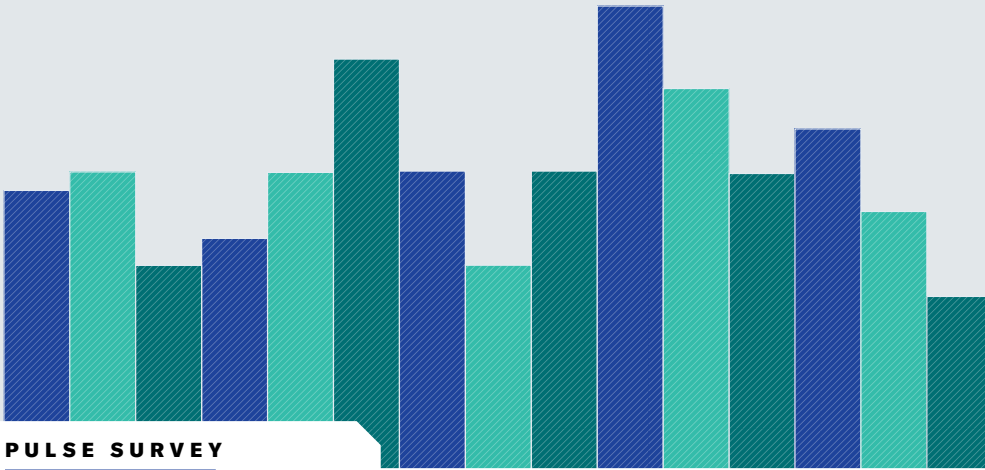




**Harvard  
Business  
Review**

ANALYTIC SERVICES



PULSE SURVEY

# Transforming Customer Experience Inside and Out



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## **It's Time to Close the CX Gap**

Everyone agrees customer experience is essential to business performance—so why aren't more organizations excelling?

**Rujia Wang, Global Head of Customer Experience, Product and Design, Thoughtworks and Joe Murray, Chief Digital Officer, Thoughtworks, North America**

A well-executed customer experience (CX) drives some of the world's most successful companies. It helps them protect customer engagement and brand equity in the face of economic turbulence and leap ahead of competitors in times of growth.

Yet the majority of business leaders admit their CX strategies are falling short.

As this Harvard Business Review Analytic Services report reveals, there's a belief-behavior gap between knowing CX improvement is a leading priority—as 73% of respondents tell us—and delivering effective CX.

Respondents ranked CX as one of the two most important drivers of customer loyalty and brand equity. Yet, only about a third strongly agree CX is a focal point of their organization's overall growth strategy.

There's clearly a disconnect here.

At Thoughtworks, we help organizations turn CX goals into tangible products and differentiated experiences. And we have seen the powerful things successful CX leaders do differently.

### **Set Your CX North Star—and Hold Someone Accountable**

You need an influential leader to own your CX. Only then can you set up the governance and reporting practices needed for continual improvement.

For example, this report finds just around half of organizations track customer metrics at an enterprise level. Even when they do, these are lagging measures. Aligning CX metrics to customer outcomes—and tracking these across the enterprise—is a better approach.

### **Move Past Siloed Thinking**

Organizational or team silos are a major challenge according to 34% of respondents—with many functions (like product or digital teams) relegated to the sidelines of CX efforts.

Bringing together multidisciplinary teams can go a long way to bridging the gap. And empowering people with the right tools and systems can enable greater focus on customer value.

### **Focus on the Customer, Not the Channel**

Omnichannel friction is another roadblock for respondents. But, quite frankly, if you're worrying about aligning channels, you're looking at this from the wrong angle.

CX leaders start with understanding the customer and their "whole" job to be done and then orchestrate digital, physical, and human channels to deliver a customer experience that improves engagement. As businesses increasingly operate as part of a broader ecosystem to solve customer problems, these strategies should look beyond their own products and services.

### **Mobilize Your Business to Respond and Deliver**

With customer expectations constantly changing, business growth and market leadership will belong to organizations that can continuously evolve and innovate. View your business model as a collection of capabilities that can solve new customer problems, deliver new customer value propositions, and participate in partner ecosystems. This combination of product and platform thinking can accelerate time to value, yet this report highlights the chasm between most companies' aspirations for a market-leading CX and their ability to execute.

There is significant room for CX improvement. Leaders who are making progress are showing the value of creating a truly differentiated experience, one that consistently drives lasting customer engagement and loyalty.

If you'd like to discuss your perspective on the findings in this report, we'd be happy to start a conversation.

# Transforming Customer Experience Inside and Out

It's hard to overstate the importance of customer experience (CX). "The experience customers have with you, with your people, and in your places—whether physical, virtual, or over the phone—is the single most important item to focus on in today's experience economy," says B. Joseph Pine II, coauthor of *The Experience Economy* and cofounder of Aurora, Ohio-based consultancy Strategic Horizons. "If you do not focus on the experience customers have with you, sooner or later you will be commoditized." Indeed, the importance of CX to business success has increased in recent years, making it a key, if not the primary, competitive differentiator for companies of all sizes and in many industries.

Despite having access to more customer data than ever and the availability of technologies for generating customer insight, few organizations excel at customer experience delivery. An August 2022 survey by Harvard Business Review Analytic Services of 465 respondents familiar with their organization's CX strategy and execution found that nearly all of them (94%) say that it is very or extremely important for their organization to deliver industry-leading customer experiences in order to be successful. However, just 10% of respondents indicate that their organization is extremely effective at delivering industry-leading customer experiences today.

"It's one thing to say you want to be experience-centric," explains Mat Duerden, coauthor of *Designing Experiences* and associate professor of experience design and management at the Marriott School of Business at

## HIGHLIGHTS



**94%** of survey respondents say that it is very or extremely **important that their organization delivers industry-leading customer experiences** in order to be successful.



**74%** strongly agree that a well-designed customer experience **drives higher levels of brand value/equity.**



**73%** report that improving customer experience is one of their organization's **top strategic priorities.**

Due to rounding, some figures in this report may not add up to 100%.



“We believe that brand equity today is achieved by a Venn diagram of what we tell our customers and what they actually experience. Helping our business understand this ensures we get the right focus on both parts,” says Nicola Buck, senior vice president of marketing at BP.

Brigham Young University in Provo, Utah. “It’s another thing to do what needs to be done to transform the organization.”

While the majority of respondents realize that CX is a key driver of customer loyalty, brand equity, and overall business performance—and say that improving CX is a top strategic priority—in reality, most organizations fail to manage CX as an enterprise-wide capability. Only a third of respondents’ organizations clearly make CX central to their overall growth strategy.

A host of issues hold organizations back from optimal CX delivery. While respondents indicate they’re implementing a range of people, process, and technology changes in their efforts to reorganize around CX, there is significant room for improvement in their approaches to CX optimization. Many organizations lack CX-specific leadership and enterprise coordination, leaving functions critical to effective CX delivery out of the equation. Few of the most impactful approaches for improving CX are being adopted on a broad scale. And effective CX metrics and reporting are in limited use throughout the enterprise.

This report examines this gap between the strategic importance of CX and CX’s effectiveness, the biggest barriers to optimal CX delivery, and the importance—and challenges—of organizing the enterprise around understanding and optimizing the customer value proposition. It also sheds light on the most powerful approaches to CX transformation, the value of clear leadership combined with cross-functional collaboration, the importance of enterprise-wide CX metrics, and how to start and sustain an enterprise CX practice.

## The Customer Experience Performance Gap

Over the past decade, CX has emerged as a key business advantage across industries, geographies, and company sizes. “It is an absolute differentiator in this industry,” says Scott Piccolo, chief digital experience officer at Norwegian Cruise Lines Holdings (NCLH) in Miami. Halfway around the world at the Australian headquarters of Reece, a leading supplier of bathroom and plumbing products, its group brand and innovation director, Carlo Tarquinio, agrees. “While, of course,

there are a number of factors and dynamics in play that impact our performance, like product and pricing strategies and supply chain efficiency,” says Tarquinio, “the core differentiation and driver of value is customer experience.”

Nicola Buck, senior vice president of marketing at London-based multinational energy company BP, notes the dynamic nature of customer demands. “Post-Covid, we see customer expectations of a great customer experience to be more important than ever,” Buck says. “These expectations can grow or shift more quickly than ever before and are driven by the last great experience they had, irrelevant of brand or sector. To keep pace with changing expectations requires real-time insights and business agility to adapt and pivot at pace.”

The survey results echo these sentiments. Not only did most respondents say that CX is essential to business performance; more than two-thirds (68%) say CX is one of the top factors influencing customer loyalty, second only to quality of products and services sold (73%). A key outcome for well-executed CX is often an increase in brand equity, according to the three-quarters of respondents (74%) who strongly agree that a well-designed CX drives higher levels of brand value or equity. “We believe that brand equity today is achieved by a Venn diagram of what we tell our customers and what they actually experience,” says Buck. “Helping our business understand this ensures we get the right focus on both parts. And in turn, the resulting brand equity improves enterprise value.”

However, CX is not yet seen as an essential ingredient for growth at many companies. Just around a third of respondents (32%) strongly agree that CX is a focal point of their organization’s overall growth strategy. “There is a fundamental break in business logic when it comes to CX,” says Simon David Clatworthy, author of *The Experience-Centric Organization* and professor of service design at the AHO Center for Design Research in Oslo, Norway. “CX is shown to have incredible value and, in many organizations, has been identified as top priority, but investments don’t always follow.”

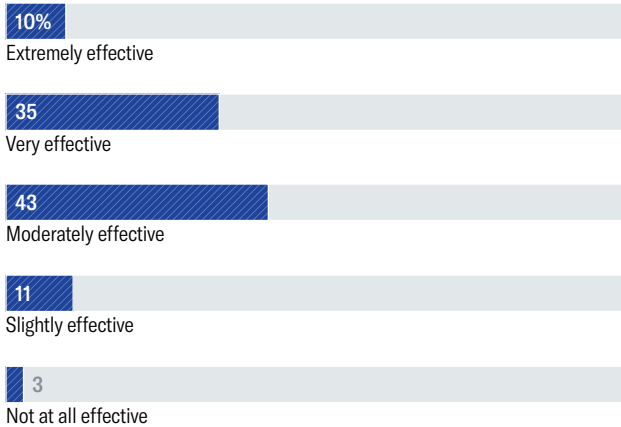
As a result, many companies struggle with CX today. Just one in 10 respondents rate their organization as extremely effective at delivering industry-leading CX, and just over a third described their organizations as very effective in this

FIGURE 1

## Few Organizations Excel at Customer Experience

Only 10% of respondents rated their organization extremely effective

HOW EFFECTIVE IS YOUR ORGANIZATION AT DELIVERING INDUSTRY-LEADING CUSTOMER EXPERIENCES TODAY?



Source: Harvard Business Review Analytic Services survey, August 2022

regard. More than half indicated there was work to do in this area, rating their organizations as moderately effective (43%), slightly effective (11%), or not at all effective (3%). **FIGURE 1**

## Holistic CX Challenges in Disjointed Environments

There are significant organizational, operational, and technological hurdles that companies must overcome to deliver industry-leading CX as an enterprise capability. When asked about the most significant challenges to delivering an optimal CX, most respondents pointed to organizational/team silos as the top challenge (34%). In addition, difficulty delivering personalization at scale, difficulty measuring the impact of CX efforts, suboptimal digital technology, and multichannel management challenges were all seen as significant hurdles to delivering optimal CX. **FIGURE 2** Beyond organizational/team silos, gaps in the percentages between each challenge are subtle, revealing a wide variety of challenges including unclear CX ownership, lack of CX skills and talent, data and systems silos, and difficulty making the case for CX investment.

Notably, respondents in the Asia Pacific (APAC) region were more likely than North American respondents to cite difficulty making the case for CX investment as one of the most significant challenges.

FIGURE 2

## A Range of Issues Thwart Optimal CX

Organizational silos block optimal customer experience the most

WHAT ARE THE MOST SIGNIFICANT CHALLENGES TO DELIVERING AN OPTIMAL CUSTOMER EXPERIENCE FOR YOUR ORGANIZATION? [SELECT UP TO THREE]



Source: Harvard Business Review Analytic Services survey, August 2022



**“A true omnichannel guest experience sounds great, but it requires a lot of investment into back-office systems to capture all the right information and make sure we provide it in a way that people can act on it,” says Scott Piccolo, chief digital experience officer at Norwegian Cruise Lines Holdings.**

NCLH has always been committed to the guest experience. Beyond their ships, experience is the only difference between one cruise operator and another. Yet even at NCLH, long-established organizational and system divisions stood in the way of CX transformation. “In years past, there were a lot of great ideas and even great initiatives, but they were very siloed,” says NCLH’s Piccolo. “We suffered like all companies with siloed technologies and also siloed policies.”

Since Piccolo took on the new role of chief digital experience officer, he reports directly to the company’s three brand presidents, putting him at the nexus of the business helping to drive a more unified and deliberate approach to CX design. “That allows me to work with other key stakeholders to create a holistic strategy for our guest experience,” Piccolo says. “I work with marketing, communications, IT, onboard revenue, and other functions. I sit in the same strategy meetings to ensure we’re all aligned.” Together, those stakeholders embarked on a fundamental shift in direction, from simply modernizing reservation systems to a more holistic CX goal of delivering the best “lifelong memory” vacations in the industry.

Energy giant BP similarly sees breaking down silos as essential to differentiated CX. “We have a central CX team who works hand in hand with our insights team to manage our master customer journeys and drive this across businesses, irrelevant of silos,” says Buck. The company is increasingly offering a range of solutions, from traditional customer fuel sales to at-home and on-the-go electric charging, food, and beverage sales. New business models and service platforms aimed at both consumer and business customers are under development as well. “End-to-end CX that prioritizes

customer needs across this spectrum is the way we believe we will mean the most to our customers,” adds Buck.

In recent years, “omnichannel” CX has emerged as a key buzzword in marketing circles—and a potential solution for CX delivery challenges. However, omnichannel CX continues to stymie organizations. While 83% of respondents say providing an optimal omnichannel experience is extremely or very important to their organization’s success, only 24% say their organization is extremely or very effective at delivering an optimal omnichannel experience today. “It’s very much the right goal,” says Sudhir Rajagopal, research director, future of customer experience at research firm International Data Corp. (IDC). “The difficulty is that companies have pushed out channels for the sake of offering choice. But they didn’t think through the experience being delivered and unifying it across those channels.”

Omnichannel is more than a buzzword at NCLH; it’s reality. There are multiple ways to book a cruise, from working with a travel agent to calling the cruise line to using the website or mobile app. “Historically, those channels operated independently,” says Piccolo. And in many cases, the applications in use were developed and maintained separately using different operating systems. “A true omnichannel guest experience sounds great, but it requires a lot of investment into back-office systems to capture all the right information and make sure we provide it in a way that people can act on it,” Piccolo says. “If we want this to be truly amazing and a completely seamless experience, it’s easier said than done. But it’s an absolute necessity.”

Plumbing supplier Reece has long prided itself on the personal relationships it has built with its small-to-midsize clients. Those one-on-one interactions and resulting insights are second to none, says Reece’s Tarquinio, adding, “The challenge is scaling that for enterprise functions like technology, employee experience, merchandising, and even marketing in a meaningful way.” The goal, he says, is for his company to “understand and use those insights to deliver a differentiated and consistent customer experience.”

Part of Tarquinio’s role is taking the best parts of the current CX, translating them to work across channels, and integrating them into the development of more modern tools and approaches. “Delivering a winning customer experience is what our people do in the branches every day,” says Tarquinio. “This is great, but sometimes the more intangible or long-term benefits and outcomes of innovating on customer experience—as opposed to just providing great customer service—require advocacy and collaboration management.”

## A Change Must Come

Given the breadth of challenges that organizations face, it’s not surprising that few have fully developed CX into an





“It’s important to draw the emotional curve and see the customer pain points on it,” says Simon David Clatworthy, author of *The Experience-Centric Organization* and professor of service design at the AHO Center for Design Research.

enterprise mindset and strength. Just 15% of respondents strongly agree that their organization has a holistic, end-to-end CX strategy and approach, and 25% somewhat agree. The biggest impediment to delivering differentiated experiences to customers, says Strategic Horizons’ Pine, is mindset. “It’s thinking that the old ways still work, that the experience is merely a ‘nice to have’ or ‘icing on the cake,’” says Pine, who has been working with companies in this area for more than two decades. “You need the mindset that experience is the cake—it drives success throughout the business.”

Still, CX improvement is on most organizations’ agendas. Nearly three-quarters of respondents (73%) say improving CX is one of their top strategic priorities, including 10% who indicate that it is the leading priority. Two out of 10 respondents say CX improvement is a mid-level priority, while only 7% report that it is either a low-level priority or not on the agenda at all.

Organizations are implementing a range of people, process, and technology changes in their improvement efforts. Implementing a voice of the customer program (42%), adopting CX design practices such as customer journey mapping (38%), improving employee experiences (37%), and adopting new digital tools to manage CX initiatives (36%) are the most common approaches organizations have adopted as part of their CX strategies. **FIGURE 3** The least-adopted methods are establishing clear CX leadership roles (26%), adopting a platform of integrated technologies for CX capabilities (21%), and establishing clear CX governance (15%).

For most organizations determined to improve CX, “it’s a matter of jumping in and taking some initial steps,” says Clatworthy, who’s worked with a variety of companies on CX strategy at the AHO Center for Design Research. Once companies are convinced that they are in the business of experience delivery, a common and effective next action is mapping the customer journey with an experiential twist. While insights derived from customer surveys, focus groups, and behavioral data all have value, nothing is more eye-opening than spending some time in the customers’ shoes to experience what they experience firsthand. “It’s important to draw the emotional curve and see the customer pain points on it,” says Clatworthy, who sends business leaders on “experience safaris.” “Go buy insurance. Go stay in your hotel. Admit yourself into the hospital and document what happens,”

FIGURE 3

### A Multipronged Approach to CX Improvement

A variety of techniques are in use, with voice of customer programs being the most popular method

WHICH OF THE FOLLOWING TECHNIQUES OR APPROACHES HAS YOUR ORGANIZATION ADOPTED TO DATE AS PART OF ITS CX STRATEGY? [SELECT ALL THAT APPLY]



Source: Harvard Business Review Analytic Services survey, August 2022



“Visualizing the customer’s pain points and articulating our ambitions to address them has really helped galvanize and unify teams right across the business,” says Buck at BP.

Clatworthy says. “Most are shocked at what they discover and are motivated to do something about it.”

Brigham Young University’s Duerden advises correlating customer journey maps with customer data and customer touchpoint information. “That way, when you see peaks or pits, you know who owns the touchpoint and can direct the flow of insight to them,” Duerden says. “You can start responding to voice of customer in a much more customer experience design-focused way.” Companies can also use current and aspirational customer journey maps to identify areas for improvement. “If you just have a bunch of data,” says Duerden, “it’s hard to make changes.”

NCLH’s CX initiatives run the gamut of the most popular strategy techniques. “It really is across the board,” says Piccolo, involving “people, process, and technology.” His digital experience team leverages customer groups to test ideas. “We’ve also built out our guest journey map and gone to the level of identifying different personas.” These personas are not traditional marketing personas, which rely on demographics, but CX design personas built around motivations and personal values.

In just the past year, BP has adopted three of the top approaches to transforming CX named in the Harvard Business Review Analytic Services survey. The company has added a real-time element to its voice of the customer program. Customers can provide reactions to their in-store experience, for example, during checkout or soon after. BP then integrates those responses into the internal CX platform it uses to create a 360-degree view of the customer. “The feedback is a major contributor to our customer-centricity agenda, taking [in] feedback and evolving our offers,” says Buck. BP has reorganized to adapt to such customer feedback. “Our customer care teams provide a valuable source of insight for regional teams, and from that insight we deploy squads against specific issues,” says Buck.

Customer journey mapping is another important tool at BP, with more digital tools to help with mapping on the priority list for 2023. “Visualizing the customer’s pain points and articulating our ambitions to address them has really helped galvanize and unify teams right across the business,” says Buck. Employee experience is also critical. The focus has been on eliminating mundane, low-value, manual tasks by using automation to give frontline teams more capacity to engage with customers. “We’re also looking at how our

employees on the front line experience their roles at BP,” Buck says. “We’re investing and making improvements every week.”

At Reece, Tarquinio has a dedicated team within his function focused on design thinking and service design. He is now establishing capabilities for insight gathering, journey mapping, and experience design. Participants in Reece’s new graduate and emerging leader programs get training in all three areas. “We have also introduced a more systematic and disciplined approach to how we innovate on the customer experience,” says Tarquinio. “We have a program of experiments and iteration across certain strategic zones, including test stores and services.”

## CX Transformation: A Fundamental Shift

Companies that want to make exponential improvements in CX can begin by making foundational investments. However, they must also make some more fundamental organizational shifts. “Designing great experiences is not a matter of putting new veneer on top of cheaper wood,” says Clatworthy. “It’s much more complex than that.”

Although respondents report a wide variety of CX improvement efforts are underway, some of the most powerful approaches to improving CX have not been widely adopted. The survey asked respondents to rate how impactful each technique they’ve adopted has been at improving their CX, and some interesting gaps emerged.

A number of approaches can make a significant impact, according to respondents, including establishing clear CX governance (71% of those who have this say it is very or extremely impactful) and clear CX leadership roles (67% of those who have done this say it is very or extremely impactful), as well as cultivating a CX-focused culture (66% of those using this approach say it is very or extremely impactful).

However, these approaches fall near the middle or back of the pack in terms of actual adoption. In fact, just 15% of respondents say they have clear CX governance, making it the least adopted option. And only around a quarter say they’ve established clear CX leadership roles, with about one-third saying they are cultivating a CX-focused culture. **FIGURE 4** These are longer-term efforts and investments that, in the absence of clear recognition of CX as an enterprise goal, are unlikely to materialize.

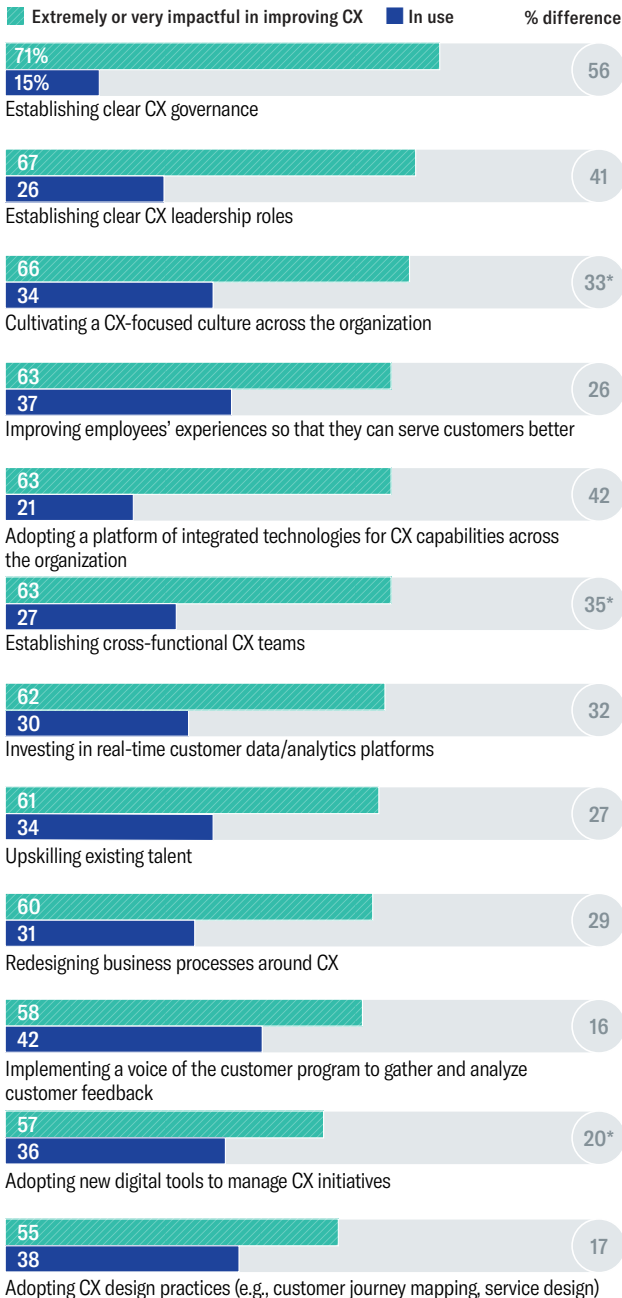


FIGURE 4

## The Heavy Hitters of CX Strategy

Some powerful approaches to improving CX have not been widely adopted

The chart below includes the most impactful techniques or approaches for improving CX according to those who have adopted them and the total percentage of respondents whose organizations are doing them.



Source: Harvard Business Review Analytic Services survey, August 2022

\*Difference based on unrounded percentages

Many of these highly rated CX approaches demonstrate a focus on how internal elements of the organization (teams, processes, and culture) are structured. When it comes to transforming CX, there is considerable merit in looking inside the organization for opportunities to improve, not just focusing outward on what customers are doing. That's certainly the case at Reece. "At a foundational level, our CX approach is really based on a brand strategy and approach that we describe as inside out," says Tarquinio, "aligning all internal functions and making sure our people and resources are in a position to deliver on our brand promise of customized service through an aligned customer experience."

Improving employee experiences first is a key CX practice, according to Pine. "If you want your employees, particularly the frontline staff, to stage an engaging, memorable experience for your customers," Pine says, "then you better stage engaging, memorable experiences for them [first] to give them the wherewithal to do it with customers." Companies that invest in systems that enable employees to free up time and energy to focus on customers have the upper hand. What's more, they ensure higher and more consistent adoption rates of new systems designed to deliver a better overall experience.

## A Call for Clear CX Leadership

Despite the importance of establishing clear leadership roles and governance, more than half of organizations lack a dedicated CX leadership position. Less than half (45%) of respondents say their organization has a role responsible for monitoring or improving CX across the enterprise, such as a chief customer or experience officer, while 51% say their organization does not have a dedicated CX role.

"I recommend that most companies hire a chief experience officer to create that focus and spearhead experiences throughout the organization," says Pine. Recognizing the need for a point person to lead CX transformation back when he was co-CIO at NCLH in 2021, Piccolo lobbied for the creation of a chief digital experience officer—the role he took in August 2021. "I socialized it with our brand presidents, global CEO, and board of directors. Everyone, to a person, was on board," Piccolo says. "They all knew it was a good idea; it was just a matter of formalizing it."

Having one leader who clearly owns CX is key, according to IDC's Rajagopal, whether or not the leader assumes a new title. Reece recently restructured the marketing function to focus more pointedly on CX. Now each customer group has a customer brand leader whose role is to create a holistic CX view and connect people and resources necessary to deliver on the customer experience. "We did not want people to think CX was a function or the role of only one team as opposed to being a shared responsibility," says Tarquinio. "We could have



“Our challenge is connecting all players in a common understanding of what matters most and when, especially around online and offline components of the entire customer experience,” says Carlo Tarquinio, group brand and innovation director at Reece.

called [the function] ‘customer experience,’ but ‘marketing’ resonated better in our organization.”

Indeed, focusing accountability on just one group is a potential risk. While it’s difficult to make headway in the absence of clear CX ownership, agrees Duerden, a CX officer or function is only as good as their ability to work cross-functionally. “You can create a CX role,” says Clatworthy, “but it’s everyone’s responsibility.”

Clearly, CX is not solely the duty of marketing, sales, or customer support. Everyone in the company has a part to play in delivering optimal experiences to customers. Unfortunately, many functions critical to CX delivery are frequently left out of CX efforts. Respondents report most often that customer service/support (60%) is involved in their CX efforts. This is followed by marketing/advertising/PR (52%), sales (49%), and operations (48%). Fewer respondents report the involvement of strategy (41%), product teams (39%), IT (38%), digital (37%), data analytics (36%), R&D (22%), HR (20%), or quality assurance/engineering (17%)—all of which play a role in CX. In addition, just 12% of respondents strongly agree that all departments across their organization collaborate successfully on CX efforts, and 31% somewhat agree.

“The more mature organizations have a shared accountability across the C-suite in terms of championing CX broadly,” says Rajagopal. “Even though a finance leader may not be in a customer-facing function, they are equally responsible for CX. It’s about making sure everyone is converged on the same CX goal.”

Not only do BP’s business leaders recognize the business value of CX, “they live and breathe it every day,” Buck says. “At BP, we put a lot of emphasis on spending time with customers and listening to their pain points. We encourage leaders to spend time in the field and on the front line and experience our products and offers with customers in mind.”

## Customer Experience Is a Team Sport

Just as some organizations lack leaders focused on CX, many exhibit limited connections to CX across the business. Only 13% of respondents strongly agree that all departments involved in CX share an understanding of what their ideal CX looks like, 15% strongly agree that departments work together successfully on CX efforts, and 16% strongly agree

that everyone in their organization clearly understands the customer value proposition. **FIGURE 5**

CX can suffer without a clear line of sight from the job one performs to its ultimate impact on CX. “If I can see my impact on the customer, I’m likely to work harder and be more engaged,” says Duerden. “It’s one thing to sit in a big meeting and talk about how we’re impacting the customer, but it’s another to have the opportunity to know I’m involved in CX even if I’m working in finance or procurement. It’s important to signal that not only do we all value customer experience, we all play a role in it.”

Articulating what an experience should involve regardless of channel, product, or touchpoint is important. While most organizations have brand style guides, “very few have a brand experience guide,” says Duerden. “Everything speaks within an experience, and you want things to speak in harmony.”

FIGURE 5

### A Fragmented Approach

Few organizations collaborate and coordinate effectively on CX

RATE THE EXTENT TO WHICH YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS [SHOWING STRONGLY AGREE BELOW]



Source: Harvard Business Review Analytic Services survey, August 2022

Reece makes sure that every employee understands the company's brand promise of customized service. This promise extends to the company's tagline, which, says Reece, "works for you." "It's all about understanding the individual needs of our customers and tailoring our service to meet those needs to help our customers grow," explains Tarquinio. While having a designated CX leader is important, so too is establishing a customer-focused mindset from the CEO down to the most junior employees. "Our challenge is connecting all players in a common understanding of what matters most and when, especially around online and offline components of the entire customer experience," Tarquinio says. At Reece, every enterprise CX initiative includes cross-functional representation and experience design capabilities. The company is also deliberate about making sure corporate functions like IT, HR, finance, and supply are connected to the frontline operators who live and breathe the customer experience.

BP has organized into product squads working on specific customer requirements. "These cut through business functions to ensure we have the right capabilities against the biggest challenges and opportunities," Buck says. "We use our CX approach to unify our OKRs [objectives and key results] and ensure everyone understands the role they play is driving customer-centricity, irrelevant of job title or function."

## Measuring CX Impact

Measuring the effects of CX efforts can be tricky. While there are qualitative and quantitative metrics, assessing CX impact can be as much art as science. Indeed, how to interpret results is cited by respondents as one of the most prevalent challenges to delivering an optimal customer experience.

Effective metrics are key to managing and improving CX, though. And enterprise transformation calls for enterprise insight at many levels. Yet the survey reveals room for improvement in enterprise-wide CX metrics and reporting. Just over half of respondents (52%) say their organization tracks and reports on CX metrics enterprise-wide, 38% say they do not, and 10% don't know. Interestingly, respondents based in APAC countries (59%) are more likely than those in Europe (44%) to track and report CX metrics at the enterprise-wide level.

Many more organizations could be tracking key CX metrics at the enterprise level. Aside from revenues and employee satisfaction, metrics frequently tracked throughout the business, fewer than half of respondents say their organizations track the CX metrics specified at an enterprise level. The most common CX metrics tracked in this way are revenues (76%), employee satisfaction (61%), Net Promoter Score (NPS) (47%), retention rate (45%), quantitative customer satisfaction data (42%), and qualitative customer satisfaction data (39%). Aside



**"NPS is a quick and easy measure. But it's one thing to say NPS is up or down. It's another to drill down to say why and what we are doing about it," says Mat Duerden, associate professor of experience design and management at the Marriott School of Business at Brigham Young University.**

from the first four in that list, all the rest of the metrics are more commonly tracked team by team.

There is some alignment when comparing the most commonly tracked CX metrics to those that respondents regard as most valuable. Of those whose organizations use NPS, just over half rank it as one of the most valuable CX metrics. NPS tracks customer response in surveys to rate the likelihood that they would recommend a company, a product, or a service to a friend or colleague. Following NPS in terms of most value are retention rate (43%), qualitative customer satisfaction data (37%), and customer engagement metrics (37%).

Just as important as the metrics themselves is what companies do with them. "NPS is a quick and easy measure," says Duerden. "But it's one thing to say NPS is up or down. It's another to drill down to say why and what we are doing about it."

Experience-focused organizations go further to connect changes in CX to the KPIs that matter most to them. Without this understanding, NPS scores or customer satisfaction figures are just numbers. "You have to look across a diverse set of metrics and use them meaningfully and correlate them back to business metrics," says Rajagopal. Doing so "offers meaningful improvement in CX and also business value."

Companies that excel at CX also deploy technologies and processes that enable the generation of actionable data and insight that can then be applied to continually improve CX. At BP, such customer intelligence is integral to the evolution of CX. "In a world of increasing customer expectations, we understand we need to be providing great customer experiences every day," says Buck. "We place as much emphasis on customer metrics as we do on performance metrics, recognizing that one leads to another. For example, our loyalty customers visit us more often than any others,

so close monitoring of our loyalty funnel is key. We also put significant value on measuring our interactions with customers and integrate the voice of the customer into our planning.”

It’s a challenge to directly attribute specific activities to CX values, Buck admits. “We have work to do. However, taking this challenge on and continuously improving is creating increasing momentum.”

Tracking CX metrics throughout the enterprise is critical to “ensure we are doing meaningful things and continuing down the journey and not getting frustrated, which has been a problem in the past,” says Piccolo of NCLH, where key metrics include guest satisfaction surveys and outcomes tied to initiatives.

BP looks at a number of indicators on a frequent basis—sometimes daily. Those include real-time engagement with the company’s program, the number of consumers using digital platforms, and total customer transactions per day.

One metric that is emerging as a valuable KPI for CX programs is customer lifetime value (CLV), the total worth to a business of a customer over the entirety of the relationship. About a quarter of respondents say their organization tracks CLV at the enterprise level (coming in eighth on the list of enterprise CX metrics), and another 37% say they track it, but not throughout the enterprise. Without effective tracking systems in place, though, calculating CLV can be difficult. But for companies that want to optimize CX and increase customer loyalty, “CLV has become an incredible metric,” says Clatworthy. “It is the central metric for an experiential society because it measures the effectiveness of CX on relationship building. Not enough companies use it.”

Reece tracks a number of metrics at the corporate level to measure CX performance, including NPS, as well as brand relevance and health research. “It’s also important to understand the outcome a particular CX effort is seeking to achieve—whether that be time saved for customer, increased spend, greater satisfaction, greater retention, easier acquisition—and apply a value to it that builds toward a lifetime value outcome,” says Tarquinio. “While it’s early days for some of our new customer experience efforts, we are seeing a multiplier effect on growth in spend and, ultimately, lifetime value.”

Not everything that matters is easy to measure. “Sometimes it can be hard to connect the dots,” says Tarquinio. “Things like brand equity or shareholder value can seem more intangible or long-term, particularly if an organization has a strong operational and sales focus.” At a qualitative level, he says, the increased focus on CX, building capabilities around it and embedding it in strategic planning, has been a positive force. “It has created opportunities for greater cross-functional collaboration around the customers, more efficient approaches, and a more aligned and connected view of the customer and customer experience,” Tarquinio says.

## The Value of a Future-Proof Platform

Beyond creating an experience-centric mindset, another critical element to CX success is having an IT platform that enables organizations to develop, redeploy, and build on a range of customer-facing capabilities. In the past, many organizations built or bought new customer applications or functionality as one-off projects. Yet, that leaves firms flat-footed in a dynamic marketplace. Companies that invest in customer experience platforms, equipped with reusable technology and common business capabilities in use throughout the company, can more easily adapt to changing or accelerating customer demands.

Platform thinking is a strategy that puts key business priorities and customer needs at the center of an organization’s approach to building foundation technologies like this, and the methodology can prove valuable to CX. While the application of platform thinking principles to CX is not yet widely understood or adopted—just 19% of respondents say they’re familiar with the concept in a CX context—for some CX leaders like NCLH, the value of starting fresh with a new enterprise platform was difficult to ignore.

“As we looked at our legacy systems, we recognized we had a lot of work to do to support the goal of guest data flowing through the enterprise,” says Piccolo. And platform thinking was imperative. Piccolo’s team has been building a new reservation platform and an omnichannel digital experience platform that integrates with the company’s data lake. A customer data platform sits on top and works with the company’s latest mobile applications and website functionality. “It’s truly about building a platform that can support multiple channels and touchpoints,” Piccolo says. “Whatever we build in the future will run on the same platform and set of services.”

## Where to Go from Here

There is a clear—if not easy—path forward for organizations that understand the business value of delivering differentiated customer experiences. Looking outward to identify customer needs and inward to meet them is key. The survey shows demonstrated value in creating clear ownership for CX transformation, involving the whole organization in CX improvement, implementing experience design best practices, tracking and reporting on CX metrics at the enterprise level, and exploring the implementation of platforms and new business capabilities that drive CX.

To get there, CX transformation demands fundamental shifts on several fronts. CX leaders and experts on the front lines offer some advice on how to start and sustain an enterprise CX practice.

**Nurture relationships with key stakeholders.** “You have to build those relationships with the business first before you



start talking about vision and strategy,” says Piccolo. “If you don’t, it’s a tough hill to climb. There are a lot of smart people with years of experience who will have their own opinions and a lot of legacy silos to work through.”

**Survey your CX landscape.** “You need to know what your current CX is from the customer perspective before you buy into some fancy voice of the customer system or make a bunch of organizational changes,” says Duerden. That includes who owns what pieces of CX. “Start by mapping your CX to understand your customers’ current and future needs in order to identify which parts of the experience are working and which need changing as well as opportunities for innovation and differentiation,” says Tarquinio.

**Create CX-specific accountability.** “You need champions—people with dedicated time and expertise to drive change,” says Buck. “With so much financial pressure in businesses today, customer-centricity has to have a voice in organizations.” Buck advises establishing a dedicated CX team and mapping your master customer journeys with associated pain points. “It’s amazing the unifying effect this process can have,” Buck says.

**Take a holistic approach.** “Customer experience should not be just a departmental but a whole-organization pursuit,” Tarquinio says. “Someone might be responsible so there is ultimate accountability, but their role should be to bring together the right people and skills to develop a CX strategy and deliver on it.”

**Instill customer insight in the business.** When you want to get everyone on board with CX, you need to “make it real” for them, says Buck. “Start with some simple steps to bring the customer voice into the business every day. Share what customers are saying and encourage teams to make time to discuss. Ask staff to spend time with customers, understand their challenges, and bring those back into the business.”

**Test and learn.** With an enterprise CX approach in place and taking advantage of techniques like customer experience mapping and experience design, CX leaders identify the moments that matter for customers. Just as important are technology approaches that enable iterative CX design, such as agile development and continuous delivery. “Experiment and iterate based on insights and learnings rather than rolling out big CX efforts that may or may not drive the desired outcomes,” Tarquinio advises. “Once value is proven (or otherwise), we move to scale.”

**Differentiate rather than emulate.** “Really understand the needs of your customers and your own differentiated value proposition and design the customer experience to bring your brand promise to life,” says Tarquinio, “rather than copying ‘cool’ things you are seeing in other segments or organizations.”

**Measure and improve.** “CX can seem ephemeral,” says Duerden. “Figure out how to connect it to things that matter.



**“The whole organization has to be aligned around the experience you want to create,” says Clatworthy at the AHO Center for Design Research.**

Collect data, make changes, and seek out causal connections to things that are important in terms of the bottom line.”

**Finally, understand that CX transformation is a marathon with milestones, not a sprint.** “As the CX practice matures, companies can evolve to the point where experience is the organizational reason for being,” says Clatworthy. “And not many organizations are there. Some are getting closer. But they’ve all gone through these steps.”

## Conclusion

There’s no question that CX is a key business differentiator for all companies today, but significant work remains to capitalize on that fact. Many of the paths forward are apparent: assigning dedicated CX leadership, reorganizing around the customer, implementing foundational CX technologies and processes, enabling cross-functional collaboration and coordination throughout the business, and operationalizing clear metrics at the enterprise level.

Respondents to the Harvard Business Review Analytic Services survey understand how CX drives customer loyalty, brand equity, and overall business performance and say that improving customer experience is a top strategic priority, yet most organizations fail to manage CX across all departments.

Making this disconnect acute is the fact that organizations that do make the people, process, and technology changes to transform CX see significant rewards. “They are outperforming competitors quickly and also growing their businesses because they find they can offer a broader range of services and expand to different markets,” says Clatworthy.

It’s evident, however, that transforming CX is an enterprise-wide job. As Clatworthy notes, “The whole organization has to be aligned around the experience you want to create.” In order to deliver a customer experience that sustains and expands market share, companies must align people, process, and technology at all levels of the organization to deliver a winning customer value proposition today and continue to innovate as customer expectations shift and new opportunities arise.

## METHODOLOGY AND PARTICIPANT PROFILE

Harvard Business Review Analytic Services surveyed 465 members of the Harvard Business Review audience via an online survey fielded in August 2022. Respondents qualified to complete the survey if they were familiar with their organization's customer experience strategy and execution.

Size of Organization	Seniority	Key Industry Sectors	Job Function	Regions
<b>29%</b> 10,000 or more employees	<b>27%</b> Executive management/ board members	<b>14%</b> Financial services	<b>23%</b> General/executive management	<b>42%</b> North America
<b>29%</b> 1,000-9,999 employees	<b>39%</b> Senior management	<b>14%</b> Technology	<b>17%</b> Sales/business development/ customer service	<b>22%</b> Europe
<b>11%</b> 500-999 employees	<b>23%</b> Middle management	<b>12%</b> Manufacturing	<b>8%</b> Operations/ production/ manufacturing	<b>21%</b> Asia Pacific
<b>20%</b> 100-499 employees	<b>11%</b> Other grades	<b>11%</b> Health care	<b>8%</b> Marketing/PR/ communications	<b>8%</b> Middle East/Africa
<b>11%</b> 50-99 employees		<b>9%</b> Business/ professional services	<b>8%</b> All other functions less than 8% each	<b>6%</b> Latin America
<b>0%</b> Fewer than 50 employees				<b>2%</b> Other

Figures may not add up to 100% due to rounding.







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