

# Financial Linkage

# **Proving the CX Value to Your CFO**

Bernadette Doerr & Carolyn Egelman



# AGENDA

## 1 Thinking Like a CFO

The CFO Agenda:  
New Roles &  
New Rules

## 2 Making the Case

Revenue Case  
Studies

Cost Case  
Studies

## 3 Making YOUR Case

CX +  
Social Science

Tips from the  
Trenches

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# CFO New Roles: The 4 Faces of the CFO

## New Roles

**Catalyst:** Stimulate & drive **business improvement initiatives**

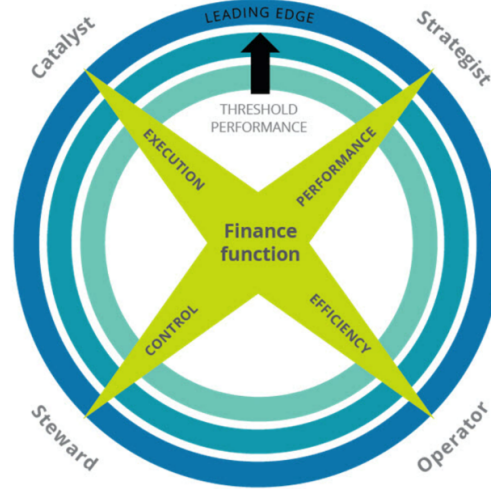
## Strategist:

Align business & finance strategy to **grow the business**

## Traditional Roles

**Steward:** Protect assets, ensure compliance, communicate value & risk

**Operator:** Run an efficient & effective finance org

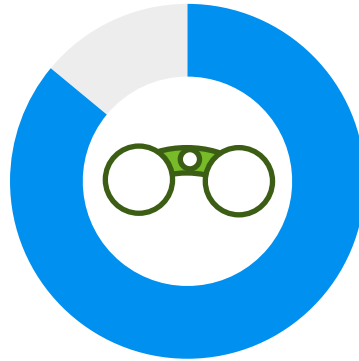




# CFO New Rules: grow, Grow, GROW!



- **71%** of CFOs say **growth** is their company's **strategic priority** for 2016<sup>1</sup>



- **86%** of CFOs say **finding new sources** of growth is a challenge<sup>2</sup>



- **69%** of CFOs say they **need to better understand customers**<sup>3</sup>

# Make the Connection

Position CX as growth catalyst



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# Making the Case

## Thinking like a CFO

- CX professionals **need** to make the business case for CX investments, but surprisingly few do
  - **9** in **10** can't measure the ROI of their CX investments in \$ terms
  - **3** in **10** have only anecdotal evidence
  - **4** in **10** say it's too early or they have no measures at all
- Adopting a financial accounting perspective **can help**
- **Focus** on the two major pathways to profitability: Revenues and costs

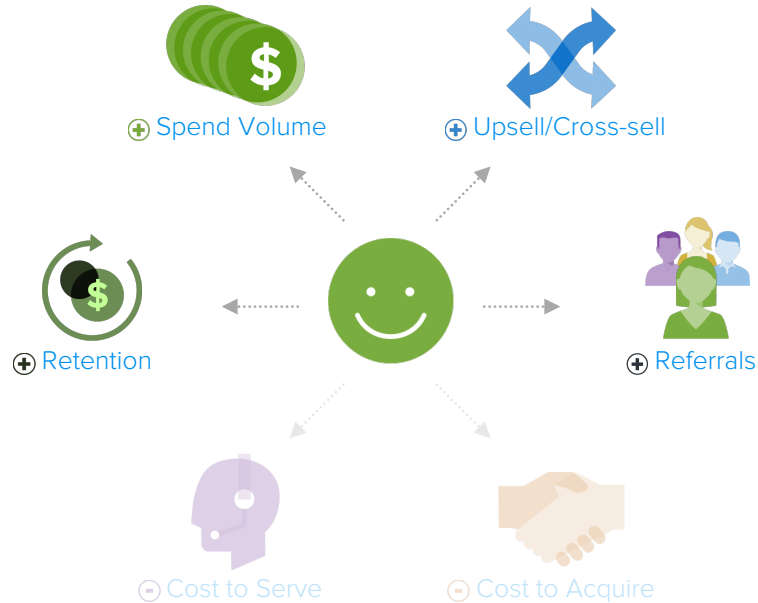
# Making the Case: Thinking like a CFO

Breaking down the drivers of revenues & costs



# Making the Case: Thinking like a CFO

Breaking down the drivers of **revenues** & costs



# Farmers Insurance



+60% NPS

+3% Retention

Resulting in  
**\$500M**  
annually

# US Retailer

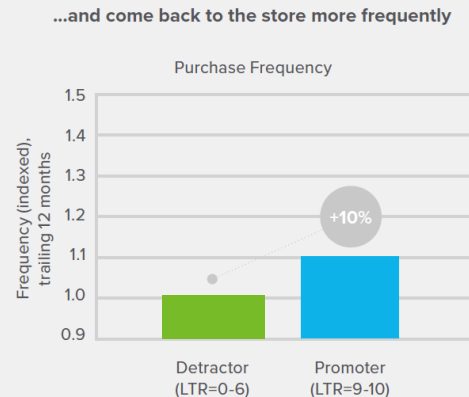
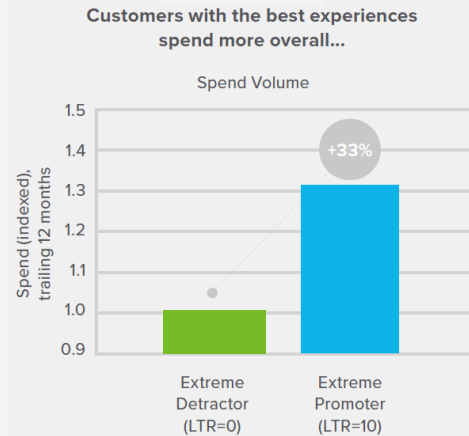
## Studied sales associate behaviors

Customer greeted by sales associate =  
~20% higher spend

Customer assisted by sales associate =  
~30% higher spend

**Re-trained sales associates to encourage these behaviors**

**Examined customer feedback scores vs.  
subsequent spend and visit frequency**



Effects controlling for: prior spend, survey channel, store region, and customer demographics (generation, income, gender, loyalty program).  
n = 190,000 customers; p < .01



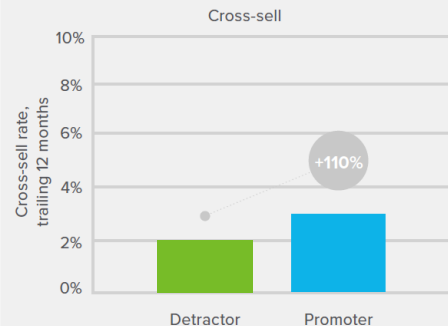
# European Telco

## Examined retention and cross-sell behavior among customers

Promoters subscribed to additional services **10% more frequently** (“cross-sell”)

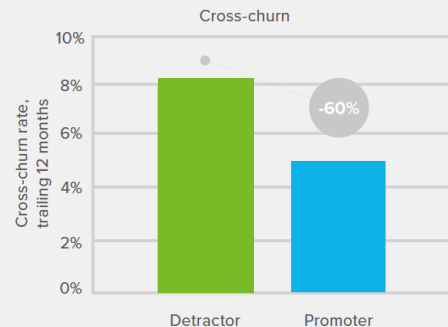
Promoters were **far less likely** to discontinue multiple lines of service (“cross-churn”)

Promoters add new product lines more often...



Effects controlling for: current spend, region, gender, language, and time trend.  
n = 12,000 customers; p < .001

...and discontinue multiple product lines less often



Effects controlling for: current spend, current spend on other products, region, gender, language, and time trend.  
n = 4,000 customers; p < .01

# Airbnb

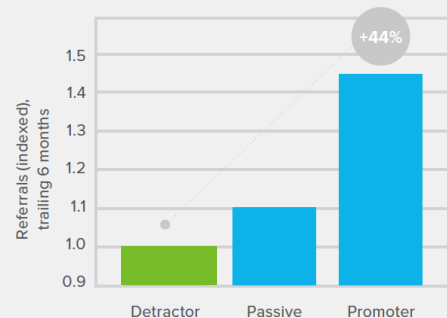


## Examined actual referral behavior among guests

Promoters referred friends 44% more frequently than Detractors

If AirBnB could convert Detractors to Promoters, annual revenue could increase 2%

Figure 3: Promoters refer new customers more frequently



Effects controlling for: prior stays, ticket type, channel, business/leisure, interaction category, issue type, region, gender, age, and new vs. returning guest.

n = 600,000 observations; p<.01

# Making the Case: Thinking like a CFO

Breaking down the drivers of revenues & **costs**



# Regional Fitness Chain

## Tested a targeted referrals campaign

Promoters were nearly **3x** as likely to refer friends compared to Detractors

Personalized referral rewards based on actual member behavior generated

**20x**

more referrals

# Comcast



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## Investing in major improvements to customer experience:

Has narrowed service appointment windows

Responds more quickly to social media reviews

**-14%**

Service calls

**-6%**

Need for second House-call

**+7%**

First-call resolution

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# Making YOUR Case

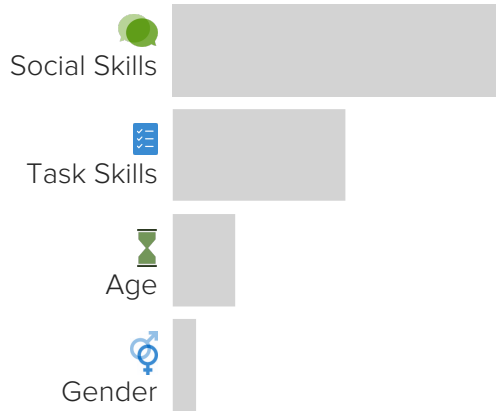
## Customer experience + social science

- Great! I know how to analyze the financial impact of customer experience & what to look for, but...
- How can I maximize my chances of getting through to the CFO?
  - **70% of transformation initiatives fail** due to the absence of upfront c-suite endorsement & alignment (or the loss of it over time)<sup>1</sup>
- You need more than great data
- You need more than smarts
- **You need influence**

# Influence Effectiveness Differs by Your Audience

Which **characteristics** matter most for **influence**?

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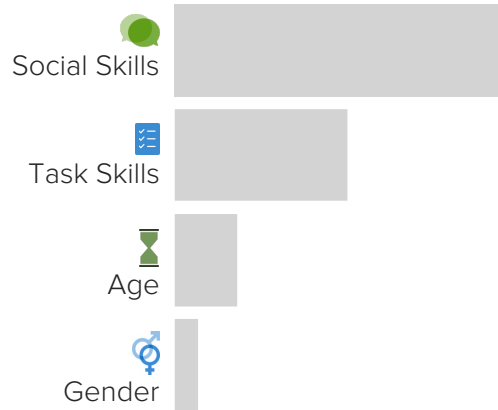




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When you influence **bosses & peers**

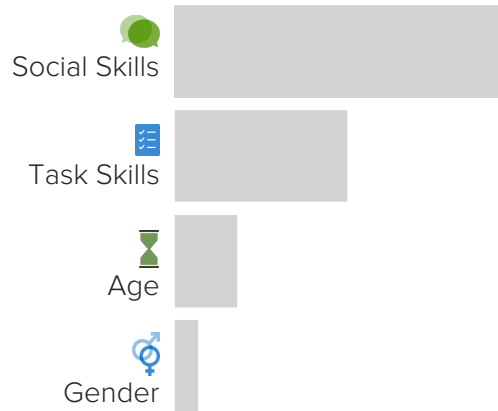
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2. Exchange
3. Ingratiation
4. Consultation
5. Rational Persuasion
6. Coalition Building
7. Assertiveness
8. Higher Authority

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When you influence **subordinates**

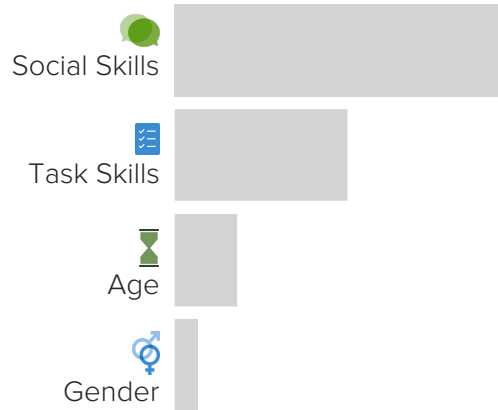
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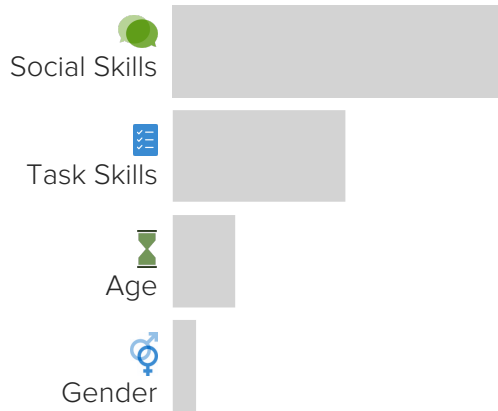
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# Influence Effectiveness Differs by Your Audience

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## Being influential requires diagnosing situations

- Relationships matter for identifying the best influence styles
- Rational Persuasion isn't the most effective style!

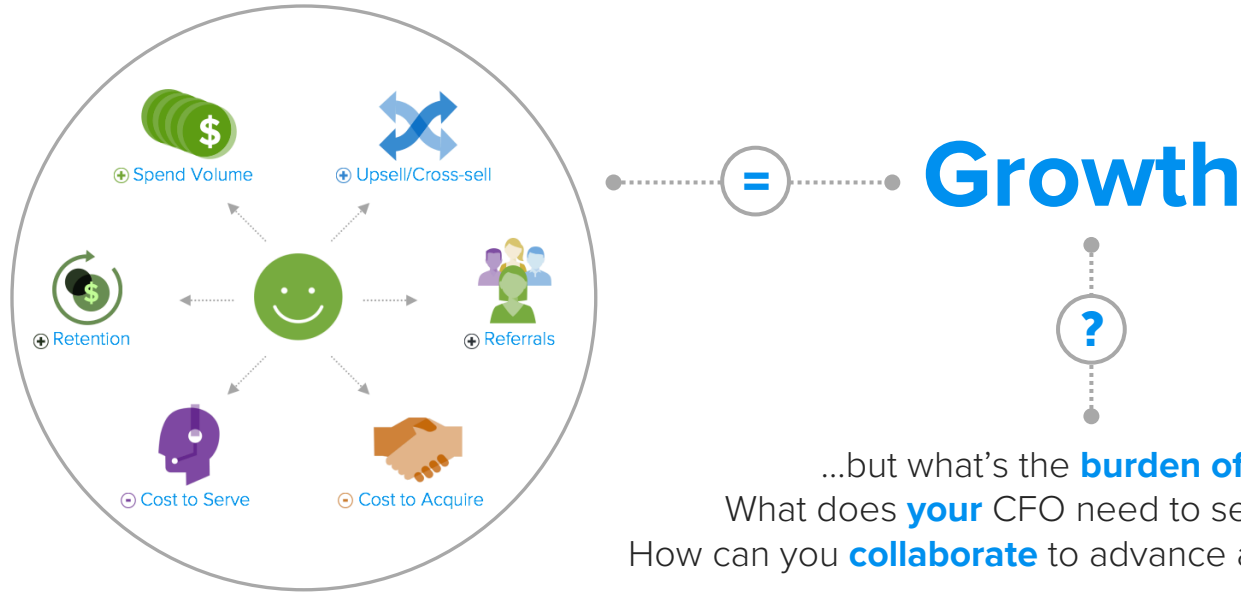
## Understand your audience

- Who do you need to work with?
- Which style will they be most receptive to?

## What is unique about the CFO as your audience?

# How Do You Connect?

Position CX as growth catalyst



...but what's the **burden of proof**?

What does **your** CFO need to see to believe?

How can you **collaborate** to advance a common agenda?

# What does YOUR CFO need to see?

When managers influence  
**bosses & peers**

1. **Inspirational Appeals** .....
2. Exchange
3. Ingratiation
4. **Consultation** .....
5. **Rational Persuasion** .....  
.....
6. Coalition Building
7. Assertiveness .....
8. Higher Authority

## Qualitative Evidence: Customer Stories

Internal examples  
External examples (e.g., “Account for Great CX”)

## Involvement: Consultation

Understand CFO’s burden of proof  
Establish common goals, methods, KPIs

## Quantitative Evidence: Case Studies

Internal proof  
External examples (e.g., “Account for Great CX”)

# **LESSONS LEARNED:**

## **Top 5 Tips from the Trenches**

## LESSONS LEARNED:

# Top 5 Tips from the Trenches

**1** Be **persistent** (but not obstinate)

“”

You may have to make the case to me multiple times.

Be ready to **modify** your approach.

Play the **complementary role** that I need.



# LESSONS LEARNED:

## Top 5 Tips from the Trenches

1 Be **persistent** (but not obstinate)

2 Keep it **current** – and get good at doing it

“”

You're always going to have to be making the argument for why this program, **why customer satisfaction, why loyalty, over and over again.** You haven't done it enough until they finally started saying, 'Dayton, **please stop telling us why we have to do this!**' And when they do that, you just **put the financial case for change in the back of the presentation in the appendix,** because somebody is always going to challenge you and say, 'Why are we doing this? Why is this a priority? I don't understand. This doesn't make sense.'

Dayton Semerjian  
**CA Technologies**

## LESSONS LEARNED: Top 5 Tips from the Trenches

- 1 Be **persistent** (but not obstinate)
- 2 Keep it **current** – and get good at doing it
- 3 Don't forget **visuals**

Make your findings easy for me to digest.



Compelling graphics illuminate.

## LESSONS LEARNED: Top 5 Tips from the Trenches

- 1 Be **persistent** (but not obstinate)
- 2 Keep it **current** – and get good at doing it
- 3 Don't forget **visuals**
- 4 **Don't overstate** your case

**Acknowledge your limitations** – data, analytical, otherwise.

Be **transparent**.

**Ask me for help** and advice where you're weakest.

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- 1 Be **persistent** (but not obstinate)
- 2 Keep it **current** – and get good at doing it
- 3 Don't forget **visuals**
- 4 Don't **overstate** your case
- 5 **Don't assume** you know what I want

Listen.

Ask.

Do your homework  
(ask around).

Engage.

Use consultation.

**This lesson has veto  
power over all the others.**

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**Q&A**

# Want to learn and do more?



## Resources

*Accounting for a Great Customer Experience Whitepaper*



## Training & Enablement

Interactive workshops, training and certification courses to help you **build a best-in-class OCEM program**

-  
Help you **improve and transform** your business by leveraging the Medallia platform and customer experience best practice



## Targeted Support

Powerful analyses that uncover data-driven stories to **inspire innovation and profitable growth**

-  
**Partner with you** on a series of action-oriented projects targeting the most important operational customer experience decisions