

# Additional Customer Experience Information



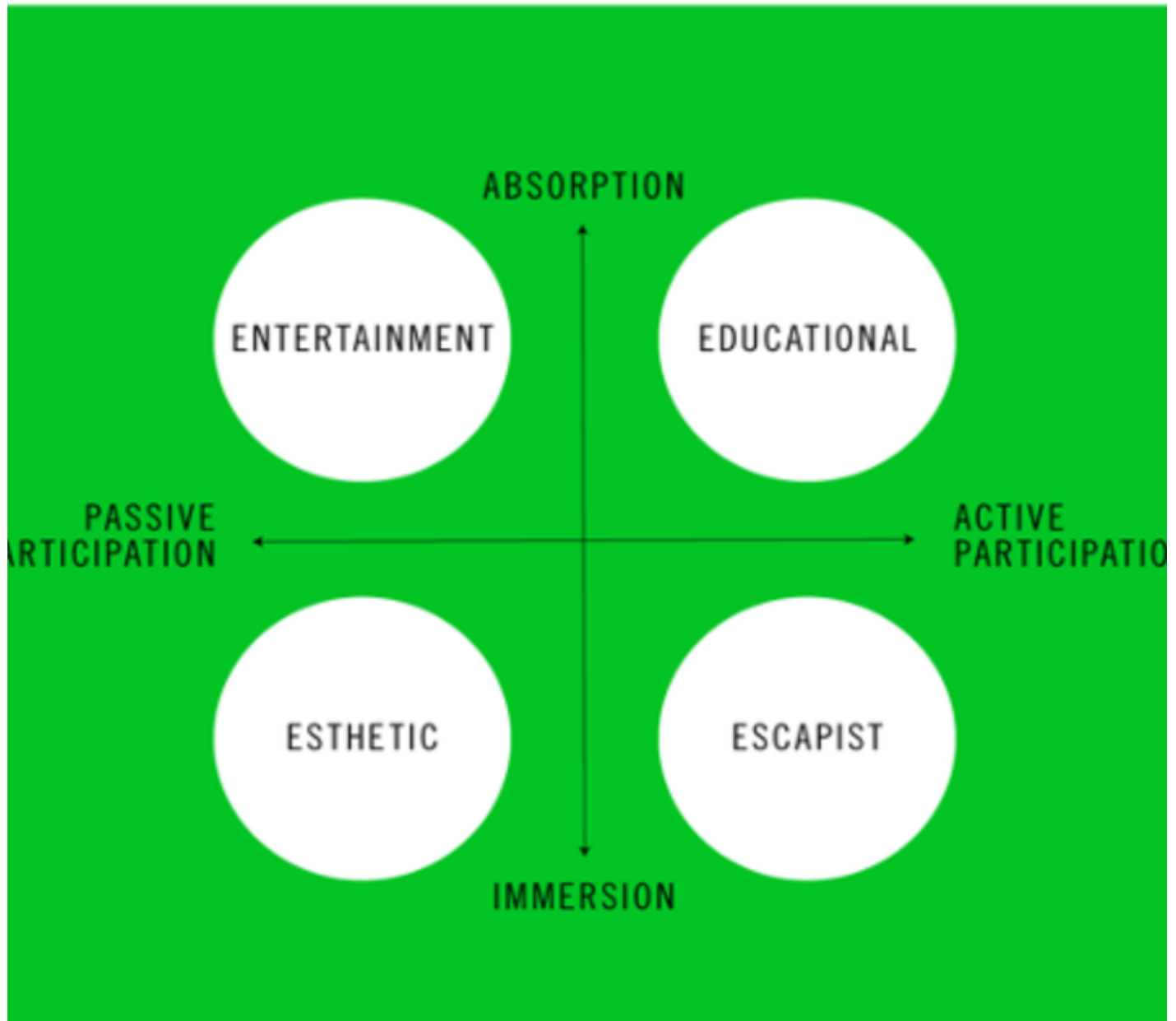
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*All sources for data and quotes listed at the end of this post*

## What is Customer Experience

Customer Experience (CX) boils down to the perception that a customer has of your brand. This includes every element of your brand and all interactions with that customer:



***"Everything a company does contributes to how customers perceive it, and therefore to the overall customer experience, including the messaging you use, the products you sell, the sales process, and what happens after the sale, plus other internal factors like the interworking of the company, its leadership, and the engineering of the product or service."***

CX, and really experiences in general, are a distinct offering to customers from an economic perspective. While traditionally, they have been lumped together with services, they are as distinct from services as services are from goods. That distinction is affording them a new classification as a fourth economic offering – all four being: commodities, goods, services, and now experiences.

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***"Today we can identify and describe this fourth economic offering because consumers unquestionably desire experiences, and more and more businesses are responding by explicitly designing and promoting them."***

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Experiences in this sense are measurable. An experience occurs when "...a company intentionally uses services as the stage, and goods as props to engage individual customers in a way that creates a memorable event. Commodities are fungible, goods tangible, services intangible, and experience memorable."

One widely used model used to describe, comprehend, and assess customer experiences is the Pine and Gilmore 4Es model, first presented in 1999 (shown as the primary image of this post at the top of the page). In this model, the authors stated that the fundamental elements of customer experiences can be classified as: Educational, Esthetic, Escapist and Entertainment. These then are based on the active or passive participation of the customer and on the immersion or absorption of the experience.

- **Entertainment:** Experiences that entail watching the activities and/or performances of others. The customer is not actively involved in the creation of the entertainment, but the mind is actively engaged during appreciation of the event.
- **Education:** Experiences that increase the customer's skills and enhance his/her knowledge through active participation in the experience.
- **Esthetic:** Experiences that entail customer enjoyment of an enriched, unique physical design. The customer enjoys passively appreciating or "just being in a setting" of the business.
- **Escapist:** Experiences that require the customer actively participate in the events of a real or virtual environment. The customer shapes or contributes to the

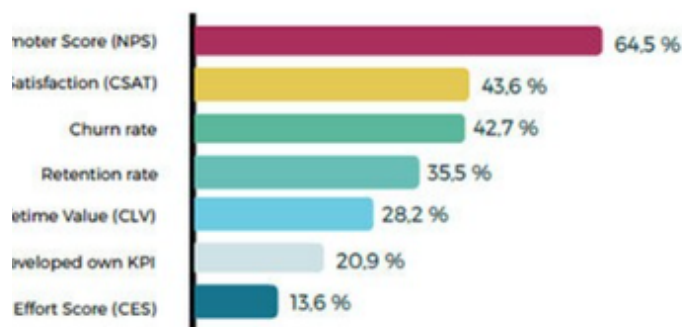
experience, which offers the customer a way of taking on a new persona.

- **Absorption:** "...occupying customers' attention by bringing the experience into the mind"
- **Immersion:** "...becoming physically or virtually a part of the experience itself"
- **Active Participant:** The customer is actively involved in creation of the experience.
- **Passive Participation:** The customer is passive in the creation of the experience.

Managing these interactions and relationships is usually referred to as Customer Experience Management (CEM or CXM). Other solutions you've likely heard about such as Customer Relationship Management (CRM), User Experience, Customer Journey, and Sales Experience are all facets of CX.

## Applications of Customer Experience

Customer Experience Management is used to enhance the relationship and experience a customer has with a business. CXM solutions directly interact and capitalize on the volume, speed, and complexity of customer data being accumulated. This specifically (and measurably) applies to and dramatically influences a business. [Lumoa](#), a company selling AI based CX solutions, claims that in a worldwide survey in 2018 of KPIs used to track CX, the top 6 responses were:



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- Net New Sales
- Annual Recurring Revenue
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In addition, it's easy to see how these KPIs further impact:

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In addition, in [Gainsight's 2021 Pulse Everywhere](#) conference, **Net Dollar Retention (NDR)**, sometimes referred to as Net Revenue Retention (NRR), was shown to have the

highest explanatory power of enterprise value-to-revenue multiple (EV/R), quickly becoming the **leading SaaS metric**. NDR represents how much revenue growth or churn your company had over time from your existing pool of customers, revealing the health and growth potential of your business. Customer Success is widely viewed as owning all or part of NDR.

Beyond the metrics, its important to note that strong brand aware companies invest heavily in crafting experiences as real offerings on par with any service, good or commodity. [The economic impact of experience and crafted experiences to sell services cannot be underestimated](#). These businesses deliberately design engaging experiences that command a fee.

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***"This transition from selling services to selling experiences will be no easier for established companies to undertake and weather than the last great economic shift, from the industrial to the service economy. Unless companies want to be in a commoditized business, however, they will be compelled to upgrade their offerings to the next stage of economic value."***

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A simple example of how crafting an experience both follows the 4Es model and impacts the positive perception and ultimate revenue of a company is through the rise of corporate sponsored and highly curated Industry Conferences. These events seek to Entertain and Educate while also providing an appealing Esthetic and where appropriate an Escape. They are designed to allow for a mix of passive, active, or immersive experiences catered to a wide array of tastes. AWS Re-Invent is an excellent example but so is Vertex's own Vertex Exchange.

The key to success in all these applications of customer experience is ultimately to continue collection of data, analysis of that data and action toward positive outcomes in short order. As such, CXM tooling is essential to help organize and automate the process.

## Customer Experience Tools, Methods, & Techniques

Fundamentally, the tooling required for CXM requires 3 core elements:

- **Data Acquisition:** Methods include (not limited to) direct or indirect feedback, AI driven chat bots for engagement, use tracking on the website or mobile app through instrumentation, purchased demographic data typically used for advertising, and anonymous IP tracking and data correlation (learning about you from the internet traffic at your location even if your actual identity or address is not known).
- **Data Storage:** Methods are generally the same that you would expect with commercial Big Data solutions, relying on various persistence technologies both on-premises or in the cloud. CXM platforms may have proprietary solutions in this regard as well; nevertheless, being able to store large volumes of data and quickly correlate it to provide an understanding of the customer is a primary differentiator against which all providers compete.
- **Data Analysis and Insights:** Methods are varied to provide the analysis and insights. At minimum, dashboards and curated queries of the data may be provided to show compelling trends, data, etc. against which reasonable conclusions can be drawn. More competitive solutions employ AI and ML algorithms against both the acquired data of a specific business and the correlative data acquired within an industry or business vertical to derive difficult to see and non-intuitive conclusions with subsequent recommendations.

As the reader likely sees, CX methods, tools, and techniques are largely an extension of the tools, methods and techniques associated with data analysis in general. You can review these concepts in the Methods, Tools and Techniques section of the [Tax Data Analytics](#) content for further insight; however, below is a brief review:

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***So how does it all work? Data analytics requires data which is collected, cleaned and organized in enabling ways. The real work starts here. Structured and unstructured data is deposited in data lakes and data warehouses which enable descriptive, diagnostic, predictive and prescriptive analytics. Here's the big picture (from Customer THINK) that summarizes data analytics:***



It's important to note that techniques used for successful CX go beyond tooling. The technology used is passive and helps to aggregate and organize the information required; however, this only represents a piece of the overall model. Remember that in the established 4Es model this only represents the left side of the overall quadrants (Passive Participation). Successful strategies must find ways to use the information to craft experiences and truly engage with customers across the entire model in order to Entertain, Educate, provide a good Esthetic, or a good Escape (the 4Es). This requires creativity and planning with a different approach to established business models and sales.

[Harvard Business Review states](#), "We expect that experience design will become as much a business art as product design and process design are today. Indeed, design principles are already apparent from the practices of and results obtained by companies that have (or nearly have) advanced into the experience economy." Additionally, they have defined five key experience-design principles:

1. **Theme the Experience:** Provide a consistent, interesting and coherent experience. "An effective theme is concise and compelling. It is not a corporate mission statement or a marketing tag line."
2. **Harmonize Impressions with Positive Cues:** "To create the desired impression, companies must provide cues that affirm the nature of the experience."
3. **Eliminate Negative Cues:** "Experience stagers also must eliminate anything that diminishes, contradicts, or distracts from the theme."
4. **Mix In Memorabilia:** "Certain goods have always been purchased primarily for the



memories they convey... They purchase such memorabilia as a physical reminder of an experience."

5. **Engage All Five Senses:** "The sensory stimulants that accompany an experience should support and enhance its theme. The more senses an experience engages, the more effective and memorable it can be."

## Conducting Customer Experience Projects

Customer Experience is less a series of distinct projects and more about defining and adhering to an overall customer centric business strategy. This typically starts with "an aspiration centered on what matters to customers and empowering frontline workers to deliver."

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***"To build internal momentum for initiatives to develop a unique customer experience, a company must understand how that helps it perform distinctively in the market."***

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### Achieving this strategy comes with a few steps:

- **Defining Aspirations:** "Aspiration" can mean different things, being a transformative step change to one company, and a modest undertaking to another. Regardless, "...the aspiration will translate into an overall mission and, ultimately, into guiding principles for frontline behavior." In its 2016 guide to marketing and sales, McKinsey warns: "One caveat: it is easy to err by aiming too low. In our experience, looking at historical performance and at whatever helped satisfy customers in the past can often make marginal tweaks seem good enough." You must understand the fundamental wants and needs of a customer, while being open to potential surprises about your assumptions.
- **Understanding Customers and Their Journeys:** This step is where we begin thinking through data gathering and analysis (see tools). However, the data is not enough or the end-solution. "Successful customer-experience efforts apply a human filter to the collected data to ask overarching questions." The objective is to use the data to answer some questions about the customer, for example: Exactly who are my customers as individuals? What motivates them? What do they want to achieve? What are the fundamental causes of satisfaction? You can organize this



data and potential conclusions into a model such as the 4Es or similar in order to better understand not only the customer, but also how the company is currently interacting or reacting – bringing the customer further into focus. While the human element is important in understanding and interpretation, tooling can absolutely help organize this information and provide additional non-intuitive recommendations.

- **How Employees Deliver:** Our employees are what make customer experiences possible. From developers who build solutions to consulting and customer service, our people are the ones who ultimately engage with and enable the experiences we are advertising. "...customer experience begins with employees who know about it, care about it, and are well positioned to deliver it." Logistically, this means identifying all the tools, data, training, and expertise required to successfully engage with a customer. Beyond the logistics, it also means ensuring that employees fully understand, are engaged, and passionate about the aspirations defined. It also means acclimating more employees to interactions with customers more often. Creating a transformative Customer Experience requires an engaging Employee Experience. "...organizations must make frontline workers customer-experience leaders by bringing them closer to customers."
- **Creating a Shared Aspiration:** "The highly diverse, frontline nature of superior customer-experience programs requires a shared aspiration, which can serve as a guiding light for strategic decisions and execution. Otherwise, a corporate strategy to improve the customer experience will go only so far."
- **Executing Change:** "To believe in a customer-experience program and to engage with it actively, employees must know that leadership clearly understands the situation, has an organized way to move forward, and is serious about change. Three things create this strong basis for action: a definition of the degree of change desired, a strong understanding of what matters to customers, and a shared aspiration and framework for change. Innovation teams formed to achieve these objectives generate high-impact ideas."

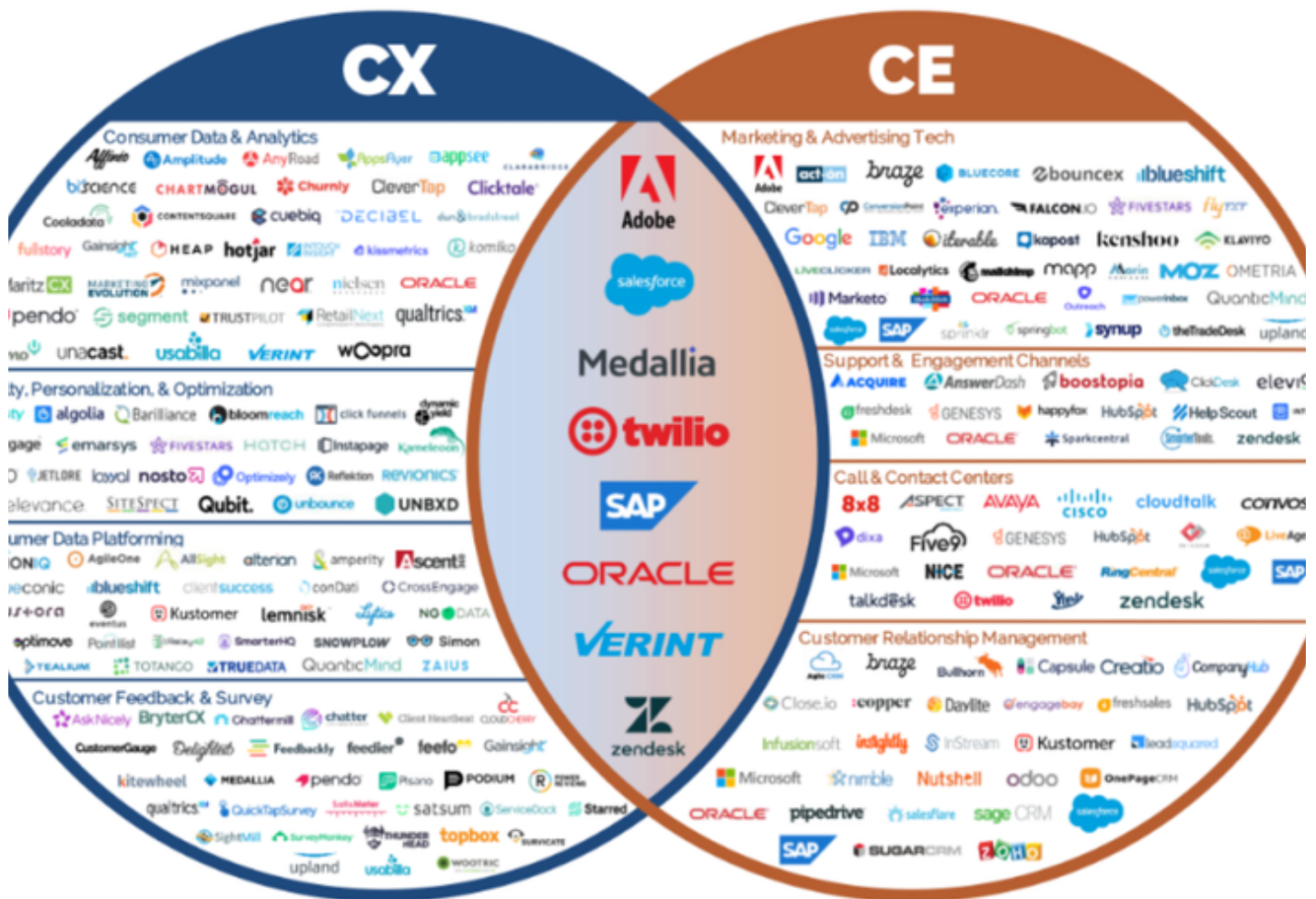
From this framework, we can then think through projects to further refine and detail each section. Some examples:

- **Defining Aspiration Projects That...**
  - Test hypothesis about our customers and test our assumptions
  - Seek to understand the full demographic of our customer base
  - Test various aspirational concepts against a large data set of existing and potential customers

- **Understanding Customers and Their Journeys Projects That...**
  - Implement telemetry tracking, bot assisted interactions, and other automated technology solutions to gather data
  - Implement correlative analysis from multiple data sources with the sole aim of profiling our customers
  - POC and test tooling to organize data using established models like 4Es to then drive insights and recommendations
- **How Employees Deliver Projects That...**
  - Expose more of the company to the customer journey and face to face interactions
  - Show employees the exact outcome of their efforts in customer hands
- **Creating a Shared Aspiration Projects That...**
  - Allow employees from all departments to have turns serving customer needs to better understand their interactions and represent the company vision
- **Executing Change Projects That...**
  - Allows new innovative projects or initiatives focused on realizing outcomes derived through CXM research to be highly publicized and executed

## Major Customer Experience (And Engagement) Vendors

There has been a dramatic evolution of the Customer Experience and Customer Engagement vendor landscape and market over the last 3 decades. Here is a great overview provided by influence partners: [Influence Overview](#)



## Customer Experience Startup Activity

The Customer Experience Management market is expected to reach \$27.2 billion by 2028 registering a CAGR of 17.5% from 2021 to 2025 in North America. This has encouraged a great deal of interest and investment both from established players such as Adobe, Qualtrics, and SAP to new startups focusing on various elements of the ecosystem. Some notable startups over the last 10 years specializing in various elements of CX and CXM: [Source: Crunchbase](#)

- [Sprinklr CXM](#)
  - Series A at \$5m in 2012, private equity in 2020 at \$200m, total \$429m
- [Forter](#)
  - Series A at \$3m in 2014, Series F at \$300m in 2021, total \$525m
- [Drift](#)
  - Series A at \$15m in 2015, Series C at \$60m in 2018, total \$107m
- [ASAPP](#)

– Venture Round at \$75m in 2015, Series C at \$120m in 2021, total \$380m

There are many more, and as you may see from the examples, the investment levels are escalating to more money earlier in the process.

What is interesting is that startups focused on other verticals beyond CXM are also gaining traction, interest and investment in part because of their [noteworthy CX strategies](#).

## All Sources

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