

# Where Are You on the Path to **Next Gen CEM?**



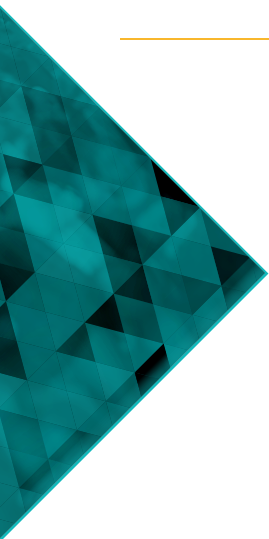
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Next generation Customer Experience Management (CEM) is about change management, but most of the CEM programs at companies today focus on measurement and reporting. Companies need to change the optics in order to change the results.

The goal of a successful CEM program is to provide insights that enable company employees to make better decisions that, in turn, make customers more loyal. More loyal customers spend more money and tell their friends about how happy they are. Sounds easy, right? But if it is so easy to implement, why do so many companies fail at making changes across their organizations to improve loyalty? AND Agency believes the answer is that most organizations tend to focus more on measuring loyalty when they should focus on making changes to improving loyalty.

There are two key questions companies should ask before launching or re-launching their CEM efforts:

- What decisions do employees make that impact customers? The answer is nearly every decision: technology, pricing, personnel, compensation, service, channel mix, compliance, etc. A truly effective CEM program needs to support decision making in all of these areas.
- How do companies build customer loyalty? By consistently and repeatedly making better decisions across all customer facing areas, so customers begin to change their attitudes, opinions and behavior in a positive way.

So, if building more loyal customers requires change across nearly every area of the organization and changing customer sentiment, CEM programs should be geared toward change management, right?

The challenge is that for most companies, CEM programs are currently geared toward measurement and reporting, oftentimes with the primary objective of reporting Net Promoter Score (NPS) or some other metric to executive management. If the goal is to actually improve customer loyalty, then there is a disconnect between the “measurement” objective and a “change” objective.

The purpose of this paper is to highlight this disconnect and provide companies with a process to assess where their CEM program is relative to their business objectives. The punchline is that taking the customer experience to the next level involves a vast array of technology, operational, and cultural changes that will require companies to think and act in a more holistic—and customer-centric—way. The good news is that with a next generation mindset, companies can extract significantly more value from their CEM programs if they begin to view them as a change management process and not a research measurement exercise.

## The First Step

As with any self-improvement process, the first step is to admit you have a problem. Company executives are starting to do this by asking some simple questions, such as:

- Are we getting tangible business value from all the money we spend on measuring customer loyalty?
- Is the customer data we collect being used to drive better decision making across all areas of the organization that impact customers?
- If the ultimate objective of CEM is to increase profitability, is that happening?
- We have been doing NPS research for years, but our loyalty scores remain low or have plateaued—what do we do next?

If executives are asking questions like these, the best next step is to conduct an objective maturity assessment of your CEM program. A maturity assessment is simply a way to compare where you are relative to your business objectives. The maturity assessment will identify any ‘gaps’ between your business objectives and current CEM program design, so you can take corrective action.

## CEM Maturity Path

Customer experience management usually evolves along a fairly consistent path: Measuring customer loyalty will bring corresponding improvements in business performance.

Every company, however, starts its CEM initiatives at a different point on the customer experience continuum. Some have already devoted significant amounts of time and resources to building, deploying and maintaining CEM, only to be stymied by unclear business objectives, ineffective implementation or lack of support from senior executives. Other companies might have taken only rudimentary steps to measure their customer experience with no real plan for improvement.

With this in mind, AND Agency has devised the CEM Maturity Path, which summarizes the CEM development process in five main stages.

### ADVANCING ON THE MATURITY PATH

To be effective and drive behavioral and culture change, a CEM program must:

- Drive better, more informed decision making across the organization on all aspects of customer experience.
- Be a foundational element of strategy and execution by both staff and senior management.

Each step on the CEM Maturity Path brings organizations that much closer to these goals, while generating immediate value in terms of a better understanding of customers and how the business is performing.

## STAGE 1: BASIC MEASUREMENT

(also known as the “Just Track Something” phase)

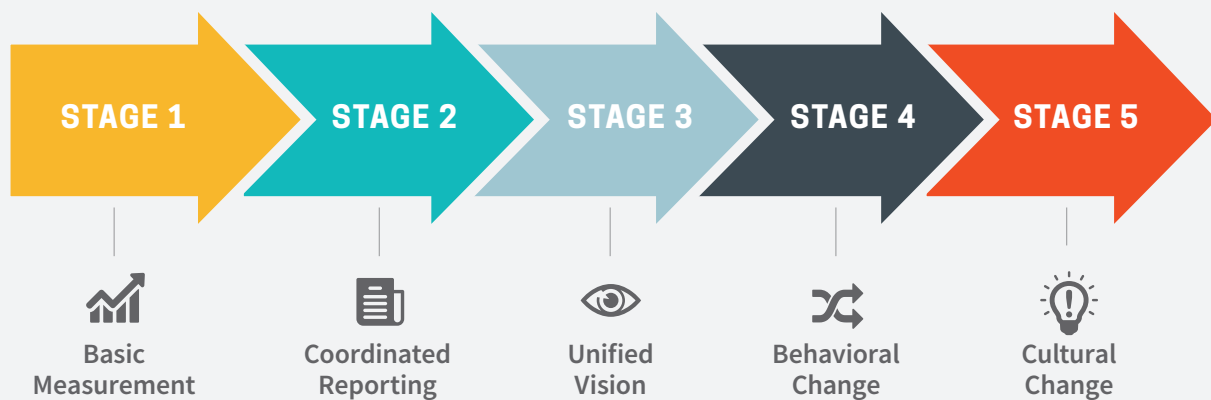
Market research is conducted to obtain loyalty scores, which are then reported to the line and executive management.

- Focus on measurement and reporting, typically with different metrics and/or processes across divisions and channels.
- No meaningful executive sponsorship or vision.
- Limited understanding of holistic drivers of customer experience.
- No behavioral change: Line staff largely dismisses or ignores CEM data, which is seen as “market research” that has limited relevancy to their functions.

Stage 1 efforts are typically driven by the marketing department and oftentimes lack deep buy-in from both individual business lines and senior management. As a result, a CEM program in Stage 1 yields little in the way of behavioral change in the organization.

A positive benefit of Stage 1 is that companies soon realize that the data produced by initial CEM efforts can provide real insight into the customer experience and important aspects of company performance. Companies also discover they can build on the basic measurement they are doing by expanding the scope of the program, creating consistency in reporting across divisions and channels, and stimulating tactical changes by using granular “account level” feedback. With these rich data in hand, the CEM program’s potential to go well beyond reporting loyalty scores soon becomes apparent.

### CEM Maturity: The Five Main Stages



## STAGE 2: COORDINATED REPORTING

CEM data is reported and utilized in a more consistent way across different divisions and/or channels.

- Reporting starts to happen on metrics that drive key aspects of customer experience (e.g., not just measuring and reporting NPS).
- CEM data becomes more relevant as the company adds new account level granularity in quantitative measures and some amount of rich, qualitative feedback from individual customer conversations.
- Still no CEM strategy or vision; efforts typically led by the marketing department.

In Stage 2, organizations discover they can increase the utility of CEM data by expanding the scope of the program and creating more consistency in reporting across divisions and channels. This consistency enables the CEM to be increasingly seen as a company-wide business process, which is an important foundational component of culture change (Stage 5).

## STAGE 3: UNIFIED VISION

CEM starts to become part of the vision and strategy of the organization.

- A senior executive is designated to be responsible for CEM.
- Company begins to use common metrics across divisions and channels.
- Sales, operations and technology functions begin to be involved.
- Company begins to “close the loop”: CEM reporting identifies simple, tangible action steps staff can take to improve customer experience.
- Communication starts to happen across functions (silos) of the organization that impact customer experience.

In Stage 3, organizations generally do three things. First, they integrate CEM into business operations by appointing a senior (non-marketing) executive to head up the effort. Second, they embed the CEM program into sales and operations and adopt an omni-channel approach to improve the customer experience across all types of interactions, including branch, call center, online, and mobile. Third, they refine the CEM process to “close the loop”: CEM results are turned into action by ensuring that issues identified by CEM are assigned to appropriate individuals, resolved, reported, and tracked. It is the repetition of these actions that leads to sustainable behavioral and cultural change.



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**As companies realize the real business benefits of CEM, they integrate it more deeply into business operations and workflows across the organization.**

## **STAGE 4: BEHAVIORAL CHANGE**

Organizations begin to focus on action planning (coaching, training, process improvement, etc.)

- Staff begins to understand that CEM data can help them be more effective and successful.
- Decision making for policies, product, compensation, hiring, process improvement, channel mix, technology, etc. is influenced by CEM and becomes more centralized.
- Technology begins to be oriented to support holistic CEM.
- ROI case solidifies for CEM expense versus profit contributions.

As companies realize the real business benefits of CEM, they integrate it more deeply into business operations and workflows across the organization. Technology begins to provide a complete view of the customer and allows organizations to link CEM results to compensation, staffing decisions, product development, and other core functions.

## **STAGE 5: CULTURAL CHANGE**

Staff understands what drives customer experience and can take action on a daily basis to ensure exceptional customer experience is delivered—without being told what to do or always needing to look at data.

- Technology enables a timely and complete view of the customer across internal and external data.
- All staff understand CEM is a bedrock component of the company's mission and values.
- Decision making for policies, product, compensation, hiring, process improvement, etc. is driven by CEM.
- No one at the organization ever asks about ROI for CEM.

In Stage 5, employees in all areas understand that CEM data can help them be more effective and successful. Senior leadership views CEM as a “mission critical” component of how the business is managed and how it can consistently hit business performance targets.

## Where Are You on the CEM Maturity Path?

“If you don’t know where you’re going, any road will get you there.”

Having an advanced CEM program requires companies to define their ultimate business objectives so they can ensure their CEM strategy will meet those objectives. Once the objectives are defined, the existing CEM program can be audited to ensure it is aligned with meeting the objectives. And in cases where there are gaps, corrective action can be taken.

The largest and most common gap is that organizations ultimately want to achieve business objectives (higher customer retention, more cross-sell, increased profitability, etc.) but with a CEM program designed to measure loyalty. To understand where they are on the Maturity Path, organizations should ask the following eight questions:

1. What are the primary business objectives?
2. How would you describe the organizations CEM strategy and vision?
3. What level of executive sponsorship do you have for CEM?
4. Do you use a common CEM metric across channels and divisions?
5. Does the organization have a complete understanding of all processes and touch points that impact customer experience?
6. What is the current organizational structure with regard to CEM governance (e.g., is there a unified senior function that has control over all aspects of CEM—policies, hiring, compensation, pricing, operations, etc.)
7. How is the company currently converting CEM research findings to drive action planning, behavioral change, and culture change?
8. How integrated is the technology the company uses to support all aspects of CEM across channels and divisions?



To complete the maturity assessment, compare the answers to these questions to the **Five Stages of the CEM Maturity Path**. By doing so, you’ll be able to assess the Stage in which your CEM program currently resides.

## ROI: THE ULTIMATE GAUGE OF SUCCESS

Regardless of any improvements in customer loyalty, return on investment (ROI) will be the ultimate barometer of CEM success. As such, establishing a measure of ROI at the outset is critical for one reason: CEM cannot succeed without committed internal champions at the highest levels of the organization. The process is simply too invasive in day-to-day workflows to succeed without such support.

ROI measures typically fall into one (or more) of these three areas:

- Increasing revenues via product cross sell or raising fees
- Reducing customer attrition or “churn”
- Increasing profitability via better resource optimization

Numerous case study examples prove concrete ROI in each of these areas, ranging from 5X to over 20X the cost of a CEM program. Generating these high levels of CEM ROI requires champions willing to push for full integration into all areas of the company, including product development, pricing, staffing, compensation, operations, technology, fee structures, facility design, and other areas. The easiest—and the only really effective way of marshaling such support—is to demonstrate that investments in CEM will exponentially pay for themselves in whatever metrics are most important to company leadership, whether those priorities are increasing revenues, retaining customers or boosting profit margins.

The conclusion is that if organizations get CEM “right” and are in advanced stages of maturity, there’s no question about the ROI. But if organizations have measurement-oriented CEM programs with no clear vision beyond that, they should be skeptical of the expense.

## MAKE BETTER CUSTOMER EXPERIENCE DECISIONS AND IMPROVE YOUR ROI

**AND Agency** specializes in helping clients advance beyond measurement-oriented CEM programs to improve their ROI.

We offer a unique combination of comprehensive data, expert consulting and an advanced platform to provide a best-in-class solution.

**To learn more, please contact us directly.**

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