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Business
Review**

ANALYTIC SERVICES

Research Report

CLOSING THE CUSTOMER EXPERIENCE GAP

How IT and Business Can Partner to Transform Customer Experiences



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CLOSING THE CUSTOMER EXPERIENCE GAP

How IT and Business Can Partner to Transform Customer Experiences

There is broad agreement in the executive and management ranks that customer experience is a key competitive differentiator today. Companies of all sizes and across all industries see the strategic significance of superior customer experience expanding in the future. Nearly three-quarters of business leaders (73%) said that delivering a relevant and reliable customer experience is critical to their company's overall business performance today, and almost all (93%) agreed that it would be two years from now.

However, very few companies have the necessary technology systems in place to support the organizational and process changes required to reorient the business to the customer. Delivering a superior customer experience requires flexible software capable of ingesting and analyzing growing volumes of data in various forms, and legacy systems are rarely capable of this task. As a result, there is a substantial disconnect between the importance of customer experiences and the capabilities of companies to deliver them. A mere 15% of business leaders rated their customer service strategy and approach as very effective, while just over half (53%) said their approach is somewhat effective. [FIGURE 1](#)

These are among the findings of a new Harvard Business Review Analytic Services study of 680 executives about customer experience management—research that features in-depth interviews with several top-performing company leaders.

Increasingly, customer experience is the competitive differentiator as companies battle for business in industries where products are growing ever more commoditized and customers significantly more demanding—and IT is uniquely positioned to lead the technology, process, and organizational transformation required to meet customers where they are. “We must continuously improve our customer experience by, for example, removing friction from our processes and adding new features to our products,” said the customer experience leader at an international financial services company in the midst of a global reorganization to improve customer experience performance. “We need to make sure that our customers have an optimal experience across various silos and products from start to finish.”

Data has a clear role to play in developing a superior customer experience—and companies have access to more information on their customers than ever before. Indeed, they are seeing an exponential increase in customer-related data, driven largely by social media, mobile, and e-commerce. But these expanding troves of customer information alone are clearly not driving customer experience improvements—let alone innovation—in the vast majority of organizations.

HIGHLIGHTS

73%

of business leaders say that delivering a relevant and reliable customer experience is critical to their company's overall business performance.

13%

of companies have a single source of customer intelligence today, and 30% are working toward that.

23%

say they are able to act on all or most of the customer data that they collect.

FIGURE 1

CUSTOMER EXPERIENCE EFFECTIVENESS

How effective is your company in delivering a relevant and reliable customer experience?

Very effective

15%

Somewhat effective

53%

Not very effective

32%

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

Three-quarters of companies are not able to act on the majority of data they collect, owing in large part to disjointed systems and data integration issues.

Organizational silos, lack of funding, cultural resistance, and availability of skills are preventing most companies from creating a single source of customer intelligence available throughout the enterprise—long the Holy Grail for customer experience improvement. IT leaders can play a critical role in breaking down the organizational and technology silos holding customer data hostage and working with experienced vendors and consultants with the data and analytics capabilities and next-generation technologies required to build a robust foundation for customer experience in the future. They must also work in partnership with customer experience leaders to tackle the larger strategic issues holding companies back.

Organizations must have explicit executive buy-in, and their leaders need to develop, communicate, and execute a clear and cohesive customer experience strategy. The structural, technological, and process reengineering required in order to deliver a single customer view is easier to deliver when the appropriate customer values, incentives, and direction are in place. Those companies with leaders that have not bought into the value of an integrated and all-encompassing customer experience foundation find their efforts lack the clarity, budgetary support, and organizational structures to drive customer-focused transformation.

THE GOOD NEWS IS THAT THE CORPORATE LEADERS AGREE ABOUT WHAT IT WILL TAKE TO DIGITALLY TRANSFORM THEIR ORGANIZATIONS AROUND THE CUSTOMER

The good news is that the corporate leaders agree about what it will take to digitally transform their organizations around the customer—culturally, organizationally, and technologically. It requires explicit executive support, a clear strategy, a customer-centric culture, alignment and integration, investing in and partnering on new technologies and skills, and empowering employees to deliver and innovate around customer experience. And, as evidenced by the early adopters who are already making these changes required to deliver superior customer experiences, the efforts pay off not only in terms of improved customer experience quality, but also in competitive advantage and corporate growth.

The Keys to Customer Experience Transformation

Business leaders are clear about the most important factors in delivering superior customer experiences today. Topping the list is creating a customer-centric culture, cited by nine out of 10 respondents. [FIGURE 2](#) “Customer experience has to be a priority, but more than that, it has to be built into the organizational culture, or it can be set aside when other priorities emerge,” said the president and CEO of a U.S.-based credit union, noting that it is something that both employees and business partners must espouse and bring to life every day. “Customer experience is something we have to focus on all the time to make sure that we never let it slip, because we always have new employees, new systems, new vendor relationships. The customer experience has to transcend all of that as a key focus.”

Well over 80 percent of respondents also said that having management and leadership buy-in, visibility into and understanding of the end-customer experience, and a clearly communicated customer experience strategy were critical components of delivering a winning customer experience. Yet less than half of them rated their companies’ performance in any of these areas as very effective.

But what companies are really struggling with is customer data and the

technology foundation required to make sense of it all and distribute the resulting insight throughout the organization. Data and systems integration and visibility across the enterprise, giving employees the power to deliver and innovate around customer experience, and aligning IT decision-making with customer experience demands were all cited as extremely important in delivering a superior customer experience. Yet only around a quarter of respondents said their companies perform well in these areas.

The chief customer officer (CCO) at a multibillion-dollar institutional investment and benefits provider is beginning to address some of these issues by breaking down barriers between customer experience and IT strategy and execution. “We realized we weren’t moving fast enough, so our CIO handed 36 of his technologists to me,” said the CCO. “You can’t get meaningful customer work done if there are functional lines getting in the way. So we have arranged ourselves entirely around the customer under one structure. We make all the decisions—and we’re on the hook for the outcomes.”

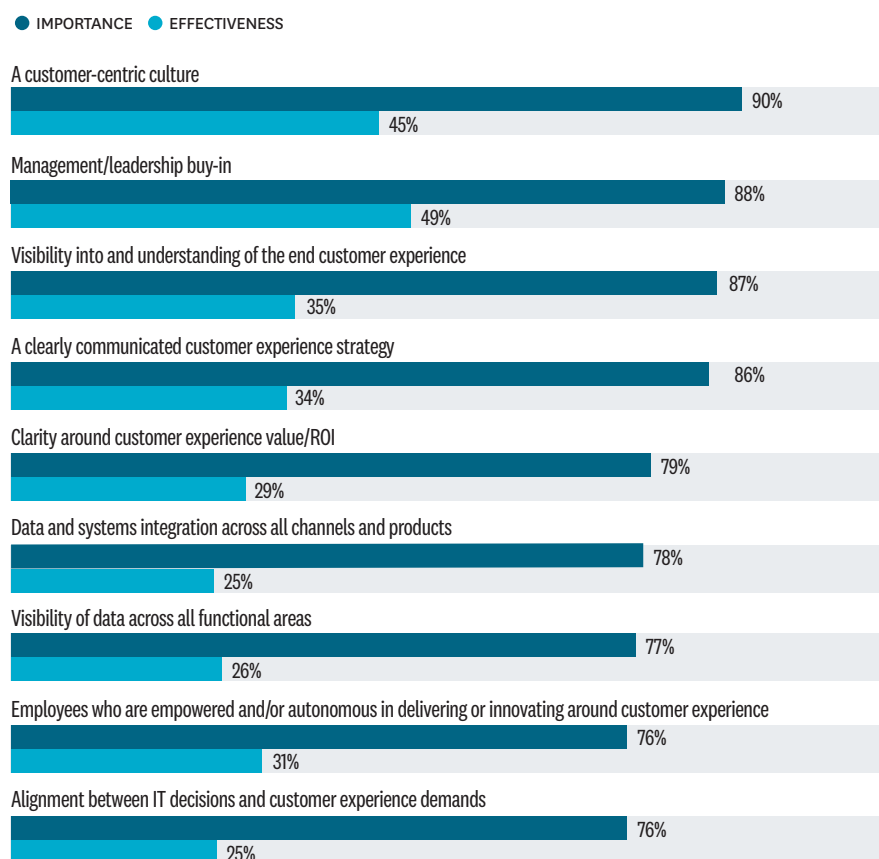
Having senior leaders define ideal customer experiences and translate those into a well-thought-out strategy is also key. Ideally, executives convert these intended outcomes into a “detailed and prioritized customer experience initiative road map that incorporates a well-thought-out data strategy, integration of databases, and tools to provide a single view of the customer, the means of delivering the right intelligence to the frontline employees to manage customers’ experiences, and staff training,” said the senior vice president of strategic analytics for a marketing services firm. “When such an exercise hasn’t taken place, customer experience is only a ‘temperature-checking’ exercise without the ability to quantify how improvements in key engagement areas translate into improving customer experience and connecting those gains to economic results.”

Creating a customer-focused culture is easier in some industries than others. The head of process and technology innovation for a software development

FIGURE 2

THE MOST IMPORTANT FACTORS TO DELIVERING AN EFFECTIVE CUSTOMER EXPERIENCE

How important is each factor in delivering a relevant and reliable customer experience?
How effective is your organization in this area? [PERCENTAGE INDICATING 8,9, OR 10 ON A SCALE OF 1-10]



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

company—an industry not known for satisfied customers—said creating a customer-centric culture takes a targeted effort. “One of our challenges is bringing customer centricity into all levels of the organization. Most of our organization is made up of engineers; understanding customers is not something they are taught,” he said. “When we hire someone, we spend a great deal of time and money to get them to the place where they understand what is important [to the customer]. Once you have a customer-centric culture in place, it’s easier. That’s a much more powerful tool than just training.”

What Sets Customer Experience Leaders Apart

That CCO who has his own dedicated customer experience technology resources works in a company that is investing \$50 million in a three-year customer experience transformation in a recently deregulated, intensely competitive industry. “Our leaders have resolved that the future of our industry is our customer,” he said.

A closer look at the customer experience leaders identified in this report—the 15% of respondents who described their customer experience as very effective—reveals some fundamental differences between these forward-leaning organizations and others. They are more likely to have a customer-centric culture and a single source of customer intelligence. They are more capable and agile in leveraging their customer

data to drive customer experience efforts, giving their employees and partners access to the tools and insights needed to create a superior customer experience. **FIGURE 3** They are more likely to be using emerging technologies and creating personalized and omnichannel experiences. They are more likely to use data to predict and anticipate consumer needs, understand lifetime value, and track customer advocacy.

From a demographic standpoint, these leaders are more likely to be based in North America, be the larger organizations, and have both B2B and B2C business models. They are more likely to be found in business or professional services, financial services, and technology industries. Customer experience laggards were more likely to be smaller companies or those with an entirely B2C approach.

Unlike those identified as followers (the 53 percent with somewhat-effective customer experience practices) and laggards (the 32 percent with less-effective customer experience practices), nearly all customer experience leaders have a clear and coherent customer experience strategy that is understood by all employees.

But perhaps what really sets apart leaders—and even followers—is that they believe there is no time to waste in transforming to deliver a superior customer experience. They are convinced customer experience is key to performance today, while laggards believe this will be the case in two years’ time. Thus, they have already begun the hard work of defining customer experience outcomes, developing new customer-centric strategies, and rethinking people, processes, and technologies to deliver better customer experiences and improve overall performance.

The Need for Speed and Agility

What many leaders are working toward is the ability not just to deliver a reliable and relevant customer experience, but also to quickly respond to changes in customer or market dynamics.

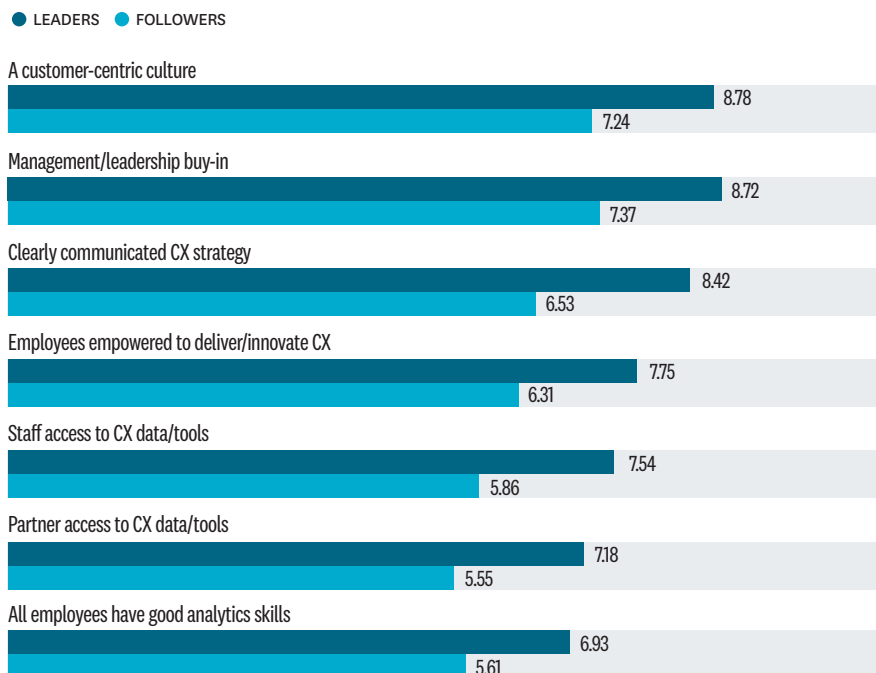
“Customer demands are growing, and the need for speed is increasing,” said the credit union CEO.

FIGURE 3

CX LEADERS PRIORITIZE CULTURE, STRATEGY, SKILLS, AND DATA ACCESS

How effective is your organization in delivering on/achieving each of these factors?

[RATED ON A SCALE OF 1 TO 10, WHERE 1 IS NOT AT ALL EFFECTIVE AND 10 IS EXTREMELY IMPORTANT/ EFFECTIVE]



BASE: BEST IN CLASS N=100, FOLLOWERS=364

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

The vast majority of customer experience leaders (86%) said—as did two-thirds of followers—that their companies are able to quickly build new and innovative customer experiences in response to market dynamics, while the majority of laggards remain flat-footed in this fast-changing marketplace.

FIGURE 4 Forward-looking companies have invested in new technologies capable of consolidating and analyzing key customer data and have reorganized to be able to act on that customer insight in a more nimble way.

The pace of change and shifting customer demands are some of the biggest challenges to delivering a superior customer experience, according to the vice president of customer experience of a software solutions provider for logistics terminal operators. In fact, that's one of the reasons his company created the customer experience role two years ago. The company has always been extremely customer-focused, but his role is to ensure that continues to be the case as the software solutions grow in complexity and as customers ask for more from the company.

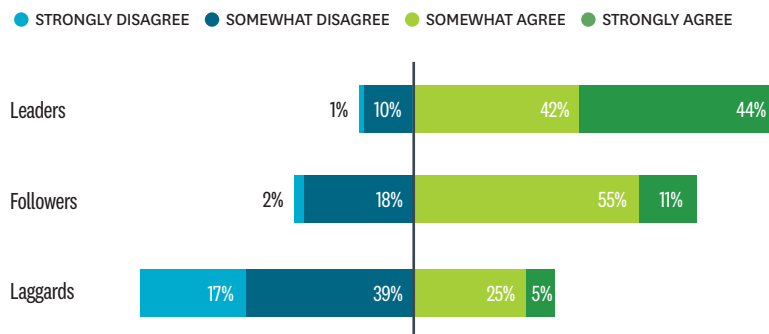
Staying ahead of the competition and would-be disrupters is crucial and requires a new approach. "Our ability to create change rapidly as it relates to a better customer experience across this large organization requires a very agile approach and mindset," said the institutional investment and benefits company CCO. At the software development firm, a flattened organizational structure enables more rapid response to shifts in customer demands. "Most IT services companies are hierarchical," said the company's head of process and technology innovation. "We adopted a matrix structure primarily to enable increased communication and empower employees."

One global financial service company is replacing its structure with outcome-oriented teams, according to one of its customer experience leaders, who is leading a team focused on customer journeys. Even so, responsiveness and rapid innovation remain a challenge. "We still have legacy and current IT infrastructure, which makes the

FIGURE 4

CUSTOMER EXPERIENCE LEADERS' RESPONSIVENESS

Do you agree with the following statement: My company is able to quickly build new and innovative customer experiences in response to market changes.



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

end-to-end delivery of new features to our customers difficult. It requires the involvement of a number of other parties to accomplish," he said. "That's the biggest impediment to delivering fast improvement to customers. It requires alignment, and alignment inevitably requires more time and planning."

The Customer Data Universe Expands

The volume of accessible customer data has grown significantly over the past two years, with much of the new data potentially useful to companies that seek to build more agile and responsive customer experience practices. Unfortunately, much of it remains unused.

Social media, mobile, and e-commerce or website data have seen the highest levels of growth. The expansion of third-party, partner, and beacon data has been more modest, although customer experience leaders report substantially higher rates of growth in these three areas, as well as in machine or sensor and e-commerce data.

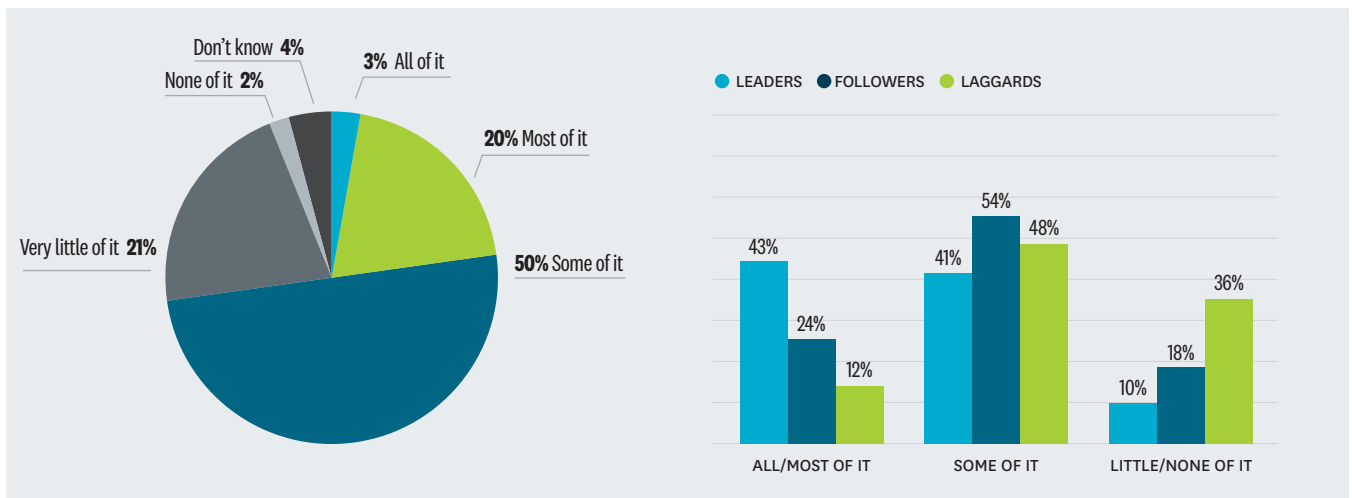
Most companies, however, are failing to leverage the growing mountain of data at their disposal. Just under a quarter of respondents (23%) said they act on most or all of the customer data they collect, while a similar number (23%) said they act on very little or none of it, and the remainder use some of it. FIGURE 5

THE PACE OF CHANGE AND SHIFTING CUSTOMER DEMANDS ARE SOME OF THE BIGGEST CHALLENGES TO DELIVERING A SUPERIOR CUSTOMER EXPERIENCE

FIGURE 5

COMPANIES DO NOT ACT ON THE MAJORITY OF CUSTOMER DATA

How much of the customer data that your organization collects are you able to act upon?

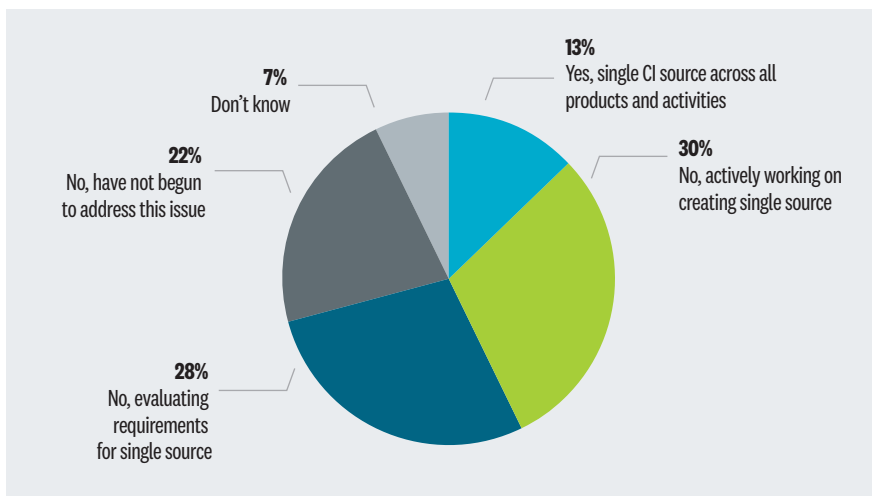


SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

FIGURE 6

SINGLE SOURCE OF CUSTOMER INTELLIGENCE ELUDES MOST COMPANIES

Do you have a single, reliable source of customer intelligence across all products and activities today?



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

Leaders are collecting and acting on more data than their rivals are. Notably, they also are more likely to immediately put it to use. Four out of 10 said confidently that they are able to quickly act on the data they do use to make enhancements to the customer experience, compared to just 11% of followers and 5% of laggards. But they too have plenty of room for improvement in extracting the full value of the customer information they are gathering.

A Single Source of Truth Remains Elusive

Despite—or, in part, because of—these new and expanding data sources, companies are still struggling to create a single source of customer intelligence. Just 13% have it today, and 30% are actively working on it. [FIGURE 6](#)

Leaders are more likely to have achieved a single customer intelligence source. However, three quarters of them admit that they are not yet where they would like to be.

The performance marketing manager at an online fashion retailer said data and systems integration has made creating a single source of customer truth a

challenge, although it is something they are actively developing.

At the terminal technology provider, consolidation of systems with its parent company and also with a newly acquired company has to date thwarted such efforts. “It’s an ongoing process to rationalize and clean up the data across systems as we continually evolve,” said the company’s vice president of customer experience. Ultimately he would like to begin correlating CRM and financial data to start looking at customers in new ways—in terms of profitability and demand for support services—but that will take another year or two.

There are a number of impediments to these efforts, led by organizational silos, lack of systems or data standardization and integration, data quality issues, and inconsistent collection of data. **FIGURE 7**

Eliminating silos has been critical to customer experience innovation at the global financial services company, where employees have reorganized around the customer journey. “We are able to see and manage the end-to-end customer processes better and take on more responsibility to improve them,” says the customer experience leader. “Before, it was difficult to even realize the smallest changes to the customer experience. Now it’s much easier and faster to do.” The company is redesigning and streamlining customer journeys and also developing a tool kit that other employees can use to gather insights to make further improvements to customer experiences.

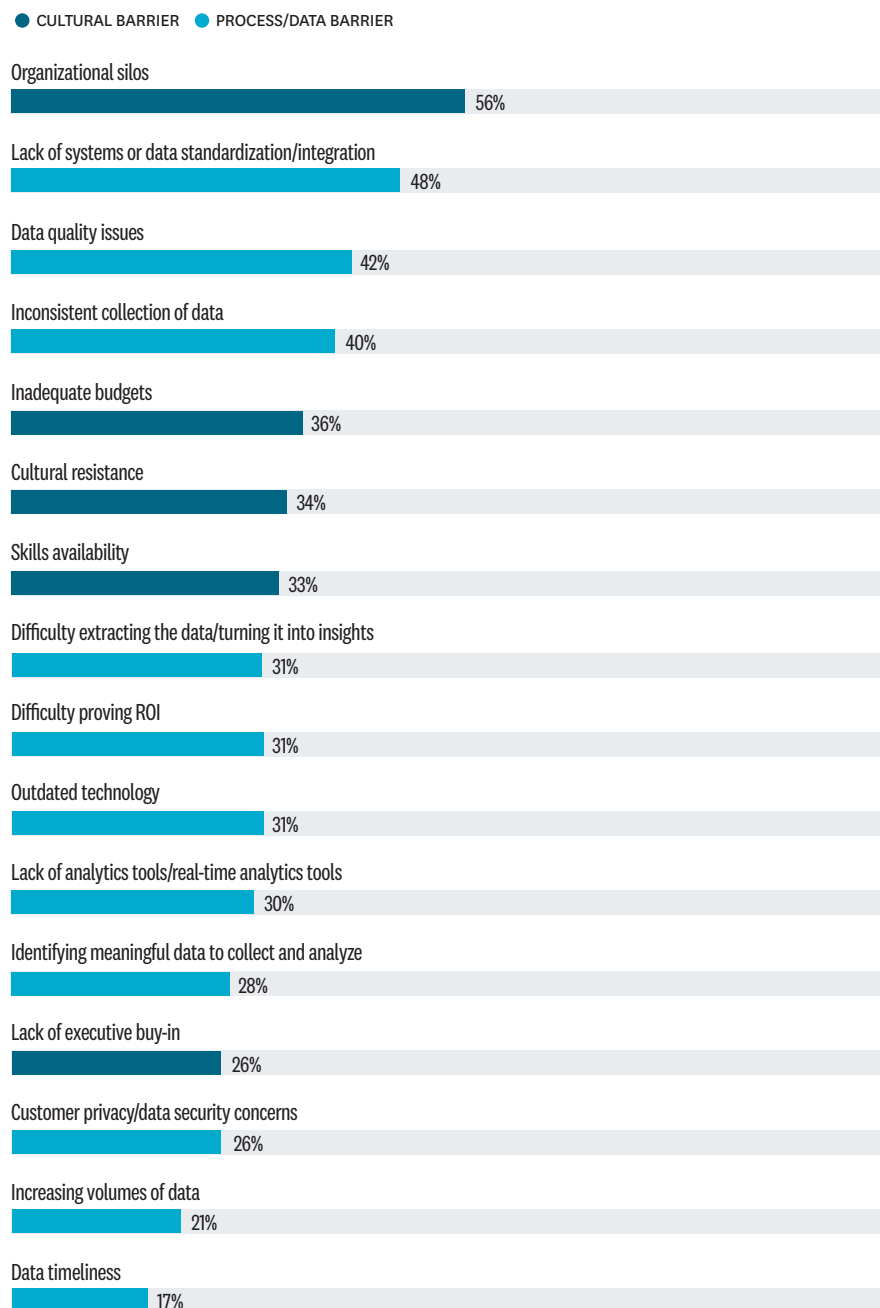
Inadequate budgets, cultural resistance, and lack of availability of skills are also significant barriers to creating a single view of the customer for a third of respondents. “The proliferation of new technologies means that it’s becoming harder and harder to access expertise in these platforms, and there is often significant competition in the market for staff and even vendor resources to assist,” says the CCO of the institutional investment and benefits provider. “Forming partnerships with vendors and consultants has been our initial strategy to deal with the skills shortage, with a strategy to grow more internal talent over time.”

FIGURE 7

BARRIERS TO CREATING A SINGLE SOURCE OF CUSTOMER INTELLIGENCE

What are the biggest impediments to creating a single source of customer intelligence?

[MULTIPLE ANSWERS ACCEPTED]



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

Creating a Platform for Customer Experience Innovation

As important as breaking down organizational barriers and acquiring the requisite skills for customer data gathering and analysis is putting in place a technology foundation that's capable of delivering a single source of customer truth. Even companies that are committed to customer experience improvement and innovation struggle to integrate data in legacy systems with new sources of customer data in a streamlined and meaningful way.

Leading companies have invested in databases and data warehouses that can ingest both internal and external sources of data across applications and channels, but many have found that alone does not solve the problem.

"It's a struggle. We've got more data than we can handle coming in from different systems and sources," said the CEO of a credit union, which uses a data warehouse to pull in data from various internal and third-party sources. "Just because you pour it all into the same container doesn't mean you can draw connections between disparate data. There's more than enough information, but getting it all to mean

something—and then doing something with it that's valuable to customers—is the real challenge."

Similarly, the global financial services company houses all of its own customer-related data in a centralized data warehouse but has not yet been able to easily integrate behavioral data from websites or social media. "We have to go to several systems to get the whole picture, and that can be tiresome," said the bank's customer experience leader. "In the future, we'd like to have all that information in one place where we can easily access it and cross-reference data in various streams."

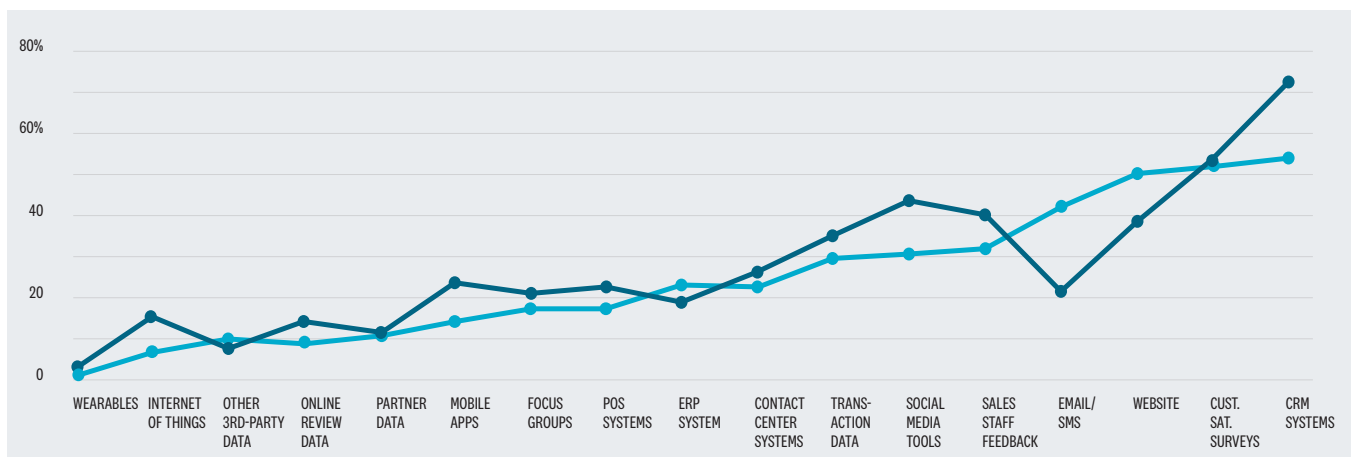
The most important sources of customer experience data are customer relationship management systems (75%), customer satisfaction surveys (53%), social media tools (43%), feedback from sales and retail staff (40%), email or SMS (37%), and transaction data (34%). The sources of data that are actually used for customer experience are CRM (54%), customer satisfaction surveys (52%), websites (50%), contact center managers (41%), and feedback from sales and retail staff (31%). Very few companies are yet using data coming in newer sources such as mobile apps, internet-connected devices, or wearables. [FIGURE 8](#)

FIGURE 8

MOST IMPORTANT/MOST USED SOURCES OF CUSTOMER DATA

What sources of data are most important to delivering a superior customer experience, and what sources of data does your company currently use to deliver a superior customer experience? [MULTIPLE ANSWERS ACCEPTED]

● IMPORTANT ● CURRENTLY USING



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

However, being able to ingest and analyze such new sources of customer insight and use that to inform and update a single source of customer intelligence will be a key competitive differentiator going forward. Ingesting new sources outside enterprise systems “is vitally important,” says the credit union CEO. “We need to use those small seeds of information that may be easily overlooked. The key is to have a very flexible system that can ingest a variety of data in many forms. It’s difficult to require normalized data from each source.”

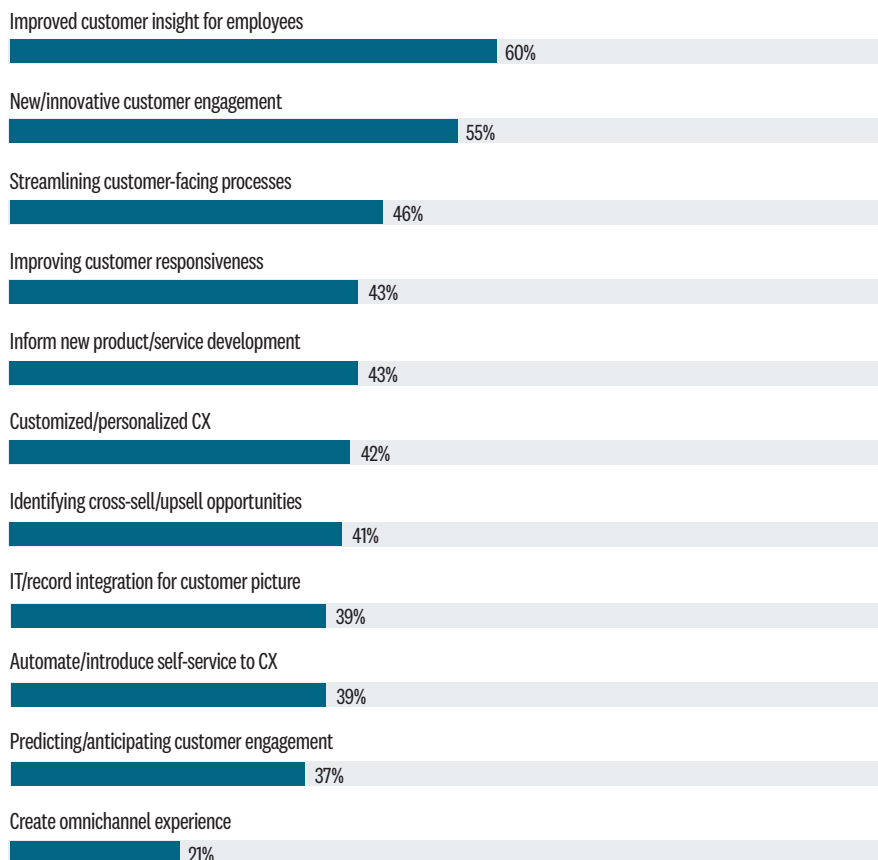
Legacy CRM systems—particularly proprietary or highly customized ones—are seldom a fit for such purpose. The institutional investment and benefits provider threw out its proprietary CRM platform, replacing it with a software-as-a-service option that, in conjunction with a marketing automation system, serves as the company’s technology hub of customer insight. All other applications and sources of data exist as spokes feeding into that central source of customer intelligence. “Over the years, large organizations build up overlapping technologies, and, very often, the customer comes last. You have to strip away those layers so that the customer record has primacy. I’m not sure anyone can get there by adding new platforms into legacy systems structures.” Figuring out how best to stitch together these expanding sources of customer data is itself becoming a competitive advantage, says the CCO. “Our CRM and marketing automation platforms are the only systems connected to our data warehouses and insights platforms, and they are then used to deliver any type of data or insight to any other platform within the ecosystem seamlessly on an as-needed basis. This approach offers a lot of flexibility, simplicity, and efficiency as we deal with ever-increasing data sources and insights.”

The key is having “a data-rich, aggregated dashboard that remains consistent yet open to new forms of data—the customer insight visualization platform,” says the vice president of IT at the software solutions provider for logistics terminal operators. The technology powering the dashboard must be capable of elegantly weaving together disparate data sources, he says. “Success requires an ongoing process of

FIGURE 9

UNDER HALF USE DATA TO ANTICIPATE AND PERSONALIZE

In which of the following ways do you leverage customer data to deliver or innovate around the customer experience? [MULTIPLE ANSWERS ACCEPTED]



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

finding and integrating new technologies into a data platform.”

Increasing the Return on Customer Data

Companies are most likely to leverage customer data to deliver improved customer insight to employees, engage customers in new or innovative ways, streamline customer-facing processes, and improve customer responsiveness—all important data-driven improvements. But those may soon become table stakes as customers seek out companies that can anticipate their needs and customize experiences for them.

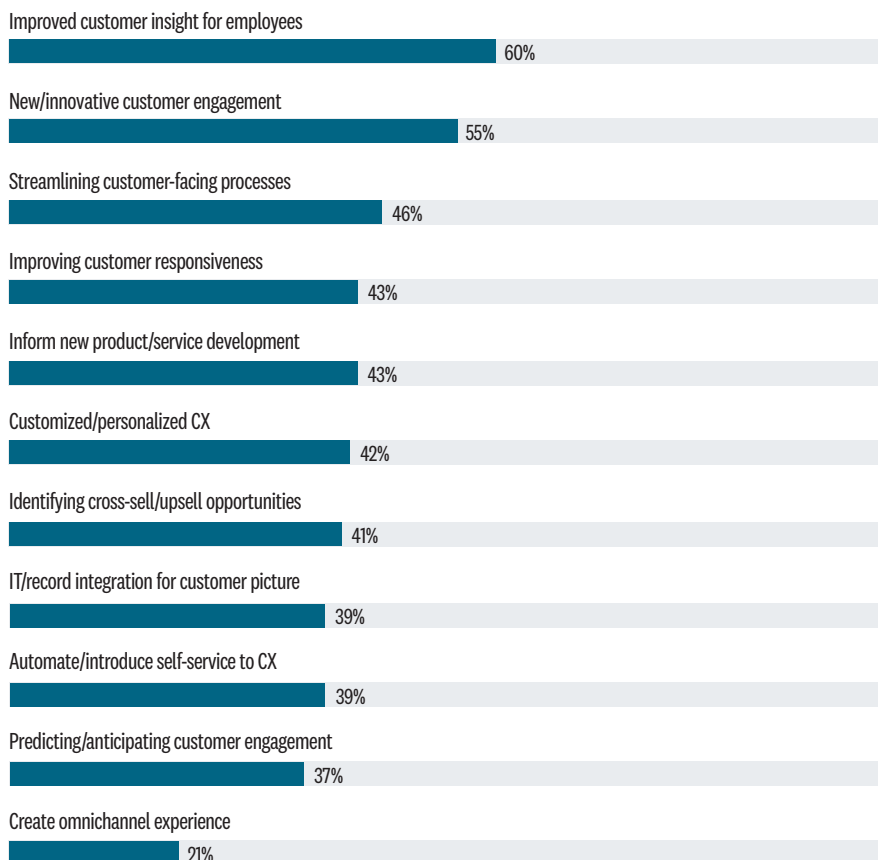
Approximately four out of 10 respondents said they have used or will use customer data to customize

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In which of the following ways do you leverage customer data to deliver or innovate around the customer experience? [MULTIPLE ANSWERS ACCEPTED]



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

or personalize experiences for individuals, while just 37% said they use it to predict or anticipate customer needs, and just one-fifth said they are using customer data to create an omnichannel experience. [FIGURE 10](#)

Leaders, however, are more likely to use data for predictive and personalized customer experiences and to create cohesive customer experiences across channels. Indeed, the business leaders interviewed for this report were mapping customer journeys and reorganizing around the customer experience to create more seamless omnichannel interactions. They were

analyzing customer data to create more personalized and anticipatory customer service, sales, and product development processes. As the online retail performance marketing leader said, one of the biggest customer experience priorities is “anything that helps us with personalization, because we are moving toward a one-to-one approach to customer experience.”

One reason more companies are not yet prioritizing personal, predictive, and omnichannel customer experiences may be the disconnect between the capabilities required to deliver those kinds of singular customer experiences and their level of mastery in those areas. Ensuring that employees and partners have access to the customer data and analysis, creating automated or streamlined business processes, and having a single and reliable source of customer intelligence were all deemed critical, yet less than a quarter of companies rated themselves as effective in those areas. [FIGURE 11](#)

For those with the right technology architecture in place, providing customer intelligence to employees and partners can be a more straightforward exercise than it is for those still struggling with disparate customer data and systems. But even then, there must be clarity around how to act on that insight. “Information needs to be both robust and actionable,” said the senior vice president of strategic analytics for a marketing services provider. “[Even] more important than giving staff access to customer data or presenting analysis is prescribing rules or means to make smarter decisions via those data and the derived intelligence.”

Customer experience excellence requires “giving the right person the right data at the right time,” said the credit union CEO. “Too much data is useless, and trying to match what I might need now and what I have access to can be difficult.” The credit union has made significant progress identifying and highlighting the next best action for call centers to take with an individual customer, for example. “Keeping a consistent look and feel of the platform allows team members to continue to

FIGURE 11

KEY CUSTOMER EXPERIENCE CAPABILITIES/EFFECTIVENESS

How important is each factor in delivering a relevant and reliable customer experience?

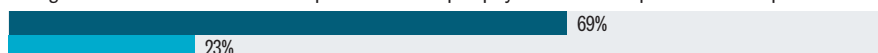
How effective is your organization in this area? [PERCENTAGE INDICATING 8,9, OR 10 ON A SCALE OF 1-10]

● IMPORTANCE ● EFFECTIVENESS

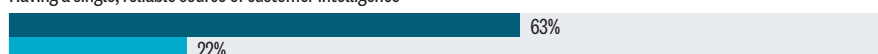
Ensuring staff has access to the customer data and analysis it needs to deliver a superior customer experience



Having automated or streamlined business processes to free up employees to deliver a superior customer experience



Having a single, reliable source of customer intelligence



Ensuring our strategic partners have access to the tools and data they need to deliver a superior customer experience



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

focus on using the solution to generate insights rather than focusing on the tools,” adds the vice president of IT for the software solutions provider. “The key technology skills involve managing the integration of multiple data sources, obfuscating the complexity from the customer experience managers.”

Automating and streamlining as much as possible to free up employees and partners to engage more effectively with customers is also crucial. “We try to automate as much as we can, from sales to delivery and all the way to our long-term support service,” says the vice president of customer experience at the software development firm. “It’s very important because that enables us to provide excellent customer experience at an effective cost.”

The Future of CX: Advanced Analytics and Artificial Intelligence

A significant strategic shift is coming in terms of the tools companies use to deliver superior customer experience. Website and email channels, which are more dominant today, will become much less business-critical. Meanwhile, mobile apps, chatbots, and other AI-driven tools will grow in importance.

But the biggest and most significant shift will be in the use of advanced predictive analytics to drive data-driven customer experience decisions. [FIGURE 12](#)

The senior vice president of strategic analytics for the marketing services provider is increasing investment in technologies that offer more control to the customer, including augmented reality and self-service systems as well as AI. Of course, emerging capabilities such as advanced analytics, process automation, or chatbots cannot transform customer experience in isolation. Only companies that put in place the cultural, structural, and technological foundations to take advantage of such new approaches will extract the full value from them.

“If you want to be an experience-led business, any technology that can provide a more personal and more contextualized experience is going to be very important in the future,” said the CCO of the institutional investment and benefits company, which is already placing small bets in the areas of machine learning and robotic process automation. “One of the most important skill sets of the future will be taking these new modular technologies and integrating those for single customer view, channel

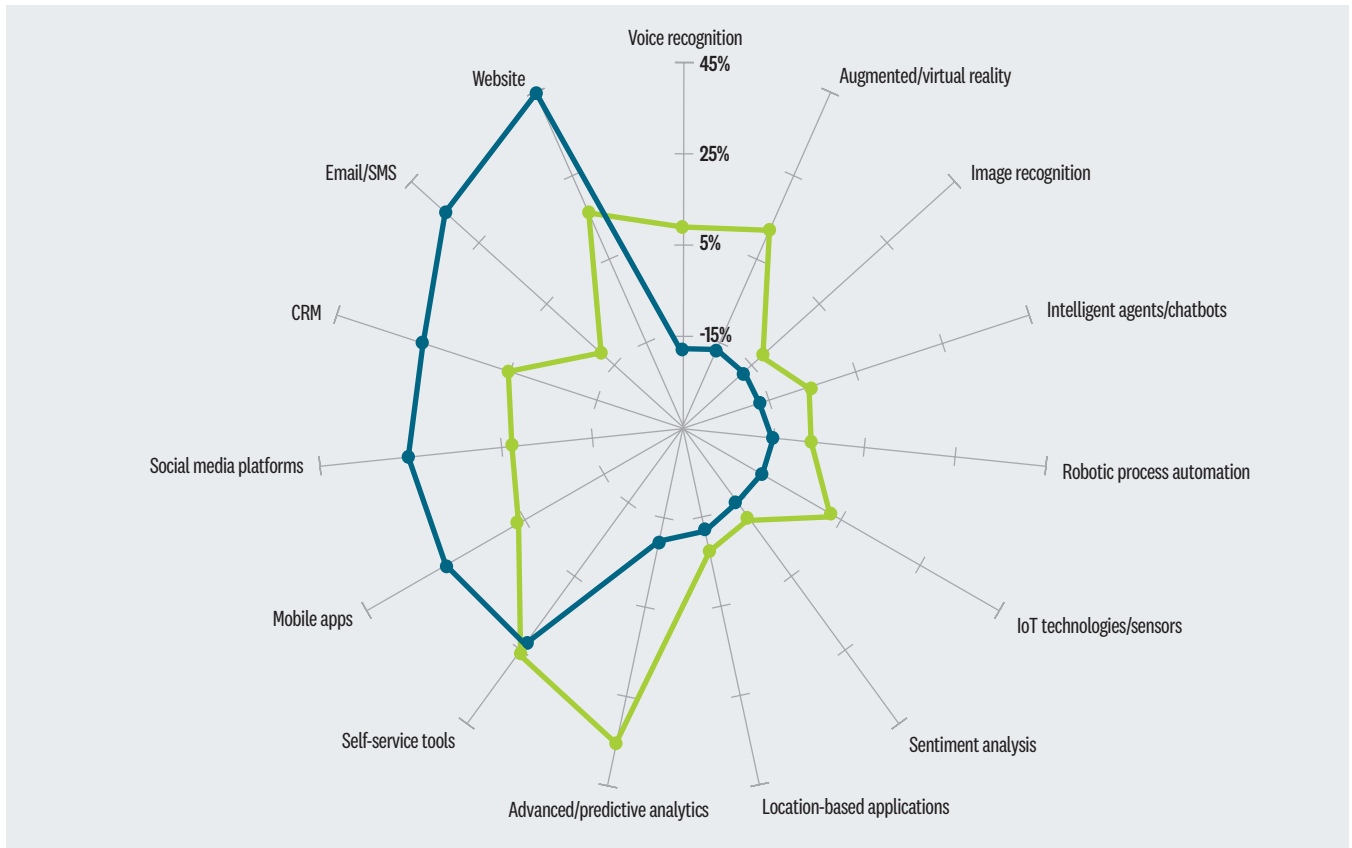
THE BIGGEST AND MOST SIGNIFICANT SHIFT WILL BE IN THE USE OF ADVANCED PREDICTIVE ANALYTICS TO DRIVE DATA-DRIVEN CUSTOMER EXPERIENCE DECISIONS

FIGURE 12

THE SHIFTING CX TECHNOLOGY TOOL KIT: ADVANCED PREDICTIVE ANALYTICS AND AI WILL TAKE THE LEAD

What are the most important systems or tools your company uses to deliver a superior customer experience today? And which will be most important two years from now? [MULTIPLE ANSWERS ACCEPTED]

● TODAY ● TWO YEARS FROM NOW



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

alignment, and the delivery of contextual customer experiences. That's the real challenge—but it's also the real competitive advantage.”

New Ways to Measure Customer Success

Even as it becomes clear that companies that want to win on customer experience must embrace new organizational, technological, and process changes, many business leaders continue to rely on outmoded approaches to measuring customer value.

Companies today are more likely to measure customer experience

effectiveness with customer satisfaction surveys (56%) than any other method, followed by customer retention or repeat sales (42%). [EXHIBIT 13](#)

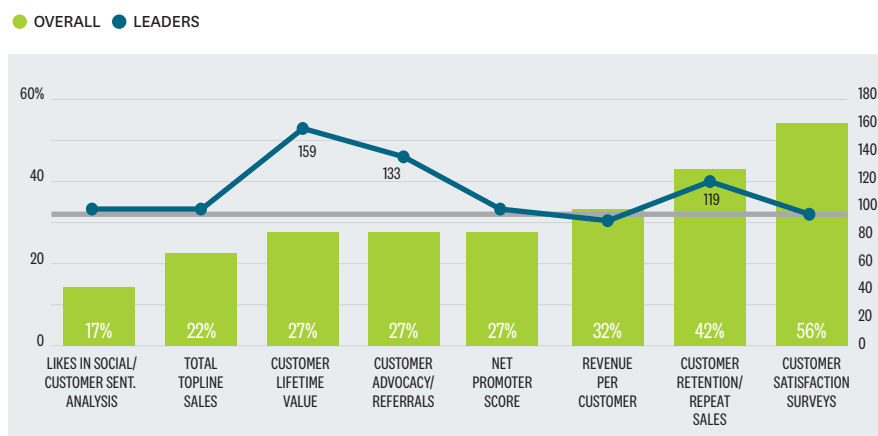
While customer satisfaction is one metric that leaders use to take the temperature of their transformation efforts, it is typically not the sole measure relied upon—or even the most important one. Leaders are considerably more likely to look at metrics such as customer lifetime value, customer advocacy, and customer retention than their counterparts—an approach that better positions them to develop and implement more targeted and fruitful

FIGURE 13

HOW LEADERS MEASURE CUSTOMER EXPERIENCE EFFECTIVENESS

How do you measure the effectiveness of your customer experience strategy and tactics?

[MULTIPLE ANSWERS ACCEPTED]



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

customer experience strategies and tactics going forward.

“Surveys are only one piece of the puzzle,” explained the credit union CEO. “Identifying actual behavior is far more important and gives us insight into what customers actually do versus what they say they do.” The online fashion retailer uses a combination of information from surveys, focus groups and individual interviews, CRM data, and online behavioral data to monitor and adjust customer experience efforts. “The combination enables us to overcome the shortcomings of any one method and build a more holistic view of results,” said the company’s performance marketing manager.

Net promoter scores and customer satisfaction figures give the institutional investment and benefits company common metrics to compare across business units and against the competition, but they serve as only a “high-level read on how we’re [doing] with customers,” said the company’s CCO. “Beyond that, we focus on the metrics that matter. Unsatisfied customers can stay because they don’t see alternatives. Satisfied customers still leave. So for us, the key metrics are things like customer friction: how

much effort it takes for a customer to get something done with us, and how we can reduce that.”

The Customer Experience Payoff

Of course, what really matters to any business is the bottom line. Customer experience efforts are only a priority insofar as they benefit the bottom line. And it’s becoming clear that they do.

Leaders are outperforming others on the customer experience leadership, cultural, and skills fronts, which explains why they are also more effective on the process, technology, and organizational alignment fronts.

FIGURE 14

That has led these organizations to outperform their rivals and see stronger revenue growth than their competitors. A coordinated, clear, and fully integrated customer-centric transformation yields not just improved customer experience quality but also business growth.

The leaders interviewed for this report were convinced that their customer experience focus was critical to their overall performance and would continue to be so for the foreseeable

future. Their biggest concerns were not whether the efforts put into customer-focused transformation would pay off, but the challenge of making sure that customer experience efforts remain a top focus.

“There are always strategic choices to be made, and other priorities can overshadow the benefits of improving the customer experience. Nonetheless, we aim to improve the customer experience whilst, for example, replacing legacy systems,” said the customer experience leader at a financial services company. At the online retailer in hypergrowth mode, “a lot of things are happening,” says the performance marketing manager, noting that the launch of a new collection can take precedence over consolidating and analyzing customer data. “Getting resources to lock up the effort is always a challenge. It’s not a matter of buy-in. There is complete alignment and agreement that this needs to happen. But things are happening so fast, it can be hard to keep up with everything.” The vice president of customer experience at the terminal technologies provider agreed. “Overcoming competing priorities is the biggest challenge we face on all customer experience fronts.”

Ongoing vigilance will be important for all companies. Even leaders that may be ahead of their rivals in their customer experience delivery have by no means achieved mastery. They have plenty of scope to improve their data usage through a single-source of customer intelligence system. They too suffer from budgetary constraints and the continually growing deluge of customer data.

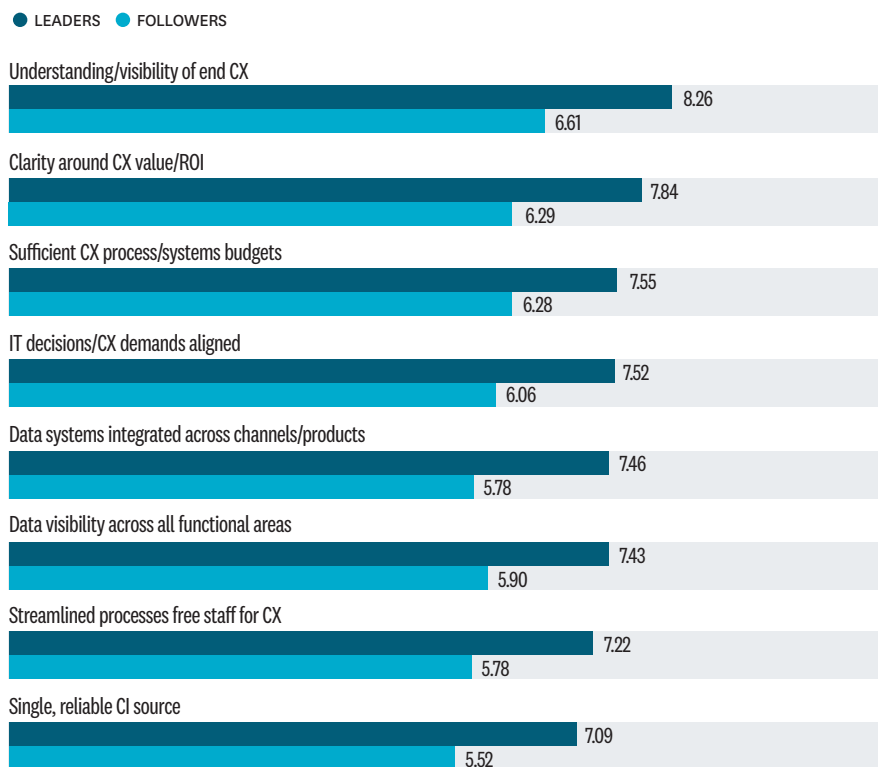
“There will always be new data elements, and tools are getting better and better,” said the credit CEO. “We’re doing reasonably well. But it’s something we can never become complacent with. It’s a journey.” And as it is one without a foreseeable end, what the best companies can do is map out a direction and pave the way for ongoing improvement and innovation. “Anyone that says they’re done with this is mistaken, particularly as technologies continue to evolve at a breakneck pace,” says the CCO of the institutional

FIGURE 14

LEADERS' CX PROCESSES ARE MORE EFFECTIVE

How effective do you feel your organization is in delivering on/achieving each of these same factors? How effective is your organization's performance on each of these same attributes?

[RATED ON A SCALE OF 1 TO 10, WHERE 1 IS NOT AT ALL EFFECTIVE AND 10 IS EXTREMELY IMPORTANT/ EFFECTIVE]



BASE: BEST IN CLASS N=100, FOLLOWERS=364

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, APRIL 2017

investment and benefits provider. “Our goal is to lay a solid foundation and create a technology environment that will serve us well in the future.”

Call to Action

There is no debate: Customer experience is and will continue to be a key differentiator for all companies. While there are significant cultural, organizational, and technological barriers to customer experience transformation, there is also clarity around the requirements to overcoming them. Customer experience leaders will:

- Have unambiguous executive support for customer experience transformation
- Develop a clear customer experience transformation strategy built on desired customer experience outcomes
- Create a customer-centric culture throughout the enterprise
- Break down customer data and organizational silos
- Align IT priorities with customer experience demands
- Invest in next-generation customer technology that can deliver a single source of customer insight across functions
- Partner with vendors and consultants with experience and skills required to collect, analyze, and act on expanding volumes of customer data
- Empower employees to deliver and innovate around customer experience

These efforts to reorganize around the customer will only become more important as customer requirements evolve and expand and sources of customer data continue to increase. Those companies that are not able to adapt to meet customer demands with agility and speed will quickly lose customers—and revenue—to competitors that do.

METHODOLOGY AND PARTICIPANT PROFILE

A total of 682 respondents completed the survey, including 367 who are members of the Harvard Business Review Advisory Council. All the respondents had knowledge of their organization’s CX across channels, business lines, and products.

SIZE OF ORGANIZATION

ONLY ORGANIZATIONS WITH 100 OR MORE EMPLOYEES TOOK PART IN THE SURVEY



SENIORITY



KEY INDUSTRY SECTORS



JOB FUNCTION



REGIONS





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