SIX PRINCIPLES OF A TRANSFORMATIVE

Customer Experience Management

SYSTEM

Contents

Introduction

Increasingly, companies rely on customer experience as a means of differentiating themselves from their competition. It makes sense—as a customer, you're much more likely to want to deal with a company that delivers a great experience.

But as a company—how do you do it?

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Behind the scenes of companies where experience acts as a true differentiator, there is an entire engine and infrastructure that makes it all possible.

Market research could be part of it, but it often only captures customer insights at one point in time, versus systematically understanding the customer interactions that happen day after day. Market research collects data from only a small sample of customers, is detached from actual interactions, and takes much too long to translate data into insights. By the time the gigantic binder of statistics hits the C-suite's meeting room table, the data is stale, trends have come and gone, and dissatisfied customers have long since abandoned your business.

Traditional Voice-of-the-Customer programs aren't enough either. Even when feedback collection is continuous, the data is often siloed within marketing or customer experience teams.

No matter how efficient that team is, it can't possibly deliver all of the necessary insights and suggestions specific to each region, each store, and every employee.

True customer experience leaders engage the entire organization with the customer, making everyone conscious of what the customer wants and needs. This way, when there's a decision to be made, employees will ask themselves, "Will the customer be delighted by this?"

You can only do this when your customer experience system tracks every customer interaction and delivers the relevant customer data to every employee, continuously and instantaneously, right as those experiences happen.

While this sounds daunting, we say that it's possible. We even have a name for it — Operational Customer Experience Management — and this eBook will show you the key components you need in a system to make it happen.

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1 Every Interaction

Your customers are interacting with your company everywhere: on your websites and apps, with your contact centers, and in your brick-and-mortar locations. More than that, they're talking about you everywhere, in forums beyond your control: social media and online review sites.

With the dramatic rise of Internet and social-media usage, customer comments about your business have exploded beyond channels you control. Their interactions with your company now spill into online and public spaces, making it more critical than ever that you deliver great experiences and immediately resolve their issues.

But the only way you can do this is by tracking every interaction with or about your company, no matter who they're with and no matter where they are.

Capturing every interaction with your business—at the level of individual actors (e.g. the specific employee who helped a particular customer)—enables you to improve the customer experience in a way that was previously impossible. You can begin to build employee accountability into every customer interaction. You'll know who and how to train and coach. You'll be able to see where key customer pain points are. You'll be able to save disappointed customers, and even encourage fans to promote your company.

Tracking every interaction your customers have with your business is the critical first building block in building an effective Operational CEM program.

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Every Interaction Summary

Why:

Your customers are interacting with and talking about your company everywhere.

It's only by tracking interactions at the level of granularity of individual customers and employees that you can assign responsibility and accountability for each of those interactions.

How:

Capture every single interaction customers have with your company, and tie each of these to the employees and business units responsible for those interactions.

★macy's

Case Study: Every Interaction

Even before CEO Terry Lundgren hung a sign outside his door reading *Chief Customer Officer,* Macy's had been transforming its culture—the sign just gave the entire Executive team a constant reminder. The iconic department store has always focused on delighting the customer, and under the guidance of Lundgren the company has recommitted itself even more to creating outstanding customer experiences.

In 2010 the company rolled out the "My Macy's Customer Engagement Program," which enables Macy's to collect and act upon feedback across multiple channels, including e-commerce, in-store shopping, the wedding registry, and furniture delivery. And by linking financial data to customer experience, Macy's is able to see the business impact of improved experiences and better-trained associates.

Their first priority was knocking down silo walls and getting a collective picture of customer experience across their business units. This multi-channel approach for Macy's and Bloomingdales now gives them a clearer picture of customer satisfaction across all customer touchpoints.

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Macy's Case Study continued

In a six-week period, Macy's retrained over 130,000 associates across 800 Macy's and Bloomingdales stores. With the hopes of boosting satisfaction and loyalty, managers throughout the company also began logging over 21,000 calls and emails quarterly to customers, closing the loop with both promoters and detractors. That's customer centricity.

Along with capturing and analyzing numerical survey data, it also leverages the power of text analytics to parse and aggregate large volumes of free-text. This helps Macy's gain a much richer view of the key drivers of satisfaction, prioritize them, and quickly take action to improve.

Within the first three years of rolling out the My Macy's program, the company saw an overall NPS increase of 10 points. ACSI climbed 7%, and Macy's topline sales have increased by more than $1 billion each year. What's more, earnings per share increased by 315%, and the company's stock price surged 140%.

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2 **Unified Views**

Your customers view your business in terms of what they're trying to accomplish—not in terms of how you have organized each of your siloed departments.

Although your customers interact with your company in a variety of ways, they don't see each interaction as an isolated event. Each time customers come into contact with your organization, it reflects on your entire business. They don't want to hear excuses from one department pleading ignorance of what happened in a different department. They just want to easily and quickly accomplish what they need from your business.

But that's not the way that many organizations approach customer experience management. In many businesses, different functional areas have different customer experience management approaches, and they focus only on their own customer issues. Customers who have problems between departments frequently fall between the cracks.

Furthermore, these organizations do not have a unified view of how they're performing in the eyes of the customer. You wouldn't imagine having an accounting system that couldn't roll up financial results across a business; yet too often, many businesses face this exact situation when it comes to customer experience management.

You need a customer experience infrastructure that unifies all the interactions across a customer journey. Such a system helps break down silos within organizations—bringing different areas of the business together to solve customer problems and improve experiences.

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Unified Views Summary

Why:

Customers see your company in terms of what they're trying to accomplish, not what each silo is trying to do.

How:

Take a holistic view of your company from the perspective of your customers, preventing gaps of knowledge between silos.

Case Study: Unified Views

Cable and Internet providers may not have the greatest reputation for customer experience, but this means that there is a major opportunity to differentiate by delighting existing customers. Instead of purely pursuing customer acquisition, Cox Communications is focusing on and is gaining momentum in customer retention by investing in its customer service and recovery efforts. And to do this, it first needed a unified view of the customer journey across touchpoints to ensure a consistent and great experience.

Achieving this unified view required Cox to track every interaction across each of the four main touchpoints in the customer journey: sales, field service, retail locations, and customer support.

Through its Operational CEM program, Cox saw that the response time from receiving a customer alert to reaching out to that customer varied widely across touchpoints. Frontline supervisors in each area managed this closed-loop process, and learnings were being kept within teams. To address this issue,

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Cox Communications Case Study cont.

Cox's Customer Experience team piloted a new cross-functional Closed Loop Feedback Team solely dedicated to issue resolution across the organization. Individual customer alerts would go directly to this team, which manages them all the way through resolution.

The pilot was a success, resolving customer alerts 24% faster than the control group, with a double digit reduction of churn. On top of these spectacular results, the team identified missing steps in documentation and helped reps improve the end-to-end process for specific calls. The new cross-functional team further broke down organizational silos by leveraging regional contact centers and boundary partners to resolve issues.

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3 Every Employee

Your entire organization—from the c-suite to the frontline—makes business decisions that affect your customers.

Traditionally, raw customer feedback was in the hands of a small group of analysts in a customer experience or marketing department. This meant that insights propagated slowly, and recommended actions and areas of focus tended to be very few and nonspecific.

Because of rapidly evolving technologies, the speed at which customer behavior is changing outstrips what a small customer experience team can cope with. Even if you have a great CX team, their directives will never be able to

achieve the specificity that each single employee needs from customer data. Your entire organization—from the c-suite to the frontline—should have real-time access to customer feedback in order to engage with customers and respond to current trends.

The frontline is the face of your company—the one that your customers see. Similarly, your frontline has, by far, the most face-time with your customers. They know the immediate context and consequences of business decisions

that trickle down to customers. Who is better qualified, then, to resolve quick customer experience issues?

We've seen that more frontline engagement with customer feedback leads to higher customer satisfaction. With customer feedback, the frontline is immediately empowered to act on and improve their customer interactions.

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Medallia NPS Leaders are Engaged at the Frontline

Days Medallia is used per month at the frontline
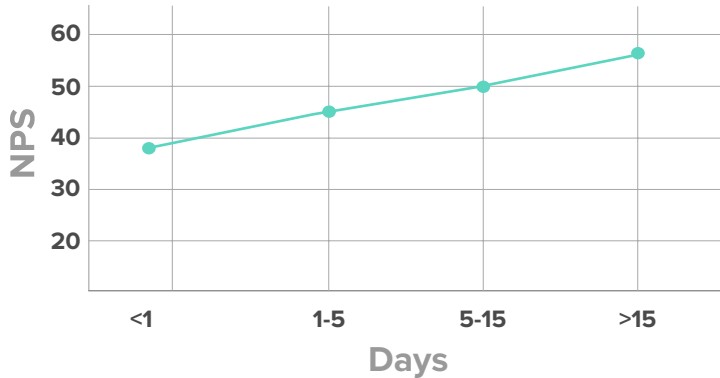
And it's not just the frontline that benefits from customer feedback. In the end, all of your processes serve your customers—including the processes they can't see. Direct feedback from customers gives non-customer-facing roles an additional filter that they can use to evaluate business decisions. With this information, companies have been able to alter their supply chains in order to suit certain customer segments, and change policies to reduce unnecessary friction keeping customers from what they want.

Employees love getting customer feedback

Employees with ready access to feedback from their customers talk about how much they love hearing what their customers have to say. Customer feedback gets the conversation going between employee and customer, establishing the real impact that employees are having on the customer's experience with your company.

When La Quinta Inns and Suites asked its employees, "Are you proud to work at La Quinta?" 93% of employees gave them a top box rating. Angelo Lombardi EVP and COO, explains, "The reason is, we've become a people organization not just for our customers, but for our employees. It's better to go to work at a company that cares about your guests, cares about what you do, and has made it so important that you're proud to do it, and you understand the impact it has on every guest, every time."

Every Employee Summary

Why:

Everyone in your organization makes business decisions that affect the customer, which means that everyone needs access to customer data—not just your CX team.

How:

Enable every single employee to take action with readily available customer data.

Global E-Commerce Company

Case Study: Every Employee

One leading business in the e-commerce space knows that maintaining excellent customer experiences is an organization-wide endeavor. For an enterprise company this large—with over 25,000 employees and billions in annual income—managing and driving customer experience excellence can be a challenge. To maintain customer-centricity, the company not only collects customer feedback everywhere the customer is—from search function to the shopping cart to check-out—but also delivers this feedback in real time right to the owners of each of its 30+ touchpoints. It is the responsibility of these touchpoint owners to analyze the data, and then design and implement action plans to improve the touchpoint's customer experience.

Designating responsibility for each touch-point and providing responsible employees with real-time customer feedback has paid off. Despite being such a large company, it maintains an average overall satisfaction score of 9.1 out of 10.

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Case Study: Every Employee

Once you decide to paint your kitchen, living room, or home exterior a certain color, it's a real headache when you realize that you've made a mistake—when you notice that the color doesn't fit the rest of the house or that it clashes with your furniture. Sherwin-Williams understands the intense planning that is needed to make the perfect choice, and knows that personalized service for each customer is essential.

Each of Sherwin-Williams's 3,300+ stores is wired directly to customer feedback, so they can develop relationships with contractors and DIY customers and help them in their journey of crafting the look for homes and other paint projects. And the company pays attention to every single piece of feedback.

Store managers have achieved a 100% closed-loop rate, reaching out to customers within 48 hours of receiving feedback. Customers constantly express surprise at receiving a personal and relevant response directly from store managers. Sherwin-Williams's customer-centricity shows, with NPS numbers among the highest in the retail industry.
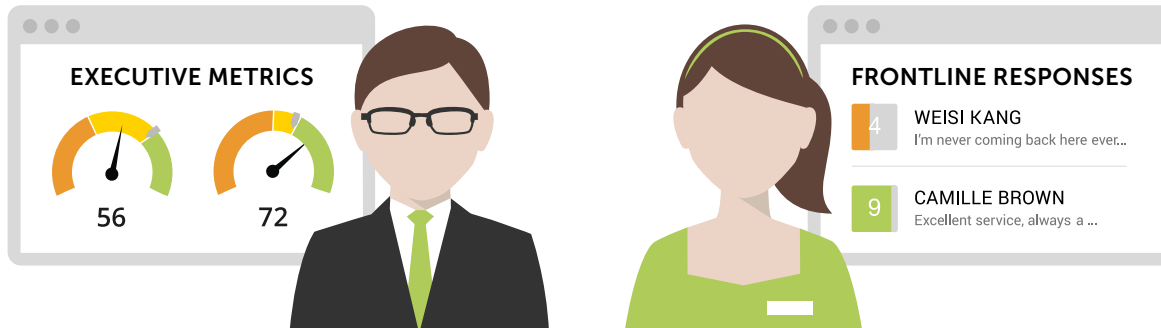
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Tailored Insights

You need access to the "big data" of customer feedback, but undifferentiated "big data" is next to useless.

Even if you manage to put customer feedback into everyone's hands, undifferentiated "big data" is near useless. Think of the old gigantic binders of customer feedback reports. Corporate employees don't want to dig through individual pieces of customer feedback, and frontline employees will find quarterly or annual reports useless for their day-to-day work.

Employees need relevant data in a form that is useful to them. Frontline employees need to see each alert, right as customers submit feedback, so that they can take immediate action.

Regional managers need to see how each location is trending across time. Policy writers need to see how specific policies are impacting customer segments. The list goes on.

Each of these roles requires different tools to dissect the "big data" of customer feedback, so they know the areas, specific to them, that they can improve.

EXECUTIVE METRICS

56   72

FRONTLINE RESPONSES

4   WEISI KANG
I'm never coming back here ever...

9   CAMILLE BROWN
Excellent service, always a ...

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Tailored Insights Summary

Why:

Massive quarterly binders of high-level customer feedback reports are no longer useful in the digital age.

How:

Tailor the undifferentiated "big data" of customer feedback into insights that each employee can use for improvement.

ZURICH

Case Study: Tailored Insights

Zurich Insurance, a Fortune 100 enterprise, exemplifies the word "global." It operates in markets across five continents, 40+ countries, and 26 languages; it sells numerous types of insurance policies and services—from auto to life insurance—through both B2C and B2B business lines. With such scale, of course, comes organizational complexity. And in such a high-churn industry, Zurich needed to focus on customer experience to ensure loyalty and retention.

Zurich previously relied on a market research solution. This old system only made customer data available in monthly and quarterly cycles, and even then, insights were focused on trends at an aggregated level. This meant that different parts of the company could only identify and improve issues at a glacial pace, and Zurich was unable to address the needs of individual customers.

Zurich wanted its customer data to be actionable in real time—and available at every level of its organization— across its global markets. It had to make its CEM platform operational. So it implemented a global program that unifies every one of its local markets within a single system. The program spans multiple business lines and brands across its global reach. Yet with this global reach also comes a local approach: each of Zurich's 20+ markets builds and manages its own program, according to its specific business needs, collection channels, customer journeys, key touchpoints, organizational structures, and local languages.

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Zurich Case Study continued

In this program, each role within Zurich's organization receives relevant customer information presented in a relevant manner—so all of them can easily engage with it. The frontline can see and respond to individual pieces of customer feedback right as customers submit them, and corporate can slice and dice data across regions to discover trends and pain points in real time.
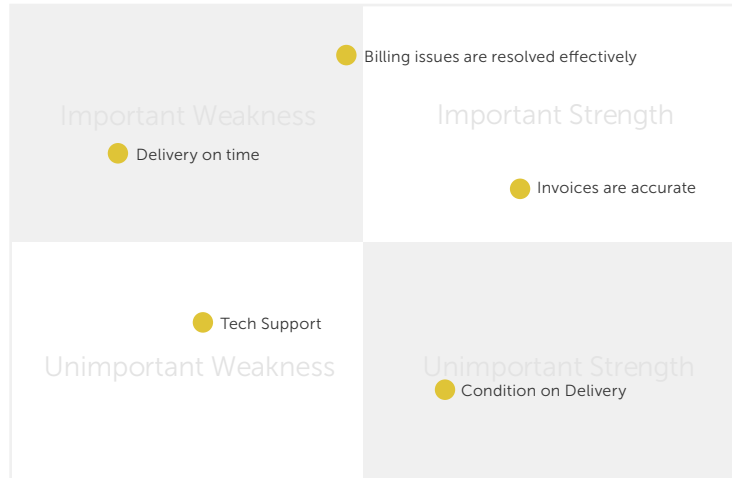
These tailored insights allowed Zurich to discover that promoters pay 27% more in premiums on a monthly basis, are 5 times less likely to leave Zurich within 12 months, and actively refer new business. By instituting rescue mechanisms in its Operational CEM system, Zurich is able to repair relationships with customers who reported a negative experience—and transform them into promoters. Zurich's Turkish division offers another example—its NPS shot up 20+ points after taking action on tailored Operational CEM insights.

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5 # Prioritized Actions

You have limited resources, but plenty of focus areas. You need to know which actions will make the biggest impact on revenues and overall customer satisfaction.

Tailored insights provide clarity to each role on how they're doing and the customer pain points they may inadvertently be producing. But that's just the first step. In the end, employees need to know which actions will have the biggest impact on customer satisfaction, so they can tell where to focus their efforts.

An Operational CEM program analyzes all these factors and produces a list of prioritized actions in real time—actions that would result in the biggest impact on overall customer satisfaction and revenue.

Important Weakness
- Billing issues are resolved effectively
- Delivery on time

Important Strength
- Invoices are accurate

Unimportant Weakness
- Tech Support

Unimportant Strength
- Condition on Delivery

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Prioritized Actions Summary

Why:

Businesses have a lot of areas to improve, but they operate in a resource-constrained world.

How:

Automatically rank the most important focus areas based on their impact on revenues and overall customer satisfaction.
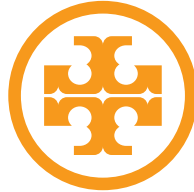
Case Study: Prioritized Actions

The LEGO Group understands how powerful its online purchasing experiences are. The excitement of picking out a LEGO product online, the anticipation while waiting for the product's arrival, and the wondrous experience of opening the package all contribute to the overall LEGO experience for the brand's young customers. This is why the LEGO Group closely monitors its delivery timeliness, package condition, and overall satisfaction metrics across the globe.

In Europe, the LEGO Group's Consumer Insights Team noticed a continued decline in delivery timeliness scores, and saw that these scores were having a negative impact on overall satisfaction. Armed with this cumulative data, the LEGO Group

instituted a major operational change, moving its shipping warehouse to a more central location in Belgium. Customers immediately started receiving orders up to 24 hours faster, and overall satisfaction scores went up.

The entire purchase-to-delivery experience also hinges on a lot of non-LEGO partners, and it's hard to hold all of them to the same high standard of quality. Aware that these partners also impact LEGO customer experience, the LEGO Group instituted weekly meetings with carriers and its distribution center to go over customer feedback. Together, they identify key problem areas that have the greatest impact on overall satisfaction, and plan targeted improvements.

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TORY BURCH

Case Study: Prioritized Actions

"We believe in creating transformational experiences."
- Matt Marcotte, SVP Global Retail, Tory Burch

Across industries, people are looking up to Tory Burch as a customer experience leader. Whether it's serving customers complimentary drinks or offering iPads to entertain the children of its customers, it does everything it can to make its customers feel comfortable and happy. The company understands that building loyalty starts with delivering transformational experiences at every transaction.

To maintain this extraordinary level of customer-centricity, Tory Burch has woven Operational CEM into its DNA. With its CEM system, employees can quickly determine which facets of the customer experience are having the greatest impact on overall satisfaction, which enables targeted training and coaching within each store. For example, the system revealed that customers who visit for a scheduled appointment spend more and are generally more satisfied than customers who do not have an appointment. This quickly allowed employees to focus on and improve this particular experience—and provided broader high-level insights for company-wide innovation.

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Tory Burch Case Study continued

With its Operational CEM system, Tory Burch has decreased its number of detractors by 12%, and has narrowed the spread between its lowest and highest-performing stores by 15 NPS points, delivering excellent, consistent experiences across all stores.

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6 Real-Time Delivery

With the rise of the Internet and social media, consumer behavior and company reputations can change dramatically in a matter of hours. And alternatives to your business are just a click away.

Last, but definitely not least, an Operational CEM program must run in real time. It should not take months, weeks, or even days to disseminate customer feedback to your organization. By the time traditional Voice-of-the-Customer programs place customer feedback into the hands of the relevant people within your organization, customers have been disappointed, trends have come and gone, and you're left in the dust with stale customer data. And your customers have defected to a competitor.

Your frontline needs immediate access to customer feedback to save and nurture customer relationships when the interaction is still fresh in customers' minds. Non-customer-facing departments need to be able to quickly spot trends and new customer pain points so that they can address them promptly.

An Operational CEM program minimizes the barriers between the customer and the organization so that everyone in the company can respond immediately to customer needs and changing customer behavior.

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Real-Time Delivery Summary

Why:

In the digital age, customer behavior and company reputations change dramatically in a matter of hours, not months—and alternatives are always just a click away. If you're not responsive to your customers, you risk losing them.

How:

Capture and provide customer data to everyone in your organization in real time, so that everyone can solve issues and address trends as soon as they occur.

Case Study: Real-Time Delivery

PayPal eases the friction of traditional banking services, allowing customers to make payments and money transfers from the convenience of their computers or mobile devices. How does the company respond to individual customers and customer trends with millions of transactions taking place each month? With a customer-centric mindset that places ease of use at the center of everything it does.

To do this, PayPal monitors customer experiences across all global service channels and transactions. Customer feedback is delivered in real time to the service center Team Members who are best qualified to take action on it. It's also customized to every employee who receives it, so each of PayPal's 20+ service centers and nearly 9,000 agents have the exact information they need to respond to customers and drive improvement. Clear, role-specific actions have also significantly boosted engagement with customer feedback.

Beyond the frontline, PayPal's Global Operations tracks changing customer trends in an effort to reduce top customer pain points. For example, based on merchant feedback, the team found that merchant dissatisfaction with fees, a need for

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PayPal Case Study continued

stronger protection policies, and a strong desire for monthly meetings with the relationship manager made a strong impact on overall satisfaction. Armed with these insights, the team worked with the relevant parts of the organization to improve those areas.

In 2013, PayPal identified 20 customer pain points through its customer feedback, both on the merchant and consumer sides of the business. By addressing these pain points, PayPal has driven $2 billion in additional payment volume, enhancing over 90 million customer experiences.

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Conclusion

Market research and Voice-of-the-Customer programs are fine things to have—but it's how you build this information into your business that is key to their value. No longer can you only listen to the Voice of the Customer in the form of quarterly market research reports. The pervasiveness of the Internet now means that you need to respond rapidly to customer issues and consumer trends. And the only way to do this is to have an Operational Customer Experience Management program, bringing together the six essential ingredients we have outlined.

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Every Interaction:
Capturing every single interaction customers have with your company, and tying each of these to the employees and business units responsible for those interactions.

Unified Views:
Taking a holistic view of your company from the perspective of your customers, preventing gaps of knowledge between silos.

Every Employee:
Enabling every single employee to take action with readily available customer data.

Tailored Insights:
Transforming the undifferentiated "big data" of customer feedback into insights that each employee can use for improvement.

Prioritized Actions:
Automatically ranking the most important focus areas based on their impact on revenues and overall customer satisfaction.

Real-Time Delivery:
Capturing and providing all of this customer data to everyone in your organization in real-time, so they can solve issues and address trends as soon as they occur.

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It's these six critical concepts that separate organizations that merely like the idea of having the Voice of the Customer from the organizations who are leaders in customer-centricity. It's these leaders who are able to keep the customer at the center of everything they do, striving to improve the experiences they deliver in every interaction.

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About Medallia

Medallia® is the Customer Experience Management company that is trusted by hundreds of the world's leading brands, including Four Seasons, GE, Marriott International, Nordstrom, Sephora, and Zurich Insurance. Medallia's Software-as-a-Service (SaaS) application enables companies to capture customer feedback everywhere the customer is (Web, social, mobile, and contact center channels), understand it in real time, and deliver insights and actions everywhere—from the C-suite to the frontline—to improve the customer experience. Founded in 2001, Medallia headquarters are in Silicon Valley. Medallia has offices in New York City, London, Sydney, Melbourne, Hong Kong, and Buenos Aires. Learn more at www.medallia.com.

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