



A CLOSER LOOK AT

PURSUING CUSTOMER RELEVANCE IN THE DIGITAL AGE

Together, Pegasystems and Cognizant are pleased to provide you with this Harvard Business Review report: "Pursuing Customer Relevance in the Digital Age." This report offers insights into the importance of customer relevance, specifically its role in building deeper, more sustainable relationships between brands and consumers – to revolutionize customer engagement.

Relevance is like a great conversation that you have with someone you know well – someone that knows you in return - someone that understands you.

This study focuses on a question that is becoming a key business management priority for many organizations:

How do we meaningfully and consistently connect with customers to create a truly relevant customer experience?

That level of intimacy can be difficult to achieve, retain, and scale in the digital age. Yet those companies that do will develop the most productive and sustainable relationships with their customers. That's where the strategic partnership between Pega and Cognizant comes in. Pega is the leader in software for customer engagement and operational excellence, while Cognizant is a global leader in business and technology services. Together, we provide a powerful combination of customer intelligence, technology, agility, speed, and domain expertise – increasing your customer relevance.

- **Identify Customer Needs** – Pega's software learns from what your customers do and what they say and advises you on what they're likely to need next. Cognizant helps you define the total solution and deliver it for maximum impact - on time and in the preferred channels.
- **Understand Customer Context** – Pega's customer intelligence software uses artificial intelligence (AI) to pick up on subtleties: the things customers don't say aloud - reading signals to understand what's implied. This lets you select the right approach for Cognizant to action, whether that's selling, servicing, retaining, or reducing risk.
- **Enable Real-Time Adaptation** – great conversations happen when both parties are ready to engage. As your customer starts a new journey or changes the conversation, Pega software lets you adapt with them instantly, using the analytics and strategies implemented by Cognizant.
- **Connect Channels with a Single Voice** – great conversations never end, they just pick up where they left off with no confusion or repeating what's already been said. With Pega software, every channel learns from the others, providing a seamless experience across channels. Cognizant helps you through this journey.

As you assess the findings and insights in this study, we challenge you to think about how you'd apply them to become more connected to the customers you serve.

Sincerely,

Jeff Nicholson

Vice President, Product Marketing
Pegasystems

Harish Dwarkanhalli

Global Vice President & Head of Integration, BPM and CRM Practices
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A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT



**Harvard
Business
Review**

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Customer Relevance in the Digital Age

The risk of becoming irrelevant to your customers has never been greater. “Born digital” newcomers are redefining customer experiences and they’re creating a chasm between consumers and the brands they once loved.

Three primary findings emerged from the study:

- Relevance drives business results
- It takes organization, skills, tools, and data to succeed
- A lack of connections gets in the way

Consistent with these findings, and our substantial global experience in customer experience management (CXM), Cognizant challenges companies to identify a new mind-set for customer relevance in the digital age:

1. See digital disruption differently—as one part threat, one part secret weapon.
2. Focus your CRM platform and business processes on new customer experiences.
3. Channel the massive growth in customer data into new experiences, different journeys and monetizing engagement.
4. Rethink how your people and processes better shape data to spawn a new breed of front office customer interaction.

The upside is huge. Consider the value of data-driven customer experiences as an example. Data focus can build market share, loyalty, and profitability. You will see in the study that leading companies are using data to effectively guide their CX decisions.

So how do you realize this? Cognizant combines the best in CRM, business process, and digital, all to one end: customer experiences that disrupt markets without disrupting business. Our starting point is to identify the commercial value of change. Then, we systematically deliver it through customer experience transformation—by focusing on a digital platform, by reimagining your associated business processes and, by rethinking the role of data in shaping the customer’s experience and journey.

If you believe the growth of your company’s brand is at risk because it no longer delivers a relevant experience to your customers—but your competition’s is—call Cognizant today. Our business acumen and technical experience makes Cognizant your transformation partner of choice. Let Cognizant help you develop a vision, strategy, and execution journey that leads to improved customer engagement, improved market adaptability, faster time-to-market with lower risk, all at a lower total cost. Cognizant is pleased to offer a no-cost, no-obligation executive briefing that can get your journey to greater customer relevance kick-started.

I look forward to our ongoing dialog in pursuit of customer relevance.

Robert Calloway
Vice President, Customer Experience
Cognizant

PURSUING CUSTOMER RELEVANCE IN THE DIGITAL AGE

ORGANIZATIONS ARE INCREASINGLY making the management of the customer experience a key business priority—in many cases, it’s at the very top of the agenda today. Customers expect to be able to interact with product and service providers across an increasingly broad range of channels. They have built relationships with leading brands, like Amazon and Google, which can anticipate and predict what their next need or want might be. The new digital competition is creating a significant challenge for all businesses seeking to have a seamless, real-time, responsive, multi-channel relationship with their customers. Creating a truly relevant customer experience that keeps people engaged over time has become the competitive differentiator across industries. It’s not about simply delivering a good—or better—experience. It’s about relating to customers the right way—every time.

It’s a tall order—and even leading organizations are at the earliest stages of building the platform, processes, and talent required to consistently deliver the ideal, individualized experience to customers every time. But it is clear that customer relevance is the ultimate goal of this increased and sustained focus on customer experience as a competitive differentiator. As organizations attempt to become and remain relevant to their clients, they will have to push beyond their current technology capabilities, rethink long-standing business processes, and implement new organizational strategies and structures. Seamlessly engaging with customers across multiple channels will be mere table stakes. Leading enterprises will have to figure out how to analyze customer sentiment and behavior to predict the next most relevant interaction to have with a customer—before the customer himself even knows what that is. That will require companies to break down silos, invest in the right new platforms, integrate with external sources of customer data and social interaction, and deliver relevant and instantly actionable insight across the enterprise.

“Customer centricity is a focus across all industries like never before,” says Nishant Nishant, director of digital strategy for Avnet. “When you want to build new capabilities or take costs out of an organization or do something ‘disruptive,’ the first question today has to be ‘How is that going to impact the customer?’” At Avnet, Amazon is a direct competitor. Even if it weren’t, “our customer buys from them. They use Uber. They fly on JetBlue. They know what a good customer experience is, and if we don’t provide it, we’re in trouble,” Nishant says. “That requires a very specific omni-channel experience that’s not easy to achieve.”

The proliferation of technology applications and the sheer volume of data that these various channels produce are certainly part of the challenge. And that situation is only going to get more complex as new customer-facing technologies—and the data they generate—proliferate. Developing an integrated cross-channel picture of a customer in order to deliver relevance is made considerably more difficult—and increasingly important—by the day. “The only thing that changes faster than technology is customer expectations,” says Erich Joachimsthaler, founder and CEO of Vivaldi Group. “Today’s technology works not just for companies, it works for consumers. Technology makes consumers more efficient, it empowers consumers, it makes them proactive problem solvers, it makes them loud and noisy, they even talk back to companies and brands.”

However, the biggest barriers to delivering a consistently relevant customer experience are not directly related to technology. The greatest issues most organizations face are related to organizational structures, change management, leadership, and governance.

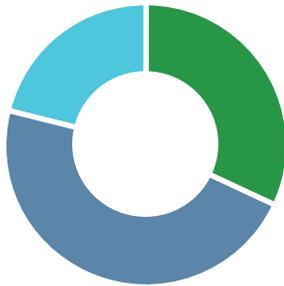
These are among the findings of a new Harvard Business Review Analytic Services study of more than 600 executives around customer experience management—research that features in-depth interviews with several best-practice company leaders.

The organizations that are most successful in delivering relevant customer experiences (the 32 percent of survey respondents we identified as Best in Class) have a number of advantages over their lower-performing peers. They have high levels of executive support for effective customer relevance strategies and investments. They have clear leadership structures and ownership of the customer and customer relevance initiatives. They have invested in the skills necessary to give them a leg up dealing with ongoing technology and process challenges. They are beginning to embrace the very newest of the emerging technologies and are by far the most adept at gathering customer data. And they are more likely to link customer relevance investments to business outcomes. They face the same challenges as everyone else—but they’ve established customer relevance as a clear business priority and rebuilt their organizations around that goal. [figure 1](#)

FIGURE 1

BEST IN CLASS, DEVELOPERS, LAGGARDS

Percentage indicating that the following best characterizes their organization’s approach to and philosophy on managing the customer experience.



32% Best in Class
CUSTOMER EXPERIENCE IS AN ESTABLISHED PRIORITY AND WE ARE WELL ADVANCED IN OUR CAPABILITIES

47% Developers
CUSTOMER EXPERIENCE IS A PRIORITY, BUT WE ARE STILL AT A FORMATIVE STAGE

21% Laggards
CUSTOMER EXPERIENCE IS NOT A HIGH PRIORITY/IS EMERGING AS A PRIORITY

BUILDING THE CUSTOMER RELEVANT ORGANIZATION

Best in Class organizations have a singular mind-set when it comes to the importance of customer relevance to their business: 78 percent say customer relevance makes a significant contribution to their efforts to stay ahead of the competition. Customer relevance is a strategic imperative. This conviction about the importance of relevant customer experiences to business success is the foundation upon which today's customer-centric organization is built.

Certainly, a focus on customer relevance must start at the top, particularly given the organizational challenges that must be overcome. The most successful customer relevance organizations have a high level of executive support for their strategies. That's the case at luxury retailer Neiman Marcus. "You can't serve customers in a relevant way if you can't identify who they are. It takes a lot of work and a fair amount of effort to try to stitch all that together," says Jeff Rosenfeld, vice president of customer insight and analytics at the retailer. "It's all about executive buy-in. You're not going to get anywhere without it."

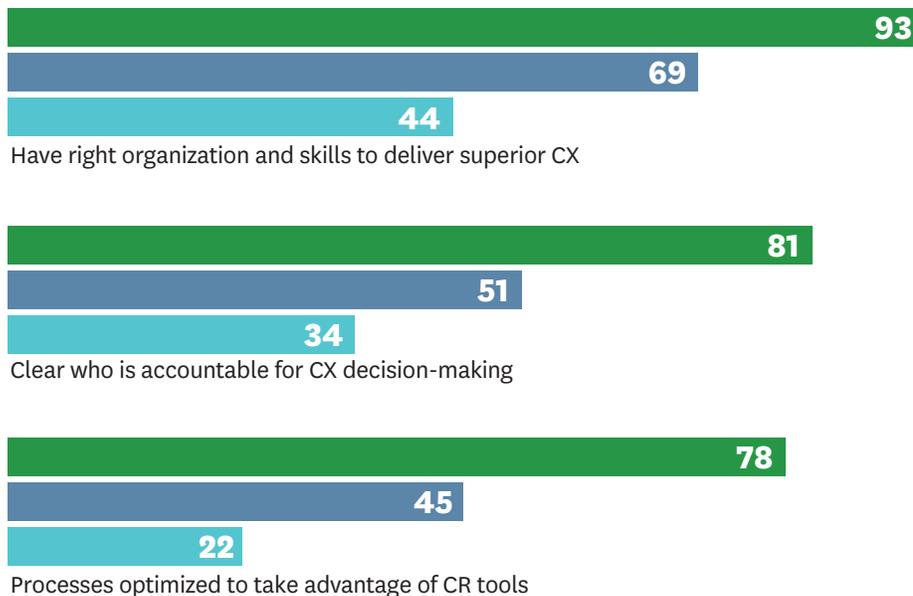
Just as important, Best in Class organizations have clarity of structure around their customer relevance initiatives: 81 percent of Best in Class companies say it is clear who is accountable for customer experience decision-making (index 142). Similarly, they are exceedingly confident (93 percent) that they have the skill sets and organizational structures to deliver relevant customer experiences going forward. They also have far greater clarity around personal accountability for customer experience decision-making (142), and they are much more confident than others that they have the right organization and skills in place to deliver superior customer experiences (index 131). [figure 2](#)

FIGURE 2

BEST IN CLASS HAVE LEADERSHIP, STRUCTURE, AND SKILLS

Percentage that agree with the following statements.

● BEST IN CLASS ● DEVELOPERS ● LAGGARDS



The 47 percent of organizations we identified as Developers have significantly less clarity about accountability for customer relevance decisions and are much less confident in their organizational structure and staff skill levels.

Most companies are structured vertically, says Joachimsthaler, assigning responsibilities for customer relevance to a variety of functions. “The problem is that as far as customer relevance is concerned, the responsibilities are distributed across the organization in vertical silos, often without a sufficient horizontal leadership across all functions,” he says. “In some industries, this is hard to change.” But others are experimenting with new roles. Technology company Johnson Controls has a CMO with broad and deep customer relevance responsibilities. Some financial services companies like PNC have appointed a chief customer officer. At Adidas, customer relevance ownership lives within the business units of various sports, like soccer or basketball, in order to increase the speed of response to changing customer expectations.

Technology company EMC has had a total customer experience organization for several years. In the past, it was fixed on product quality. Today, the group is focused on service. “We’re constantly evolving and changing along with the digital economy,” explains Kevin Scanlon, EMC’s director of total customer experience, who reports to the director of customer experience within global services. The customer experience group has a data governance function that maintains a single source of customer truth. “They’re able to pull all relevant data sources into one location and get past the typical customer data challenges,” says Scanlon.

Each of EMC’s 92,000 employees is expected to have a customer focus. Everyone in a position of vice president or above is evaluated on at least one customer experience metric. “We’re in a highly competitive and highly commoditized industry. Customer relevance has become a requirement, and it’s something we’ve invested in,” says Scanlon. But the goal of the total customer experience team explicitly is to interpret what the customer tells the company—directly or indirectly—and feed that to customer-facing functions. “Our job is to take customer sentiment and close the loop,” Scanlon explains.

Avnet also has an executive-level chief of customer experience. “He’s not thinking about digital or non-digital, he’s looking at the overall picture,” says Nishant. “And he is there to join the dots to provide a more consistent experience across existing and emerging channels.”

By contrast, the 47 percent of organizations we identified as Developers (companies that recognize the importance of customer relevance but are still at a formative stage in their implementation) have significantly less clarity about accountability for customer relevance decisions and are much less confident in their organizational structure and staff skill levels. Breaking down functional silos and reforming corporate cultural attitudes toward customer relevance are more difficult hurdles for these companies to clear. The 21 percent of organizations classified as Laggards (who see customer relevance as an emerging business priority) have neither the leadership nor organizational structures to pursue customer relevance at the enterprise level.

At one leading payment processing company, there is clear executive support for improving the customer experience. Although the firm leads its category, it's seen more customer attrition than its competitors have. "Everyone understands the business imperative," said one technology leader in the company. "The struggle is how you organize and operationalize the work to identify and implement what will truly improve the client experience." Short of the CEO, no one has the cross-functional customer life cycle knowledge and accountability to oversee such efforts. Customer experience efforts take place as piecemeal projects with little overarching strategy. "Having a more permanent organizational structure staffed with the right skills would be very helpful," says the IT leader.

TEARING DOWN LEGACY SILOS

Companies face a number of obstacles to delivering a relevant customer experience, but the top two barriers are organizational in nature: functional silos (52 percent) and cultural resistance (45 percent). The remainder relate to technology: systems integration (41 percent), the inability to deliver a consistent experience across all channels (38 percent), and outdated technology (35 percent). But these systems' problems often result from—or are exacerbated by—the major organizational issues. [figure 3](#)

Historically, the product has been the organizing principle for most corporations. "A lot of companies are still looking at things through a product lens," says Roland Rust, executive director of the Center for Excellence in Service at the University of Maryland's Robert H. Smith School of Business, "But that is changing fast." Banks and financial service companies were among the first to realize that reorganizing around the customer rather than the product was a better strategy, since a single customer may be in the market for many different products over a lifetime. "The best way to think about profitability is to look not at the profitability of the product but at the profitability of the customer," says Rust. "In fact, some have found that they need to keep some unprofitable products because they lead to the most profitable customers."

That orientation around product categories rather than clients has hampered the payment processing company's attempts to improve customer relevance. "We have an incredible diversity of platforms and products, and it's been hard to step back and define a common client experience and implement that across them," says the company's IT leader. "Client experience has gotten short shrift."

At one home goods retailer, the organizational walls exist not around products or lines (there are millions) but at the local store level. Historically, management believed the local retail management team knew its customers best and gave them the autonomy to serve them. The company has a long-standing culture of customer service—from the CEO down to store associates, says its vice president of customer service. "It's in our DNA." However, the decentralized culture makes creating an enterprise customer view difficult. What's more, the company is very conservative financially and technologically. "We've never been cutting or bleeding edge in anything," says the customer service VP.

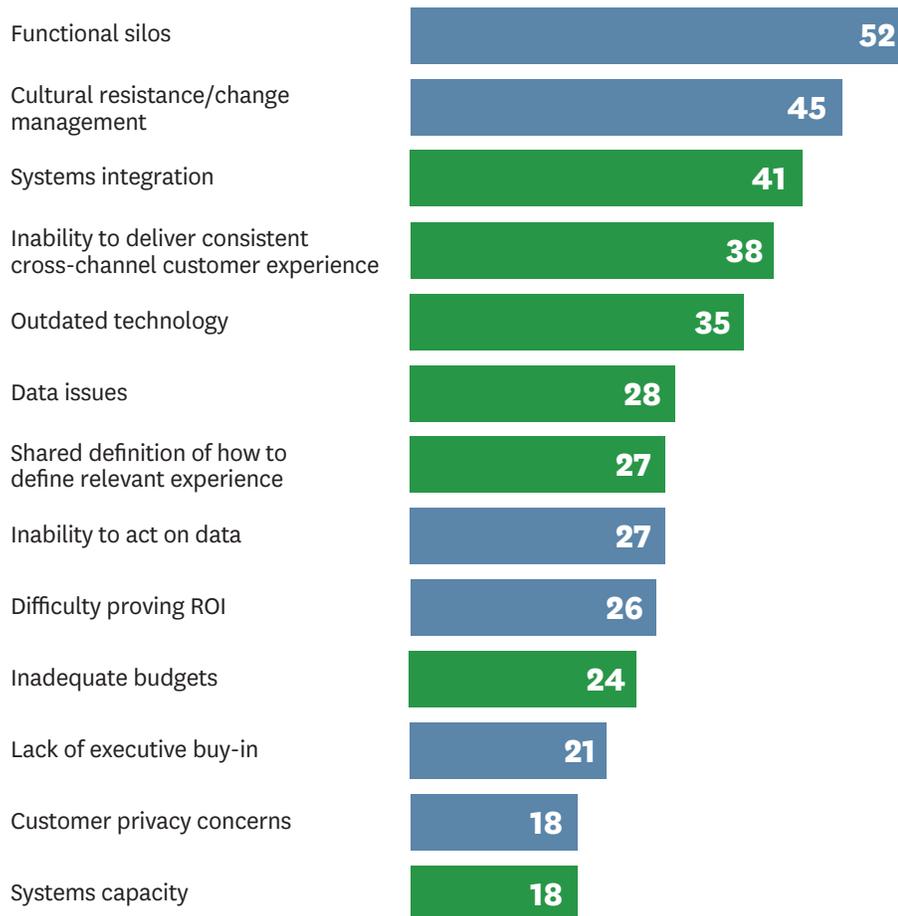
But as the larger culture has changed, along with the way customers shop and purchase, that executive is rethinking the company's approach to the customer experience. "My personal challenge is to figure out how we can be more aggressive and proactive in figuring out what our customer likes and doesn't like in the store, online, on their mobile devices, across channels...and connect the dots to determine what our brand really is, what it should be, and tie that to the customer experience."

FIGURE 3

BIGGEST BARRIERS TO CUSTOMER RELEVANCE

Percentage indicating the following are the biggest impediments to consistently delivering a relevant experience to customers.

● SYSTEMS, DATA PROCESS ● PEOPLE, SKILLS, ORGANIZATIONAL



Rosenfeld says Neiman Marcus has “broken down a lot of organizational silos” to deliver a relevant experience for individual customers across channels, “but not all of them.” One of the biggest changes the company needs to make is aligning employee incentives with customer relevance. “In a world of commissions, a sales associate has interest in that customer purchasing *with them*, which is out of alignment with making customers happy however and whenever and wherever they want to purchase,” says Rosenfeld. “We’re figuring out how to leverage sales associates to enhance the customer experience regardless of where they purchase. It’s tricky.”

Avnet is a very successful business that built itself on a traditional high-touch, human-centric experience. There’s not as much digitization as one might expect at a company of its size, says Nishant. “Forget about the competition, Avnet’s biggest threat is itself. Everyone knows what we

The best way to think about profitability is to look not at the profitability of the product but at the profitability of the customer.

need to do. But being able to drive that change internally—and not just at the executive level—is one of our biggest challenges,” Nishant says. “It’s easy to drive change if there’s a burning platform. But if you’re still successful, it’s hard to change what the company has done for decades.”

MASTERING CUSTOMER DATA MANAGEMENT

Organizations have the potential to gather and analyze more customer data than ever before to deliver relevant customer experiences. At American Express OPEN, senior manager of customer marketing Abelardo Solis is mining data on the small and medium-size businesses that make up the company’s current and potential customer base to identify when, where, and how to best interact with them. Solis and his team call these “moments that matter.” “We’re trying to figure out the best strategies to increase their engagement,” says Solis. “Part of the challenge is defining what the ‘moments that matter’ are and then figuring out where to get that information from.” The company has an abundance of transactional data and credit information to better understand behaviors. “Then the hard part is figuring out the best approach to execute on that data,” Solis says. His team partners with both data analytics and risk professionals who work to understand that customer data in order to figure out what information is relevant and available.

All organizations face the same customer data challenges, regardless of their customer relevance maturity. The top five are identifying meaningful data to collect and analyze, the inconsistent collections of data, data quality, lack of standardization or integration, and data volume and the capacity to capture it. Laggards are more likely to suffer from a lack of standardization (27 percent) while Best in Class organizations that may have overcome data hygiene issues see customer privacy and data security as more of an issue (14 percent). And all agree that the customer data universe is expanding rapidly. Three quarters say that the number of data sources has increased in the last two years, with a third of those saying the increase has been dramatic. [figure 4](#)

Best in Class organizations, however, prioritize customer data management more effectively than others. They’re not merely acting on the data they have gathered; they are leveraging it far more effectively. Three-quarters of them claim to have the right systems (78 percent) and expertise (73 percent) to make data-driven customer relevance decisions. A similar proportion (73 percent) says they are extracting the highest possible value from internal and external customer data. What’s more, Best in Class data gathering extends beyond business walls. Two-thirds of them (65 percent)

FIGURE 4

THE BIG CUSTOMER DATA PROBLEM

Percentage indicating the following are their biggest customer data challenges in managing their customer experience programs.



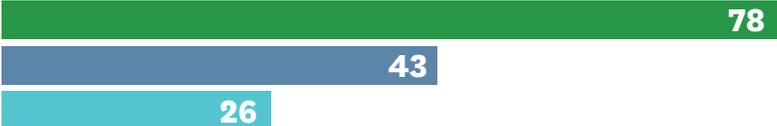
are using external data to enhance customer relevance, compared with 54 percent of Developers and 40 percent of Laggards. [figure 5](#)

Delivering personalized customer attention has been core to the Neiman Marcus brand since it was founded more than 100 years ago. That was a more straightforward proposition when the interaction took place in the store between customer and sales associate. “With multiple touch points and devices and locations, the complexity has increased,” says Rosenfeld. “One of our biggest challenges is customer identity.” How do you know that this customer on the website is the same one who mentioned to an associate in Houston that her son is getting married next

FIGURE 5
BEST IN CLASS HAVE THE TOOLS AND USE THEM TO LEVERAGE CUSTOMER RELEVANCE DATA

Percentage that agree with the following statements.

● BEST IN CLASS ● DEVELOPERS ● LAGGARDS



Have right tools/systems to make data-driven CX decisions



Get highest value possible from internal and external CX data



Use data effectively to guide CX decisions



Have near-real-time single view of customer data



Analytics well integrated across all customer touch points

But Best in Class have a clearer understanding of technology's importance to the customer experience and are making substantially more headway in leveraging the power of customer relevance tools.

month? “You have to connect a heck of a lot of processes in various ways, and we haven’t solved it by any stretch,” Rosenfeld says. “But we have a lot of people actively working to try to improve it.” Data quality and cleanliness are huge issues. “It’s easy to say you’re doing it,” says Rosenfeld. “It’s hard to do it right.”

TILTING TOWARD COMPLETE CUSTOMER RELEVANCE SYSTEMS

Unfortunately, there is no single tool that organizations can implement to create more relevant customer interactions across channels. In fact, the potential of a fully integrated approach to customer relevance is far from being realized. Less than half of respondent organizations (48 percent) have an ongoing corporate social media presence, and this is the highest-scoring customer relevance activity. When it comes to the potentially powerful but more complex integration of customer relevance activities, there is even more to do; just a third of organizations (33 percent) currently integrate web analytics with marketing communications, and less than a quarter (24 percent) quantify each customer touch point’s effectiveness.

Customer relationship management (CRM) technology is still at the heart of customer experience. It’s the leading technology for delivering a relevant customer experience, with websites coming in second at 41 percent. Customer experience or customer behavior analytics come in at distant third at 22 percent, suggesting that organizations have work to do to implement the robust suite of technologies required for their customer relevance efforts. [figure 6](#)

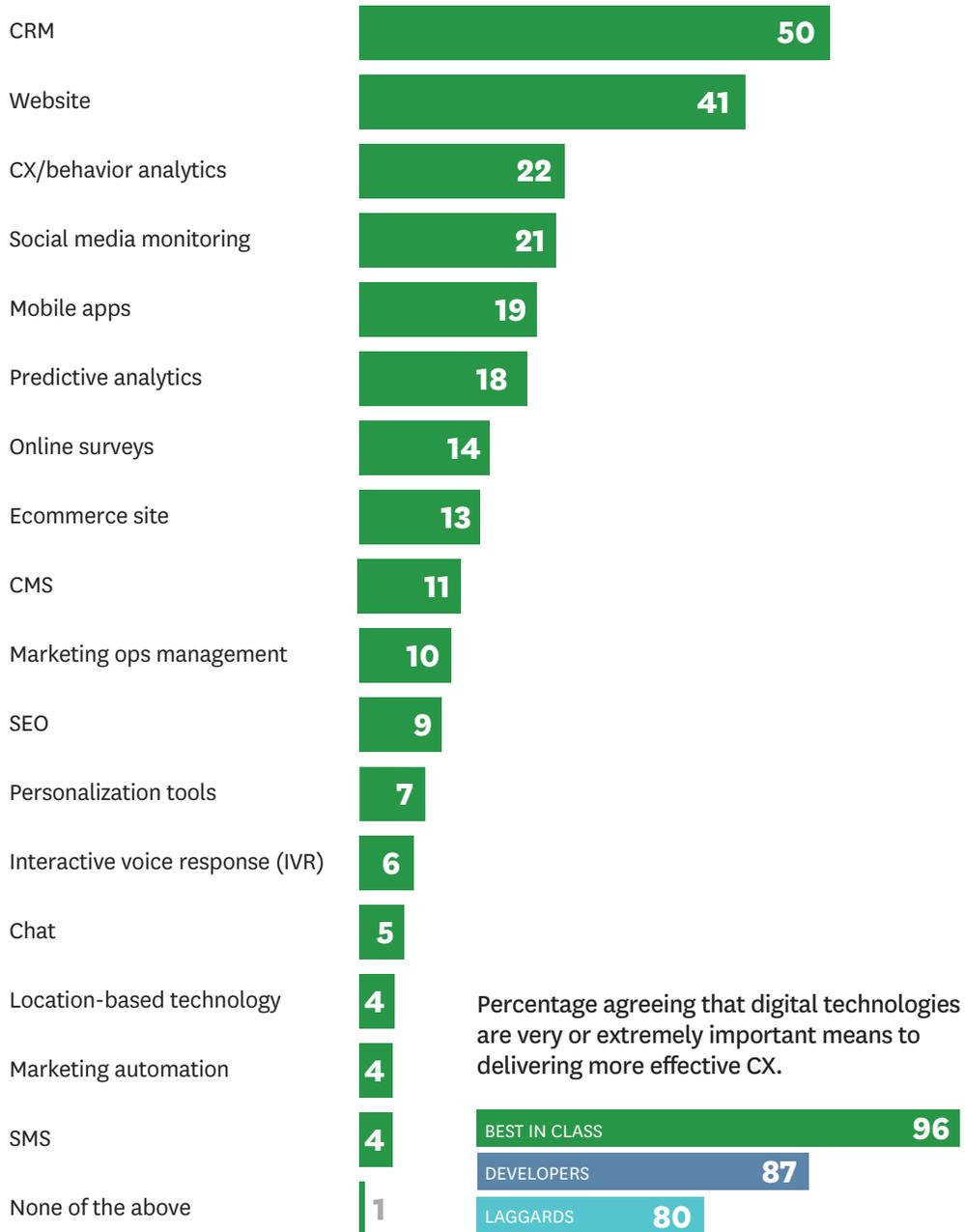
But Best in Class organizations have a clearer understanding of technology’s importance to the customer experience and are making substantially more headway in leveraging the power of customer relevance tools. They are making headway incorporating multiple sources to drive customer relevance improvements, using more customer data from more sources than others are. They are comfortably ahead of Developers in almost every customer relevance-related area, most notably in the incorporation of predictive analytics with marketing and product development activities; almost a third of them are doing this today (38 percent, index 173). They are more likely than Developers to see value in mobile apps (index 163), search engine optimization (138), interactive voice recognition, and social media monitoring (both 120). They are also more likely to see customer behavior analytics as being critical (118).

Leading companies are just beginning to experiment with technologies for predicting customer sentiment and behavior and delivering more relevant experiences. EMC has incorporated predictive customer data analytics that enable the company to identify those accounts that, based on historical trends, might have impending issues in order to address them before they occur. Maintaining a dedicated customer experience team of 60 professionals isn’t cheap, notes Scanlon. “And to a lot of people it feels like a soft concept.” Generally speaking, it’s difficult to calculate a

FIGURE 6

TODAY'S CUSTOMER RELEVANCE TECHNOLOGIES

Percentage indicating these are among the three technologies most critical to delivering a relevant customer experience today.



Organizations at all maturity levels are struggling to find the nuanced metrics that will tell them something more than whether a customer is satisfied or would recommend their brand.

hard return on many of their investments. But, by using predictive analytics based on customer insight, But Scanlon estimates that by using predictive analytics based on customer insight, the company has saved \$100 million in time-to-resolution and customer churn.

Best in Class organizations are also thinking ahead to how they can exploit emerging technology for customer relevance purposes. They are far more likely than Developers to see the potential of wearable computing (index 213), image recognition (188), and speech analytics (129). Even more telling, Best in Class companies are beginning to leverage these emerging technologies. They are far more likely than Developers to be doing so (20 percent, index 200). Predictive analytics (57 percent) and IoT (45 percent) show the most promise in supporting corporate drives to improve the customer experience. But actual adoption has been slow (33 percent and 23 percent, respectively).

Rosenfeld of Neiman Marcus also sees value in advanced analytics and cognitive computing for delivering relevant customer experiences, with plans to pilot AI technologies and measure their impact. [figure 7](#)

MEASURING CUSTOMER RELEVANCE

Gathering data is one thing, but interpreting it and using these insights to manage customer relevance efforts is quite another. Organizations at all maturity levels are struggling to find the nuanced metrics that will tell them something more than whether a customer is satisfied or would recommend their brand.

“We have a huge book of operational metrics. But that’s all they are. They’re not client experience metrics,” says the payment processing company technology executive. She is working with the internal business analysts who typically seek to increase operational efficiencies in order to improve the customer experience. The hope is to find some objective metrics to measure the impact of investments in the area. “We can put in place a lot of new technology, but how do we know we’re making an impact?” she asks. The call center typically used talk time as a measure of performance: long was bad, short was better—because the focus was on cutting costs. But if you apply a customer relevance lens to that, it’s a terrible measure. The client effort required to complete a task is a better option. “I’d like us to put in place metrics that are more reflective of the client experience rather than our experience,” she says.

Almost two-thirds of respondents (61 percent) cite customer satisfaction as the primary metric for measuring the customer experience, making it the most commonly used when measuring customer relevance. A distant second is customer retention (40 percent), followed by complaints per period (35 percent), revenue per customer (32 percent), customer loyalty (32 percent) and Net Promoter Score (24 percent). [figure 8](#)

FIGURE 7

TOMORROW'S MOST PROMISING CUSTOMER RELEVANCE TOOLS

Percentage indicating these emerging technologies present the most promise to their organization in improving customer experience.

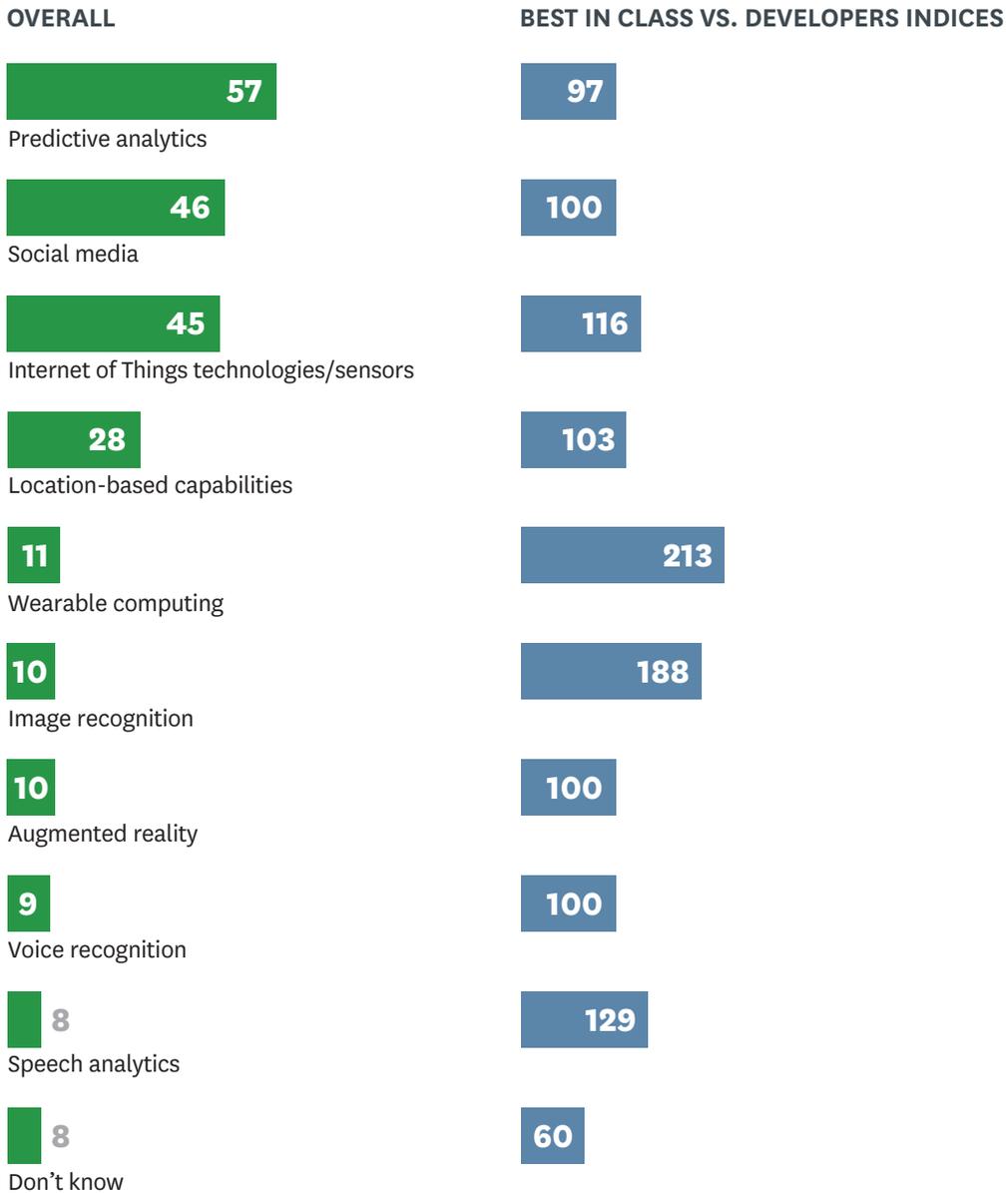
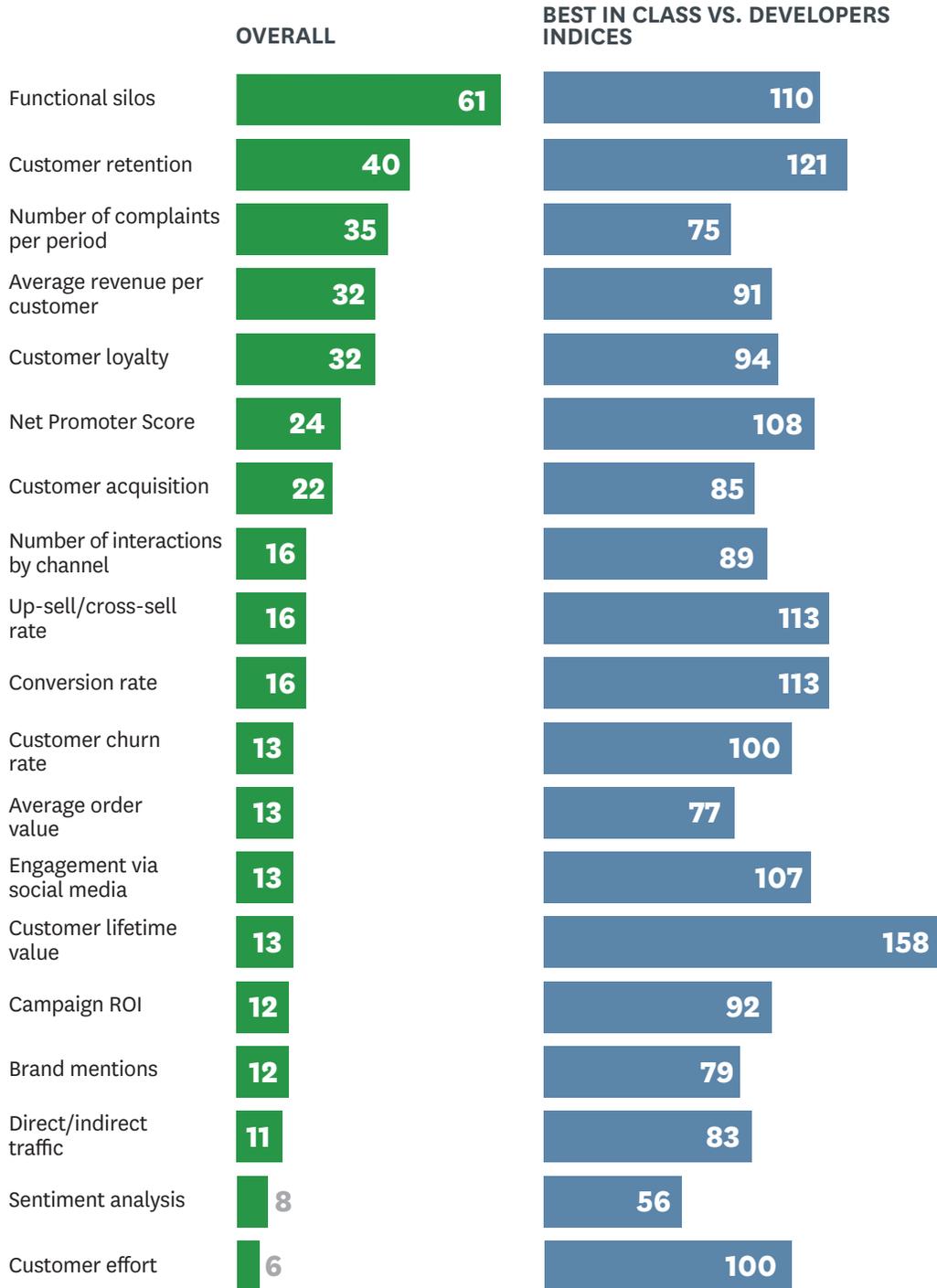


FIGURE 8

METRICS FAIL TO MEASURE CUSTOMER RELEVANCE EFFECTIVELY

Percentage indicating the following are among five key metrics they currently use to measure customer experience.



Best in Class organizations are looking for better measures of customer relevance success. They are more likely than Developers to be using customer retention (47 percent) and customer lifetime value (19 percent) and are less interested than Developers in the number of complaints they receive in a given period (30 percent).

The key metrics of customer loyalty, lifetime value, and retention are reported on a monthly basis, on average, along with sentiment analysis (a metric that is growing in importance for Best in Class organizations). Meanwhile, direct and indirect traffic, average order value, and interactions per channel are all reported on quarterly. Organizations clearly want to look at a variety of data to create a clearer picture of the complexity of customer experience.

EMC reports on customer satisfaction at the product, account, and transactional levels; NPS (in particular, detractor data); a twice-yearly customer loyalty survey; and quarterly customer pulse surveys. But that combination of metrics doesn't yet capture the company's performance in delivering customer relevance. "They're generally accepted metrics, but they're shallow," says Scanlon. The personalized reports for each client account give more insight; EMC makes those available online along with that account's current position on a loyalty matrix. "What we want is to better understand the emotional connection we have with customers and understand what's driving that sentiment," says Scanlon. "We're looking at expanding our metric sets while trying not to cloud the commonly accepted measures. It's tough because the executive team wants something that's quickly consumable."

FIGURE 9

BEST IN CLASS TIE CUSTOMER RELEVANCE TO BUSINESS OUTCOMES

Percentage indicating, on a scale of 1 to 10, how much they agree with the following statements.

● BEST IN CLASS ● DEVELOPERS ● LAGGARDS



Best in Class companies view delivering more relevant customer experiences as more than doing one-off projects to lift shallow customer satisfaction metrics.

“A number of companies are still using very, very simple measures like Net Promoter Score that have been shown to be garbage,” says Rust. It’s possible to prove the financial impact of customer relevance improvements, but it’s a measure that’s more complicated than a simple customer satisfaction number and must be tracked over time.

There is broad agreement that tying customer relevance investment to business outcomes is very important. But only the Best in Class are pushing ahead to make that happen; 71 percent of them are doing this (index 139) compared with just 47 percent of Developers. But while they may be in a better position than their peers, well more than half of Best in Class organizations (57 percent) find the process difficult. [figure 9](#)

“Customer experience is, in theory and in culture, incredibly important to our organization. I don’t have to convince senior management that we need to pay attention to it,” says the retail VP of customer service. But he does have to be able to calculate a clear return if he wants to spend significant dollars on a new “voice of the customer” program. “It’s a hard sell,” he says. “The benefits derived are going to be soft. It’s easier for the CEO and CFO to spend money where there’s less risk.”

At Neiman Marcus, Rosenfeld can measure the positive revenue impact of tactical changes the company makes in interacting with customers. But measuring the overall impact has been impossible. “And we don’t have high hopes that we’ll figure it out,” he explains. “We certainly measure customer satisfaction and NPS, and we’ve been happy with our success there.” But proving the value of the big investments is critical. Today, Rosenfeld gets approval for the larger foundational investment revenue generated by the smaller tactical changes cover them. “The big things are the most difficult to measure,” he says.

THE IMPORTANCE OF BEING RELEVANT

Despite the difficulties in proving it, Best in Class organizations are confident that delivering relevant customer experience across channels is a key contributor to their ability to outperform other organizations. They are far more likely to say so than their peers. The extent to which strong customer relevance management is directly driving this success may be debatable, but Best in Class organizations are outperforming in the areas of customer experience and customer retention.

“Most executives make the mistake of viewing the world from their own capabilities, from their own structure and their own product portfolio. They start by setting up one customer experience initiative after another in the hopes that they improve or enable better experiences,” says Joachimsthaler. “What they don’t realize is that every other competitor of theirs is also working on exactly the same customer experience project.” The net result is zero competitive advantage. They’re merely keeping up. “And then comes an Uber-like competitor,” Joachimsthaler continues, “and kaboom, the company is struggling to stay relevant with customers.”

Best in Class companies, however, view delivering more relevant customer experiences as more than one-off projects to lift shallow customer satisfaction metrics. They have executive-level support for customer relevance strategy. They're reorganizing around the customer experience. They're dealing with the customer data issues that are proliferating. They're stitching together old and emerging technologies to create an effective cross-channel customer platform. They're seeking out new ways to measure these efforts. "What they have figured out is how to enable a customer experience that is more human but that is enabled by technology, data, and analytics," Joachimsthaler says.

And the truly smart ones are marketing their efforts both internally and to their customers. This is not a one-time exercise. "We've got a lot of the right pieces together. And we're trying to do a better job of exposing that to the customer so that it's clear that we're adding value," says Rosenfeld of Neiman Marcus. "We're also adding new mechanisms to get direct feedback from customers so that they can tell us when we get it wrong."

Scanlon's EMC puts out an annual report on customer experience much like the company's annual report on overall performance. "We've put a lot of effort into conveying the customer experience message we're driving," he says. "That's created a wave of enthusiasm and support. It also gives us something to arm our field-facing teams with. It may not make or break a deal, but it shows the customer that we want to be more than just order-takers."

Solis estimates that American Express OPEN is about halfway through creating a solid customer relevance strategy with an end-to-end platform to support it. But the effort will be ongoing. "We want to be more prescriptive with our customers, to be at the right place at the right time for them, and to do that consistently across any given touch point," Solis says. "It's a key differentiator. But we'll need to figure out how that evolves over time as we see the rise of new competitors and new products and new customer expectations. It's going to be an evolving conversation. It will be critical to keep challenging our definition of relevance. It may not change overnight, but we'll benefit from looking at it all the time."

A CALL TO ACTION

Delivering more relevant customer experiences will take time, investment, and sustained corporate will. Even Best in Class organizations are at the beginning of this journey. This research, however, did reveal four clear areas of focus that are extremely important to delivering customer relevance that all companies have some level of difficulty achieving today.

- Providing the most utility for the customer transactions
- Delivering personalized and unobtrusive customer experiences
- Creating a seamless interaction throughout the customer experience
- Delivering consistent customer experiences across channels

Companies clearly face significant organizational and technological barriers to delivering customer relevance. While Best in Class organizations are comfortably ahead of others in each of these areas—particularly in delivering consistent customer experiences across channels that are more personalized and seamless—even they have considerable room for improvement. By directing their efforts around these four areas of clear value, companies at all stages can begin to address the organizational and technological barriers to customer relevance and create a foundation for the future. [figure 10](#)

FIGURE 10

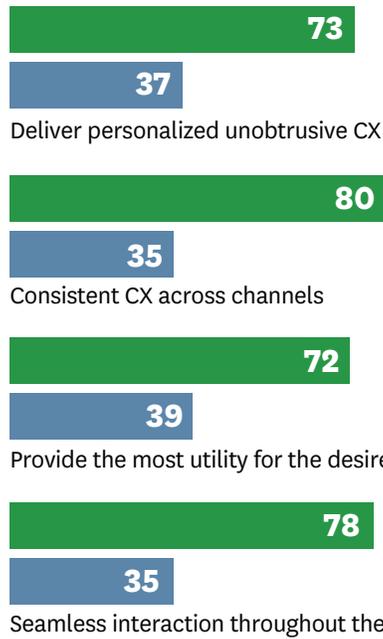
FOUR CRITICAL COMPETENCIES REQUIRED FOR CUSTOMER RELEVANCE

How important is it to your business success to be able to do the following?

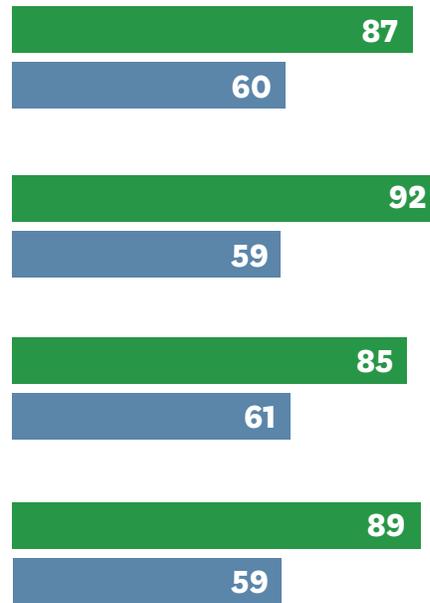
How effectively does your organization do the following? [SCALE 1-10]

● IMPORTANCE ● PERFORMANCE

OVERALL



BEST IN CLASS



They can then begin to build the right organization and skills to deliver better and more relevant customer experiences, create clear accountability for customer experience decision-making, and optimize their processes to make the most of new data and technology.

METHODOLOGY AND PARTICIPANT PROFILE

A total of 636 respondents drawn from the HBR audience of readers (magazine and newsletter readers, customers, and HBR.org users).

SIZE OF ORGANIZATION

Eighty-one percent of respondents worked in companies with 10,000 or more employees, 18 percent had between 1,000 and 9,999 employees, and just 1 percent had fewer than 1,000 employees.

SENIORITY

Fifteen percent of respondents were in executive management, 34 percent were senior management, 35 percent were middle managers, and 16 percent came from other roles.

KEY INDUSTRY SECTORS

Fifteen percent of respondents came from the technology sector, 14 percent came from financial services, and 11 percent came from manufacturing. Healthcare and energy/utilities both contributed 7 percent of respondents; the remaining industries contributed 6 percent or less.

JOB FUNCTION

Sixteen percent of respondents worked in operations/product management, 12 percent were in sales/business development and, 8 percent were in either general management or finance/risk. Other functions were represented by 7 percent or less of the respondent base.

REGIONS

Forty-five percent of respondents were located in North America, 27 percent were from MEA, 20 percent were from Asia, and 8 percent were from South/Central America.

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