enables management, and particularly the CCO, to identify potential internal difficulties and remedy them before they can undermine efforts being made elsewhere on customer experience. The monitoring of this indicator is even more important in terms of change management, where the «double hat» of the employee is a major aspect that should not be overlooked:

the employee is also one of the company's customers. In fact, employees share with «regular» customers the same power to recommend or cause problems, a power increased tenfold by the fact that they are part of the company. The challenge is therefore to devote the same level of effort to the well-being of employees as to the one of clients, using a **parallel effort** approach.



## KEY 6: ENGAGE ALL OF YOUR EMPLOYEES

Taking account of this double role is key in the current management trend of «Employees first, customers second» whose genesis is intrinsically linked to Indian IT company, HCL Technologies. Its former CEO, Vineet Nayar, formalized his theory in a book published in 2011: «Employees first, Customers second.» The principle is very simple and follows three observations:

- / **«What is the core mission for all companies?»** Creating added value for its customers;
- / **«Where is this added value created?»** At the points of contact between the customer and employees;
- / **«What should the management do so that employees can create this added value?»** Valuing employees and encouraging them to feel involved and become ambassadors.

With its virtues praised in Fortune magazine as the most modern managerial approach practiced today, and now taught at Harvard Business School, this approach seems to demonstrate serious advantages. In addition, results were quick to appear. The company implemented this strategy following a 30% decline in sales. An agreement was then forged


with employees: nobody would have to leave the company if, together, they were able to identify a \$100 million financial contribution. The result: of all the ideas proposed by employees, 75 were selected to boost the growth effort, which enabled sales to triple in the five years that followed.

More generally, it is observed that in companies that follow an Employee First philosophy, retention rates are double those found in companies that have not implemented practices of this type<sup>5</sup>. And revenue per FTE is 14% higher.


Yet, while everyone agrees that it is a crucial factor, backed up by quantitative evidence, less than a quarter of companies have taken the plunge in terms of putting it in place<sup>3</sup>.


Naturally, the strategy of bringing employees on board must be adapted to the company, its culture, and its ambitions. It tends to start with employees who are in direct contact with customers, where it is easier to implement robustly, before being extended to the company as a whole.

Here are some good practices that can be implemented and adapted to particular situations:


 **Enshrine transparency as a rule in order to restore confidence between management and employees.** This is the fundamental


basis for fostering the development of employee engagement, something that grows, in particular, through better information sharing. In concrete terms, it may be about involving employees in the exercise of strategic thinking by sharing a first-level strategic plan prepared «in private» by the senior management, in order to strengthen their support and engagement in moving toward the strategic target being pursued.

 **Introduce the concept of «service» within support functions.** Just as it is done in a customer call center, some companies have created a system of electronic tickets that employees can open for an internal query or incident, to solicit input from HR functions, finance, the IS department, accounting, etc. These departments then adhere to service level agreements and deadlines in addressing the ticket, which can only be closed by the employee «customer».

 Promoting recognition within the workplace. This can be done, in particular, through the establishment of awards programs. For example, Carglass and Microsoft have set up an «Awards Wall,» or equivalent system, to highlight specific achievements.

Recognition can be simply about noting the achievement, but it can also be financial.

 **Encourage everyone to evaluate peers, including those at senior level, right up to the CEO.** The idea is to invite everyone to take part in a shared 360° assessment, and make these available to the largest number of people (via a company intranet, for example). The same principle applies where employees assess their manager and see the results published for everyone's benefit allowing positive models to be shared and the promotion of accountability among managers.

 **Strengthen training programs,** both to enable newcomers to quickly integrate the issues relating to customers, but also to assist existing employees in making the transition. The training plan should be recast or added to in order to include the following specific modules:

- / the development of people skills: listening, knowing how to respond to objections, etc.
- / the deepening of knowledge about customers: customer expectations, customer segmentation, etc.
- / the key skills that allow employees to become ambassadors for the transformation of the company with those around them: What is the new vision of the customer? What actions to take? What are the successes?

<sup>3</sup>. The Age of Employee Engagement, Aberdeen Group, September 2013.

Microsoft, for example, put in place role-play exercises to allow employees to integrate this new orientation in both a fun and practical way. This often requires the setting up of dedicated communication tools. For example, HCL Technologies set up a blog which is used to disseminate news of all major decisions, and ING Direct uses storytelling on an Intranet to communicate customer feedback.

**Integrate the customer experience and remuneration** by adding a variable element of pay to the customer experience indicators, and doing this for all employees, regardless of where they are in the hierarchy and the degree to which they interact with customers. In the early stages of transformation, one of the priority issues is to secure the buy-in of business-unit directors to the new approach toward customers. The mechanics of this can be put in place by focusing on this hierarchical level and integrating specific customer experience-related goals into the directors' annual targets. These will be based on the particular processes and/or channels for which they are responsible. In the most mature organizations, the CCO directly proposes the annual targets for each BU director to the CEO.

**Give employees the means to achieve continuous improvement,** in order to ensure that the

momentum for change is «locked in» at all levels on the organization and that each employee feels engaged with regard to the new challenges.

The challenge is to implement relevant approaches that allow all employees to get closer to customers in order to better understand their expectations and behaviors. Several options can be considered, depending on the context: «Put yourself in my shoes,” «Let’s be consumers of our own products,” etc. In its customer strategy, Carglass has left considerable flexibility to field teams in terms of implementing actions to improve the customer experience.

Each «installation center» was able to develop its own ideas which are then shared with other centers, allowing everyone to draw inspiration and adapt them to their particular situation. In all of this, the head office maintains an oversight role, focusing its efforts mainly on centralization and connecting the different concessions: the exchange of good practices is done directly between the installation centers.

**Focus on the recruitment of people who share the customer culture of the company,** being more rigorous about the importance given to these criteria at job interviews.

## ZAPPOS, CHAMPION OF EMPLOYEE FIRST

### Who?

Zappos, one of the largest US e-commerce sites, generates more than a billion dollars in annual sales and employs nearly 1,500 people.

The slogan of Zappos Insights, a form of university created by Zappos to share their experience of EFCS (Employees First, Customers Second) is striking: **Engage Employees. Wow Customers ».**

### What are the key elements of the Zappos strategy which led to it becoming a model for Employee First to the extent of being able to market advice on the subject?

**1** The first point is undoubtedly the place given to corporate culture and values: sharing and transparency are the key words, and these guide all decisions. Moreover, it is possible to visit the Zappos headquarters to exchange ideas on best practices and how to implement them in other companies. For employees, this translates to a decidedly unusual working lifestyle: holiday albums, highly personalized workstations, «WOW wall,’ concierge service, 20% of working time must be dedicated to socializing (taking a break, chatting over coffee, etc.), managers included. The workplace is a place of real vitality where employees can feel good and flourish.

**2** The second point is recruitment : Zappos seeks above all to recruit employees who share the culture and the values it wants to develop. To do this, the group treats the recruitment process as a customer experience like any other: employees are the company's first customer. To ensure the best integration, the new recruit must enter into the spirit of the Zappos experience right

from the start, in order to integrate and then share it.

**3** The third point is training. New recruits receive four weeks of training in the Zappos method, driven in particular by current employees sharing their feedback—a real immersion in company culture: the employee is the primary brand ambassador, not only for new recruits but also for customers. This training is supplemented by teaching on the basics of the WOW strategy and numerous team-building exercises. The objective is to integrate the new starters into the «Zappos family» and to create a genuine sense of belonging.

**4** Finally, Zappos has put in place a number of awards programs. The «Zollars» program, in particular, allows every employee to give Zappos dollars to others that they feel have done well (helping colleagues, good management of a customer situation, etc.). The Zollars are redeemable in a store at the company's headquarters. Two other programs, the M.O.M Awards and the Hero/Sidekick Awards allow a distinction to be made between subordinates and peers.

The strategy seems to be paying off: in eight years, Zappos has increased revenue a thousandfold, to in excess of a billion dollars, and has been acquired by Amazon while keeping its distinctive culture intact . Its results, in terms of customer experience, also speak for themselves: 75% of sales are from existing customers, and 43% of new buyers are introduced on the recommendation of a friend!

1. Let's inspire leaders - En Vue, Groupe Forrester (In View, Forrester Group)



# LOOKING FURTHER AHEAD

Challenges evolve as transformation in customer experience takes place. Once the first customer wins have been delivered, the goal is to avoid the common pitfall of «running out of steam».

Here are a number of (non-exhaustive) levers that seem to be key when pursuing the transformation of the corporate culture and the company's operating model.



## RECAST VALUES TO MAKE THEM TANGIBLE FOR EACH OF THE COMPANY'S BUSINESS FUNCTIONS

This involves translating the corporate values and the customer promise into a framework that is specific to each function. The aim is to raise awareness of the fact that all company functions have a role in customer satisfaction, including those that are not directly customer facing.

Specifically, a **framework** defines a set of practices, rules of conduct, and business actions that are both pragmatic and concrete. Two clear examples of this are:

- / **The IS function:** One of the challenges is to structure its business to perform the maintenance of systems and tools outside of the times when they will be in use by customers, or, at least outside of the times of peak usage (for websites, applications, IVR platforms, etc.);
- / **The legal function:** use clear and understandable language for all, regardless of their degree of education or disability. The aim here is to avoid complex specialist jargon, the use of legal «small print» in footnotes, etc.

## THINK «CUSTOMERS» WHEN YOU INNOVATE

This means taking into account the voice of the customer right from the design phase

of new offers/products, by systematically applying customer expectations and customer knowledge. The most customer-oriented companies go beyond this, by co-creating with customers the products that will be offered tomorrow:

- / **By opening up of the marketing department to consumers within a philosophy of co-creation and participatory development.** For example, Lego put in place the «Cuusoo» program to allow customers to help develop new toys and involve them in selecting projects, in order to identify which ones will be put into production. The brand pushes this philosophy as far as even remunerating the creator.
- / **By leading a small group of committed customer «fans» with a threefold objective:**
  - To develop a productive relationship with the group in order to maximize understanding in terms of the profiles of its customers, their expectations, consumption patterns, and so on;
  - Capitalize on the mutual trust created to co-construct new products;
  - To capitalize on their strong brand loyalty in order to «use» them as powerful links in the strategy to the rest of the target market.

## GO INTO «CONTINUOUS IMPROVEMENT» MODE

This change can be done by ensuring that each major customer process is under the sole responsibility of a process head who has the responsibility to guarantee the effectiveness of end-to-end view of the customer and to ensure the resolution of any pain points or dysfunctional aspects.

In parallel, some «historical» processes will need to be overhauled in order to deliver on commitments made to customers. Methodologies such as Leant (i.e. the elimination of steps without added value for the client) and Six Sigma (which addresses quality improvements and the efficiency of business processes) are effective approaches to be disseminated internally among the operational teams.

Finally, if there is a «base» that the company can rely on to sustain the performance of its customer processes, it is that of certification. Issued by an external body, it authenticates the effectiveness of processes with two benefits to the company: helping ensure that demands on operational excellence remain exacting, and bolstering the communications strategy around the company's approach to customers and the results obtained.

Apart from a few companies that are built around the concept of customer experience as a means of differentiation, our finding is that, for many, developments in this area will happen through the design and launch of a customer experience program. The aim here is to take stock of the situation, position the company within its competitive environment, raise internal awareness in the area, and to take a structured approach to transformation and its tools in order to drive cultural change. It is only by taking these steps that the customer experience can be reintroduced sustainably into traditional corporate operating models and become part of the job descriptions and objectives of all employees.





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