Forever Unified: Customer and Employee Experience

A guide to getting sustainable business outcomes from experience

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Introduction

Businesses face increasing expectations from both customers and employees. In the case of customers, experience has become a key point of differentiation among brands. When experience is improved, customers win. But this also sets the bar higher with each interaction.

Employees also value a great experience and reward companies that understand this with greater engagement and productivity. Notably, they are willing to leave their employers when they don't feel valued, evidenced during what many have referred to as The Great Resignation.

When employee experience is stellar, it translates into better customer experiences, which unifies the two types of experience into a singular goal for improvement. This is demonstrated through better customer service, more innovative products and services, and greater customer satisfaction with frontline employee interactions. When employee experience suffers, however, this relationship between customer and employee experience is strained as well.

There is a lot at stake. This includes everything from customer loyalty, retention, and lifetime value to employee engagement and retention. Leading companies understand customer and employee experience as a unified element, and benefit from a lift that occurs when both are done well and in coordination with one another. Let's explore this in more detail.

Experience matters

- Investments in a unified view of customer and employee experience pay off:

- Customer experience leaders are 26 times more likely than laggards to experience revenue growth of 20% or more over the past fiscal year[3]

- Customer experience leaders are 2.8 times more likely than laggards to meet financial targets and be viewed as a great place to work[3]

- While 80% of executives believe employee experience to be important or very important, only 58% of the workforce feels valued by their employers[1]. Therefore, there's a dire need to improve employee recognition practices at organizations.

Part 1: A unified view of customer and employee experience

More engaged employees create more engaged customers, benefiting everyone, including the business. There's a close-knit relationship between customer experience and employee experience since employees are the ones creating interactions with customers. If a business wants to improve customer experience, they have to start by examining and improving employee experience.

Customers pay the cost of poor employee experience

Poor employee experience isn't only detrimental to the individual employee — it also has a significant impact on an organization's bottom line. Disengaged employees deliver poor customer experience, and aren't motivated to provide the best possible solutions for customers.

Additionally, the lack of employee retention means less institutional knowledge to help customers when it is most needed. As a result, customers may have to wait longer for service or assistance and may be less likely to get help when they need it most. The assistance gap causes frustration for customers and can lead them to take their business elsewhere.

Inspired employees create delighted customers

It shouldn't be a surprise, then, that happier and more engaged employees lead to happier and more satisfied customers. Employees who feel a strong purpose and reward from their work are more engaged and provide better ideas and excellent customer service.

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Much of what a customer experiences is based on what the employee was doing. It's a shared experience between human beings, inextricably linked so they reflect on one another.

David Ostberg
PhD, Industrial Psychologist at Medallia

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At CVS, our leadership each do different jobs regularly. We work in the store, stock trucks, work in the pharmacy, or do inventory tax price changes. Then we come back together and have a two-hour deep dive. It is amazing how much you realize you can do to make the experience for that colleague better when you experience it firsthand.

Michelle Peluso
Chief Customer Officer of CVS Health [5]

Seemingly little things make a big difference. For example, employees are 4.6 times more likely to feel empowered to do their best when they are acknowledged at a workplace. Leadership agrees, with 70% believing a better employee experience can result in a better customer experience, leading to higher revenue generation.[2]

Similarly, satisfied employees stay longer at the company. This lower turnover saves the company money on recruitment and training costs, since a company has to spend 1.5 to 2 times an employee's salary on replacing them.[1]

Additionally, creating alignment is essential. Employees should know how their work contributes to the organization's and their customers' goals. There should be a clear line of sight between employee actions and the benefit to the customer. Communicating this often will help embed a sense of purpose in every team member.

Leading companies understand this and also find ways to educate leaders and managers so they understand what it is like for employees on the front line. This leads to tangible improvements, and more engaged employees. Customers served by more engaged, satisfied employees buy more, buy more often, and tell others to buy as well.

Making the connection

Great employee experience is a customer experience multiplier:

01. Highly engaged employees deliver a better customer experience because they have the enthusiasm and commitment to deliver better service to the customer.

02. Good employee experience lowers turnover rates, enabling consistent customer care.

03. Customer feedback can help highlight areas for growth, and shape employee experience programs.

04. Employees that have line of sight to their role in serving customers feel a greater purpose in their roles, leading to higher rates of retention and more satisfied customers.

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Part 2: Continuous understanding of customer & employee experience

Measuring the connection between customer and employee experience provides valuable insights into how well a company functions. By understanding this connection, businesses can make changes to optimize the overall experience for both customers and employees, improving business outcomes and the bottom line.

Measuring customer experience

With more choices and more immediate access to a diverse set of options, customers today are more empowered than ever. A company's relationship with its customers can give

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> Companies need to go beyond simple customer and employee experience measurements and progress to what we call 'continuous understanding,' where customer and employee insights are translated into real responses and actions.
>
> **David Ostberg**
> PhD, Industrial Psychologist at Medallia

them a competitive advantage in their respective industries. In today's competitive landscape, if customers aren't happy, they'll simply leave.

To stay ahead, 47% of customer experience leaders analyze customer data at least once a month, compared to only 27% of the laggards.[3] If you want to do customer experience measurement well, it's important to do it consistently. Likewise, investing in measurement tools and platforms is imperative to understand the experiences customers have at your company. In fact, customer experience leaders plan to invest two to three times more in customer-related technology compared to laggards.[3] As a result, they're likely to get a clearer picture of current and future needs and expectations of their customers.

Measuring employee experience

Employees want to be engaged with their work, and reward employers that listen to them with greater productivity, more innovation, and better customer service. Measuring employee engagement and satisfaction is critical to gain a continuous understanding of where opportunities and challenges exist. Medallia research shows that half of top-performing companies survey their employees monthly or more. In addition, 43% of these companies collect text-based open feedback and monitor community channels.[1]

Implementing flexible feedback tools is just as important as doing something with that feedback, and then communicating those changes to employees. This creates the understanding that employees who provide feedback are actively contributing to improving the employee experience for themselves as well as their coworkers.

Unifying customer and employee experience measurement

While measuring both customer and employee experience individually is incredibly valuable, taking a holistic approach to your customer and employee experience is essential for long-term success. By understanding how the two experiences are connected, you can create a **virtuous cycle** where happy employees lead to satisfied customers, more engaged employees, and so on.

A unified treatment of customer and employee experience creates both loyal customers and employees, both of which are essential to growing your business as well as weathering any storms or unforeseen challenges along the way.

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The first step is making sure you have a consistent set of tools, practices, and data. The reality will always be that you're asking for feedback in moments of truth: when they're on the website, when they've called the call center, in a store, or on the mobile app. It's important to connect the dots and understand the customer better.

Michelle Peluso
Chief Customer Officer, CVS Health [5]

Outcomes of unified customer and employee experience

When there's a precise alignment between customer and employee experience, the possible outcomes are limitless:

- Companies in the top 25% of employee engagement have 25% higher overall customer satisfaction

- High employee engagement results in a 21% boost in profits[2]

Better EX Creates Better CX

Locations with Higher EX Scores perform significantly better on CX

Cafe A

+109 Point Increase

80

72

Bottom 25%

33

-29

Lower 25%   Upper 25%   Top 25%

Cafe B
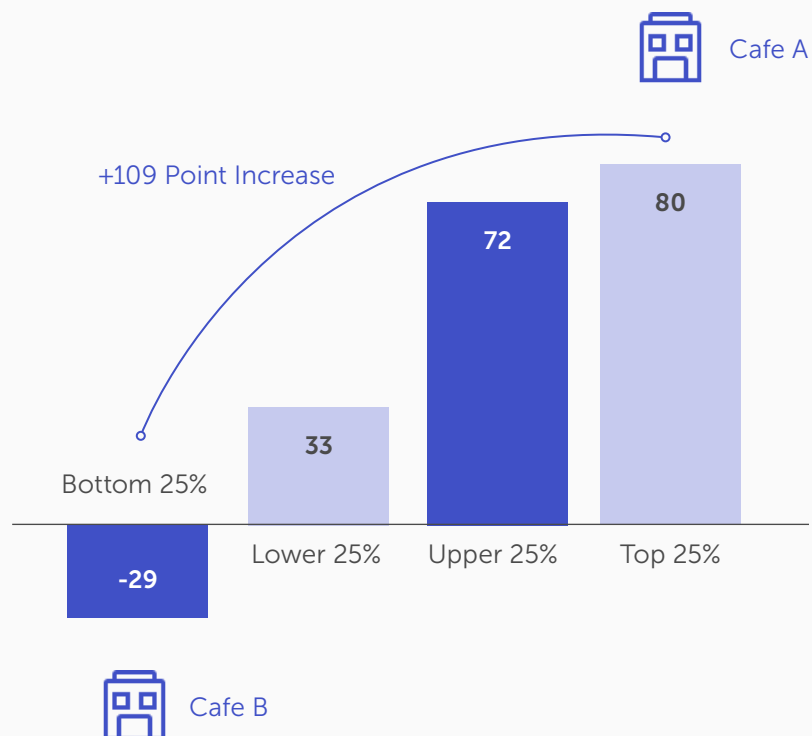
Part 3: Continuously improving customer and employee experience

As mentioned, improving the employee experience benefits the customer experience and vice versa. It's a true continuous improvement strategy that unifies customer and employee experience to drive more value for the business.

The experience flywheel

So how does this unified view of customer experience and employee experience work? First, the employees feel more empowered and have a well-aligned sense of purpose when the company's mission, vision, and values are clear. Because of this, they deliver better service to customers.

Better Service

Employee Experience

Customer Experience

Better Feedback
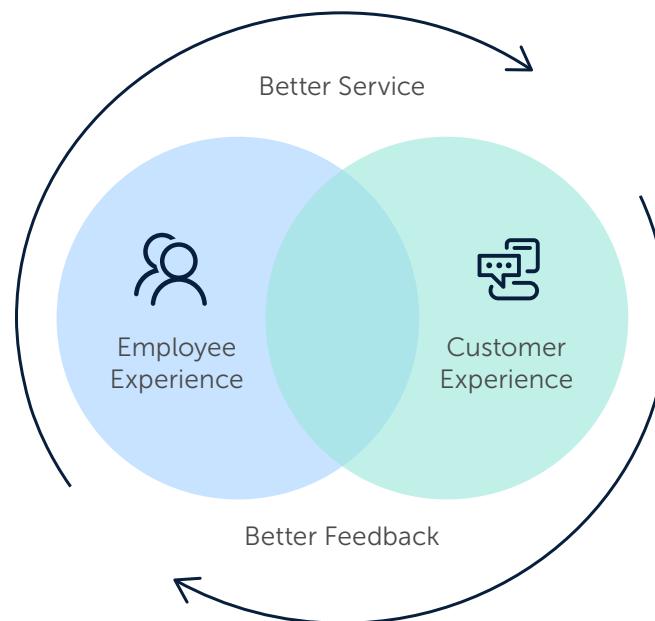
From Medallia EX + CX Essentials Webinar

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Having customized, specifically tailored dashboards for those different users is critical. What a People Analytics Manager sees should look pretty different than the leader of a technology or contact center group. This includes showing managers, or individual employees with managers, how to interpret feedback to take action.

David Ostberg
PhD, Industrial Psychologist

In turn, customers who receive better service, have a better experience, provide better feedback, and deliver a better experience for the employees. Additionally, these customers also become more loyal, which leads them to buy, buy more often, and tell others about the brand. Fred Reichheld, Bain Fellow and creator of the Net Promoter Score, calls this "the flywheel at the center of business success, which is treating customers so they come back for more and bring their friends."

Relevant metrics drive business outcomes

While a unified view helps both customer experience and employee experience improve, it is also important to use measurement to create a feedback loop. This helps you understand where improvements are needed, and to measure overall performance and business outcomes. This includes having the right measurement tools, as well as ways to visualize data and performance in the ways that make it most actionable to the people who need it.

Customer experience and employee experience leaders democratize data, using it as a foundation for making informed decisions across business units. For example, customer experience leaders are 3.5 times more likely to say their employees use the data from customer experience measurements to support their regular decision-making.[3]

As a result, leaders can create a loop of continuous improvement by enabling employees with role-relevant insights and strategic visibility, empowering them to help improve customer retention and satisfaction.

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Showing the most relevant metrics to the right audiences

This experience feedback loop should be created to allow real-time information to flow to the right teams and individuals, such as distinguishing between global, enterprise-level KPIs, and department-level metrics. This feedback loop should also allow managers and leadership to have a regular cadence to check and measure progress in real time, as fast-changing internal and external factors may require this. This allows customers (and employees) to feel heard in the moment, while providing a more systematic method of addressing larger trends and issues.

Leaders should focus on experience metrics and feedback that provide the most meaningful insights to the audience, which means collecting a variety of information, from leading and lagging indicators to gathering feedback using different formats. Michelle Peluso, Chief Customer Officer of CVS Health, uses the example of viewing customer video feedback as more powerful than text. "We'll start important meetings with videos from real customers, and the power of hearing someone's words directly from them can be really incredible."

Then, once you are providing a complete view of experience feedback to all relevant team members, examine how those teams are utilizing the insights, including the actions being taken in response to them. This is how a closed loop process is created, turning insights into action.

Measuring to improve experience

- 61% of customer experience leaders state that improving employee loyalty and experience is an organizational priority for the next 12 months[3]

- Customer experience leaders are 3 times more likely to achieve high employee satisfaction and retention levels[3]

- There is a strong relationship between employee and customer experience and how they both improve together:

Strong Relationship Exists Between EX and CX

Locations with a higher percentage of engaged employees tend to perfrom much better on VoC Net Promoter Scores
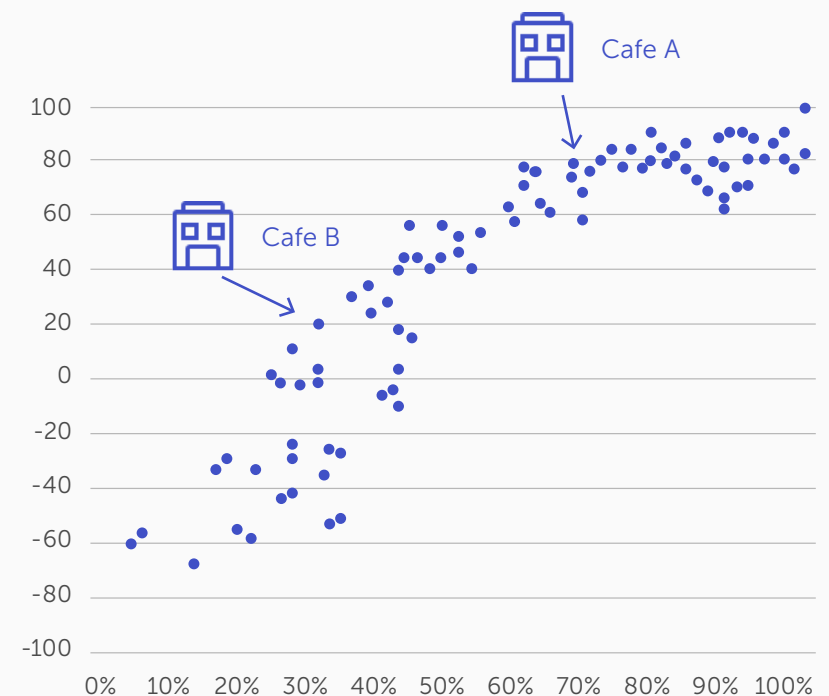
From the Medallia EX + CX Essentials Webinar

Turning measurement into action

Employee and customer experience leaders differentiate themselves from the competition by going beyond evaluating their customer and employee experience. They take things to the next level by turning insight into action.

Medallia Institute researchers have found that companies with leading customer experience programs:

- Use customer data to automate action and follow up on feedback quickly, with the help of technology — 54% strongly agreed with this statement, in contrast to 24% of laggards

They've also discovered that customer experience leaders are more likely to leverage their customer feedback to:

- Innovate the products they offer — 57% of leaders say they do this, compared with only 15% of laggards

- Improve the consistency of their customer support experiences — 66% of leaders say they do this, compared with only 29% of laggards

- Improve the quality of their customer support experiences — 65% of leaders say they do this, compared with only 32% of laggards

Similarly, companies with leading employee experience programs are 71% more likely to have practices in place related to taking action on employee experience insights compared to laggards.

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Organizations do not have to — and will most likely be unable to — make changes in response to every piece of employee feedback, but leaders stand apart for evaluating employee feedback, deciding which pieces of feedback to take action upon, and communicating these decisions to the entire organization.

Medallia Institute research finds that companies that ask for and act on employee feedback garner the highest employee Net Promoter scores, while companies that ask for feedback but don't take action receive even lower ratings from their employees than those that don't ask for feedback at all.

- Only 28% of frontline workers whose companies DON'T ask for feedback say they recommend their employer as a great place to work

- Only 25% of frontline workers whose companies ask for feedback but DON'T take action based on the feedback say they recommend their employer as a great place to work

- 80% of workers whose companies who DO ask for employee feedback and then DO act on that feedback say they recommend their employer as a great place to work

Organizations as diverse as the U.S. Department of Veterans Affairs, Hyatt, and Liberty Mutual[1] use their measurement efforts to take decisive action, including leveraging insights to:

- Launch new products and services

- Adapt their strategy and improve upon existing products and services

- Solve pain points and optimize experiences in real time

[1] https://www.medallia.com/blog/customer-experience-analytics-use-cases/

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Conclusion

Companies can achieve growth by improving customer and employee experience, and the most successful ones understand how the two are connected. A unified view of employee and customer experience drives organizations to become leaders, and achieve growth in ways that other companies can't replicate, even in times of economic uncertainty.

Start by creating a measurement plan for customer and employee experience that leverages your measurement platforms and utilizes a range of methods to collect feedback. Then, look at the relationship between employee and customer experience in your organization and start to determine where there are relationships.

Ready to take your customer and employee experience measurement further and benefit from the flywheel effect of better unified experiences?

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The companies who are the best in their industry are not just listening to customer feedback and getting better at looking at internal progress. They crush it in downturns because they've got this resilient flywheel of customers coming back for more and referring their friends, so they aren't buying growth, but achieving true organic growth.

Fred Reicheld
Bain Fellow and Creator of the Net Promoter Score[5]

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Checklist to get started

Create a unified customer and employee experience measurement platform

☐ **Framework:** Create a plan and understand the business outcomes you want to achieve from a unified view of customer and employee experience.

☐ **Technology:** Make sure you have the measurement tools in place to collect feedback through a variety of methods, provide insights to the right people, and analyze and report your results.

☐ **Team:** Build an effective team that understands the relationship between customer and employee experience, and who can create a unified measurement platform.

☐ **Metrics:** Define metrics that impact both your customer and employee experience initiatives as well as your business outcomes.

☐ **Improvement:** Use feedback loops to improve the experience, as well as your understanding of how to create better experiences for customers and employees.

About the Author

Greg Kihlstrom is a best-selling author, speaker, and entrepreneur, currently an advisor and consultant to top companies on customer experience, employee experience, and digital transformation initiatives as Principal and Chief Strategist at GK5A. He is a two-time CEO and Co-Founder, ultimately leading both to be acquired (one in 2017 and the other in 2021). As a strategist, digital transformation, and customer experience advisor, he has worked with some of the world's top brands, including Adidas, Coca-Cola, Dell, FedEx, HP, Marriott, Toyota, and VMware.

He is a member of the School of Marketing Faculty at the Association of National Advertisers and currently serves on the University of Richmond's Customer Experience Advisory Board. Greg is Lean Six Sigma Black Belt certified, is an Agile Certified Coach (ICP-ACC), and holds a certification in Business Agility (ICP-BAF).

Greg's latest book, Meaningful Measurement of the Customer Experience, provides guidance on how to create a customer-centric culture that prioritizes customer needs while aligning internal teams around a common goal. His podcast, The Agile Brand with Greg Kihlström, launched in early 2019 and featured interviews with some of the world's leading customer and employee experience experts and leaders. Greg was named one of ICMI's Top 25 CX Thought Leaders of 2022, and writes for Forbes and CMSWire.

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About Medallia

Medallia is the pioneer and market leader in Experience Management. Medallia's award-winning SaaS platform, the Medallia Experience Cloud, leads the market in the understanding and management of experience for customers, employees and citizens. Medallia captures experience signals created on daily journeys in person, digital and IoT interactions and applies proprietary AI technology to reveal personalized and predictive insights that can drive action with tremendous business results. Using Medallia Experience Cloud, customers can reduce churn, turn detractors into promoters and buyers and create in-the-moment cross-sell and up-sell opportunities, providing clear and potent returns on investment. www.medallia.com

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