

Improving CX Through Business Discipline Drives Growth

The Vision Report In The CX Transformation Playbook

by Harley Manning and Rick Parrish
September 11, 2019

Why Read This Report

As power shifts from businesses to customers, more firms respond by transforming their customer experience (CX) in an effort to retain or gain market share. That's a rational response because CX transformation can yield financial benefits, including faster revenue growth or lower costs to serve. The problem: Transformation is hard. To do it successfully, organizations need to craft a CX vision, establish CX competencies, and execute those competencies with discipline. This report shows organizations why they should transform and what they need to do to make that happen.

Forrester refreshes this report regularly based on new research.

Key Takeaways

Improving CX Increases Business Success

Customer experience drives three types of customer loyalty: retention, wallet share, and recommendations. What's more, improving CX can slash costs. The result: higher revenue and increased profitability.

Excellent CX That Drives Breakaway Business Results Is A Scarce Commodity

Very few brands offer a standout experience that's good enough to create a large and sustainable advantage over current competitors — let alone safeguard against future disruption.

To Win At The CX Game, Firms Must Apply Business Discipline

To deliver the right experiences, organizations need to establish six CX competencies. Within each one, specific activities guide the day-to-day behaviors of employees and partners. Firms must perform those activities with discipline to deliver the right CX reliably.

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[The Customer Experience Ecosystem Redefined](#)

[How Customer Experience Drives Business Growth, 2018](#)

[The US Customer Experience Index, 2019](#)



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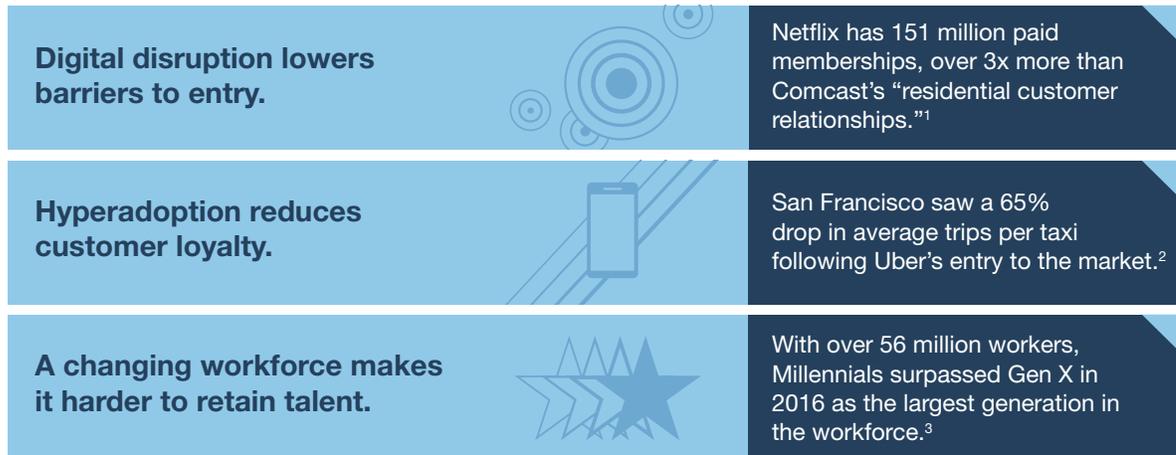
Customer Experience Drives Business Results

Power has shifted from businesses to customers.¹ This means that improving the experience for those customers yields economic benefits that get the attention of C-level executives and shareholders (see Figure 1). The most significant are:

- › **Faster revenue growth.** Customers who have a better experience are more likely to stay with a brand, buy additional products and services from the brand, and recommend it to friends. The result: more retained revenue from reduced customer churn, more revenue per customer, and more new customers.² To examine the real-world impact of these drivers on brands, Forrester analyzed the correlation between CX quality and revenue growth for companies in five industries.³ We found that companies with superior CX grew revenues five times faster on average than their competitors with inferior CX. And this is a global phenomenon: We found similar results in Europe and China.⁴
- › **Higher margins.** When we analyzed data from our Customer Experience Index (CX Index™), we also found that customers who have a superior CX are willing to pay a higher price for products and services.⁵ This is especially true for customers who rate an experience as outstanding. Customers who gave CX Index scores that fell into the “excellent” category had a significantly higher willingness to pay a premium for the experience than customers who gave CX Index scores that fell into lower categories like “good” and “OK.”
- › **Lower costs.** When frustrated customers contact companies to resolve their problems, they run up the company’s service costs. For example, Sprint had the worst CX in the wireless industry in 2007, and its costs soared. Then the company’s new CEO began an effort to systematically track down and eliminate the problems that annoyed customers. By 2012, the number of complaint calls had dropped so much that the carrier was saving \$1.7 billion per year.⁶ Companies ranging from financial services firm Fidelity Investments to tech giant Cisco Systems have found this, too: Improving CX cuts millions to hundreds of millions of dollars in waste.

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FIGURE 1 The Economic Benefits Of Customer Experience Transformation**THE URGENCY TO INVEST IN CUSTOMER EXPERIENCE****GREAT CX DRIVES BUSINESS RESULTS**

¹Source: "About Netflix," Netflix and "Comcast Reports 2nd Quarter 2019 Results," Comcast press release, July 25, 2019; ²Source: Jacob Davidson, "Uber Has Pretty Much Destroyed Regular Taxis in San Francisco," Money, September 18, 2014; ³Source: Richard Fry, "Millennials are the largest generation in the U.S. labor force," Pew Research Center, April 11, 2018; ⁴Source: Forrester analysis of US Securities and Exchange Commission filings by Amazon, AT&T, Charles Schwab, Comcast, Edward Jones, E-Trade, Morgan Stanley, Southwest Airlines, United Airlines, and Walmart from 2010 to 2015; ⁵Source: "CX Quality Can Affect Stock Performance" Forrester report; ⁶Source: Forrester Analytics Customer Experience Index Online Survey, US Consumers 2016; ⁷Source: "Case Study: The CX Transformation That Revitalized HP's Printer Business" Forrester report; ⁸Source: "Southwest Corporate Fact Sheet," Southwest Airlines; ⁹Source: "Case Study: How Emirates NBD Made Every Day CX Day" Forrester report

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Customer Experience Is A Perception

What is customer experience and why is it so important? From a business perspective, CX is tangible, practical, and measurable. Forrester defines customer experience as:

How customers perceive their interactions with an organization.

There are three dimensions to these perceptions — the measurable components of an experience that drives customer loyalty:

- › **Emotion.** The best interactions evoke positive customer emotions and avoid provoking negative emotions. Data from Forrester's CX Index proves that emotion is the strongest driver of customer retention, enrichment, and advocacy. On average, only four in 10 US online consumers say they will go out of their way to do business with certain companies — in other words, be loyal to those brands. However, consumers who feel a sense of gratitude when engaging with a particular brand are nearly twice as likely to be loyal to it.⁷
- › **Ease.** Easy interactions let customers achieve their goals with minimal effort. When alternative paths to value are harder, ease of doing business creates competitive advantage. For example, digital music players didn't catch on at first because it was hard to get music onto them. Then Apple launched iTunes and iPods, which led to iPhones and iPads — and it became the one of the world's most valuable companies, with a market cap of over \$900 billion as of this writing.⁸
- › **Effectiveness.** Effective interactions meet the needs of the customer. The product or service must deliver value to customers or the experience will fail fundamentally. The car must start and run, the electronic bill payment must go through to the recipient, and the shipped package must arrive at its intended location on time and undamaged. Therefore, effectiveness is critical even though it's less likely to drive customer loyalty than emotion. In fact, it beats emotion as the most important dimension of CX in just one industry: wireless service providers.

CX Quality Depends On An Ecosystem

Organizations naturally want to take charge of the experiences they deliver. Unfortunately, that's very hard to do because companies, nonprofits, and even governments can't fully control their CX. The reason: Every organization, large or small, is part of a CX ecosystem, which Forrester defines as (see Figure 2):⁹

The web of relations among all aspects of a company — including its customers, employees, partners, and operating environment — that determine the quality of the customer experience.

This complex, sprawling system of interlocking parts must work together or it will fail customers. That means organizations must understand and shape — as best they can — all three layers of the CX ecosystem, which consist of:

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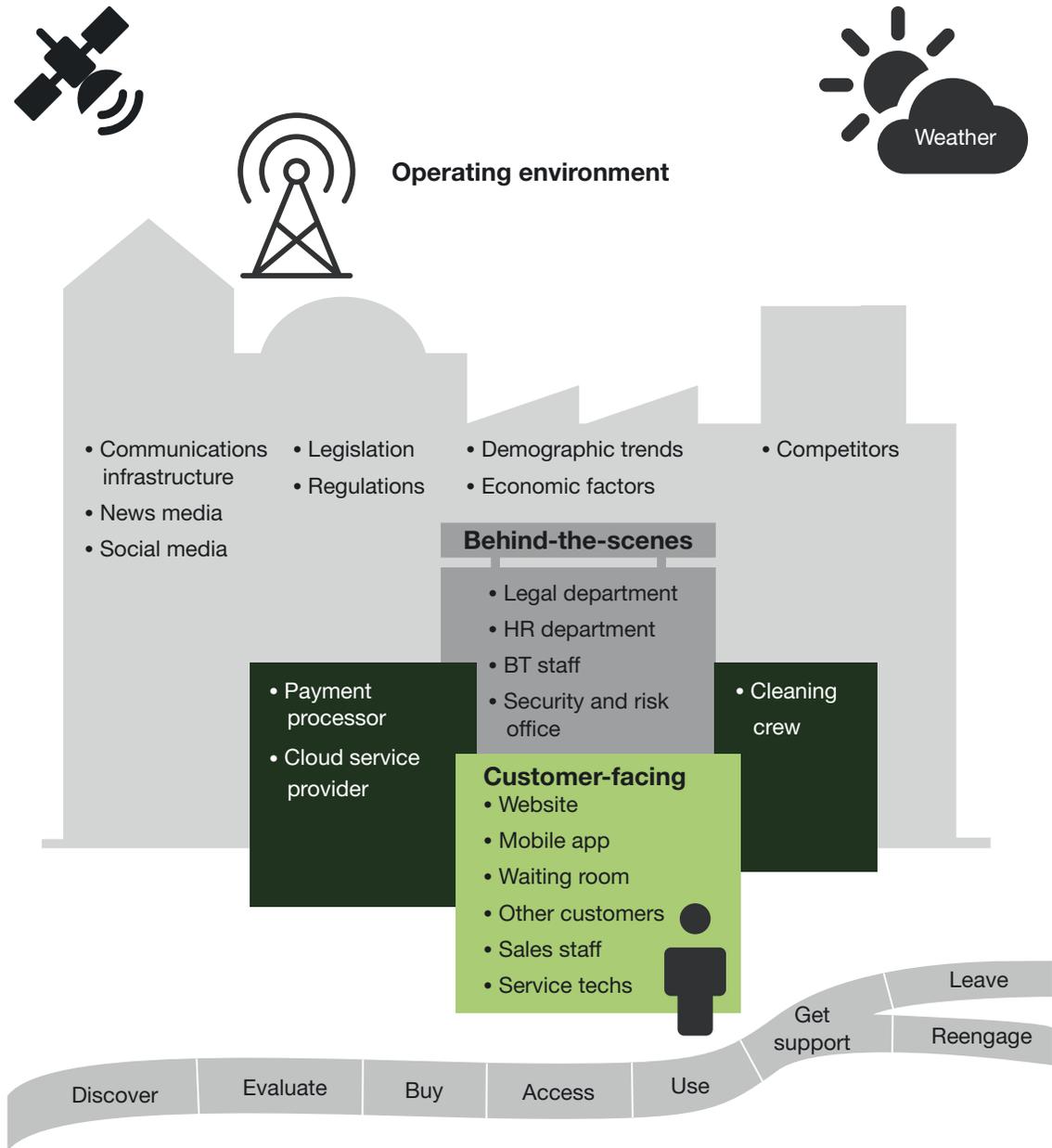
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- › **The customer-facing layer.** This level includes the many touchpoints that customers interact with throughout their relationship with a company. It includes people like store associates, contact center staff, and even other customers; technologies like websites, mobile apps, interactive voice response (IVR) systems, and chatbots; and physical elements like retail environments, reception areas, and product packaging.
- › **The behind-the-scenes layer.** Much of the CX ecosystem consists of the people, processes, and technologies that create and support CX despite never interacting directly with customers. Stakeholders in this layer often don't understand their impact on CX — like the legal department at a telecommunications firm, which created a policy inadvertently preventing its technicians from installing a software product its small-business customers had purchased: The policy prohibited the techs from changing a physical setting on the customer-owned hardware, but they needed to change it to complete the installation.
- › **The vast and unpredictable operating environment.** Some of the most important parts of a company's CX ecosystem lie beyond its direct control. For example, location data that's vital to many companies' mobile apps requires a reliable signal from the global positioning system (GPS), which commonly gets jammed — nearly 100 times a month in London alone.¹⁰ Even weather affects CX, as anyone who has ever slept on an airport floor during a storm delay knows all too well.

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FIGURE 2 The Customer Experience Ecosystem



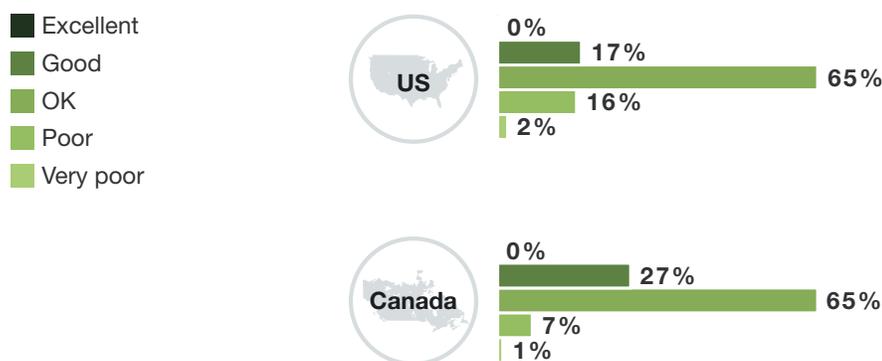
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High-Quality CX Is Extremely Rare

Forrester's CX Index measures how well a brand's CX strengthens the loyalty of its customers. It reveals that no company in either the US or Canada provides the excellent CX that can earn the business benefits described above (see Figure 3). The vast majority of firms only earned a score in the "OK" category; that means they failed to differentiate their CX from all but their weakest competitors, and they left their customers feeling indifferent. Our studies of CX in the US and Canada also found that:

- › **Just 17% of US brands have CX quality that's "good."** None of the brands in our 2019 US CX Index achieved a score in the "excellent" tier, and a mere 17% achieved a score in the "good" bracket. What's more, there was little progress year over year. The percentage of good brands increased by 2 percentage points — an increase that came equally from declines in the OK and very poor scores, which each shrank by 1 percentage point. Interestingly, the percentage of excellent scores held steady at 0%.¹¹
- › **Canadian CX remained mostly unexceptional.** Not a single brand earned the rank of "excellent" from Canadian consumers. On the other hand, 65% earned scores in the "OK" bracket. Although 27% of firms fell into the good category, all but two of these companies received scores at the bottom half of that bracket, indicating that they're barely better than OK. Even worse, the overall quality of CX, according to Canadian respondents, stagnated, as only about one-fifth of companies there showed any statistically significant movement at all from the previous year. Among these brands, however, the changes were for the better, with only one seeing a decline in score.¹²

FIGURE 3 Excellent Customer Experience Scores Are Extremely Rare

Base: 101,341 US and 62,218 Canadian online consumers (18+) who interacted with a specific brand within the past 12 months

Note: Percentages may not total 100 due to rounding.

Source: Forrester Analytics Customer Experience Index Online Survey, US Consumers 2019 and Forrester Analytics Customer Experience Index Online Survey, Canada Consumers 2019

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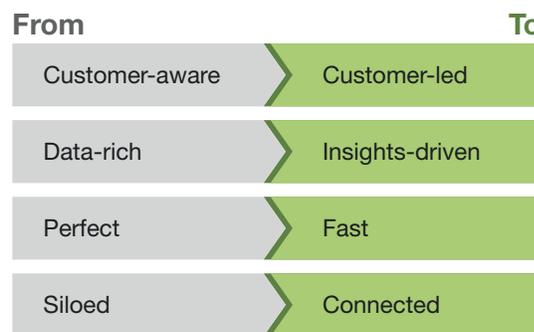
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To Transform CX, Companies Must Become Customer-Obsessed

Brands *can* break through to the higher levels of CX quality that will more reliably win, serve, and retain customers and yield the resulting business benefits. How can they do this despite the fact that these increasingly powerful customers can leave them with a few clicks of a mouse or taps on a screen? By obsessing about these customers' experiences.

Shift From Customer-Aware To Customer-Led

It's not about a marketing campaign or a few tweaks to customer-facing interactions. Truly customer-obsessed organizations transform the way they work by shifting four operating principles (see Figure 4).¹³ Where can you make the biggest impact as a CX transformation leader? By focusing on the first of these principles: leading your organization from merely customer-aware to customer-led.

FIGURE 4 The Four Operational Principles Of The Customer-Obsessed Operating Model

The Right Experience For A Brand Starts With Its Specific CX Vision

Has your company made a strategic decision to become customer-obsessed? That's just the start, because it makes no sense to work on making CX better without deciding first on the *right* CX — the *kind* of experience you intend to deliver.

That's harder than it might seem. For example, which CX is better: the premium-quality, high-touch experience of an Apple store or the discount, self-service approach of a Costco? The answer is that both experiences are successful for their brands. But imagine the consequences if Apple stores switched to a no-frills, do-it-yourself approach or Costco installed a Genius Bar. The experiences would be jarring for customers and damaging for business. That's because the right CX grows out of a clear, succinct, compelling CX *vision* statement that helps ensure (see Figure 5):¹⁴

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- › **Harmony across touchpoints for customers.** Customers interact with a firm through multiple channels, including websites, mobile apps, IVR systems, contact centers, and stores. Those channels should feel unified and consistent to customers, creating an experience that aligns with the brand promise and reinforces it — not undermines it. That’s especially hard to achieve as more experiences blend digital and physical, such as Starbucks’ mobile order-and-pay process or Audi’s digitally enhanced showroom.
- › **Clarity for employees.** CX transformation leaders can’t spend their days looking over the shoulders of every employee or partner and guiding them on each and every activity they perform. But they won’t have to if all those people share a common CX vision that informs their day-to-day decision making. This helps avoid problems like the one at an internet service provider where a CX leader discovered three concurrent projects in the support organization: one to move more customers to chat support; one to move customers away from chat support; and one to extend chat support to three additional languages.

It makes no sense to work on making CX better without deciding first on the right CX — the kind of experience you intend to deliver.

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FIGURE 5 Examples Of High-Level Customer Experience Vision Statements

Company	Statement of intent, core values, customer promises, etc.
Aetna	Simplicity; focus; connection
Burberry	Protect, explore, and inspire
easyJet	Safe and responsible; on our customers' side; in it together; always efficient; forward thinking
ING	We make banking clear and easy. We are there anytime, anywhere. We empower you to make smart financial decisions. We'll keep getting better.
McDonald's	Responsible leadership; inclusiveness; progressiveness; local integration
The Ritz-Carlton	The Ritz-Carlton is a place where the genuine care and comfort of our guests is our highest mission. We pledge to provide the finest personal service and facilities for our guests, who will always enjoy a warm, relaxed, yet refined ambience. The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.
State Farm	Quality service and relationships, mutual trust, integrity and financial strength
Warby Parker	Treat customers the way we'd like to be treated. Create an environment where employees can think big, have fun, and do good. Get out there. Green is good.

Sustaining A Transformation Requires CX Management

Transforming CX isn't a one-and-done activity. Instead, company leaders tasked with leading the transformation must establish six CX competencies in the organization, advance them, and innovate within them (see Figure 6). It's not enough for a firm to perform just a subset of the activities in each competency or execute them in a disjointed or inconsistent way. They must become well-defined, deeply ingrained organizational habits. Forrester's CX management maturity framework defines the competencies that every firm needs to master:

- › **Research.** Companies must understand their customers in depth and communicate that understanding to employees and partners.

The Vanguard Group has a history of serving self-directed individual investors, and it assumed that most of its customers were savvy, confident investors who liked to manage their own finances. However, when The Vanguard Group interviewed a sample of 100 clients, it discovered that only two fit that profile. The rest fell along a spectrum from "confident in their ability to invest but don't

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want to spend time doing it” to “not confident in personal investing.” This new insight affected how The Vanguard Group designed its groundbreaking Personal Advisor Services, a hybrid digital/physical offering, which attracted \$37 billion in assets in its first year.¹⁵

- › **Prioritization.** Organizations should focus on what’s most important for their customers’ experience and their business’ success.

For example, human resources (HR) software firm Aon focused CX efforts on its self-service portal, in part because 90% of interactions happened there. But high usage wasn’t the only reason that the portal got that level of attention. Good portal experiences satisfied two of the company’s three constituencies: end users (the client’s employees) and HR technology buyers. Users got the services they needed, and buyers rested easy knowing that benefits issues weren’t distracting employees.¹⁶

- › **Design.** Firms need to define and refine experiences based on their vision and research-based customer understanding.

Marriott is the owner of Residence Inn by Marriott, which was the top-scoring hotel brand in Forrester’s 2019 US CX Index; No. 2 in 2018; and No. 3 in 2017. Marriott used human-centered design to expand high-level concepts like “lively social spaces” into CX blueprints that employees and partners can execute. Designers ground their work in primary research, like the 300-guest diary study that digital teams used to figure out which mobile moments to include in the redesign of Marriott’s updated app. Because Marriott aims to continually question the CX status quo, it partnered with the MIT Mobile Experience Lab to reimagine the hotel lobby as a mobile-enabled social hub instead of just a place that guests pass through to get to their rooms.¹⁷

- › **Enablement.** Organizations have to provide employees and partners with the resources they need to deliver the right experiences. That helps ensure that customers experience what designers intend them to.

Travelodge created one-page guides that explain the “right” way to do things like cook breakfast or clean a room. Each guide uses simple drawings, which it patterns after directions for assembling Ikea furniture, to explain the process. According to Andrew Archibald, director of CX, “Anyone can pick it up, even if they’ve never worked here before, and follow most of the documentation.” Regular guest feedback reports tell managers how well they’re hitting the mark. If data signals a failure to deliver CX as it’s designed, hotel employees own the issue. But if guests complain even when staff executed well, the problem lies in the design, which the centralized CX team takes ownership for fixing.¹⁸

- › **Measurement.** Companies must quantify the quality of experiences and their link to the organization’s overall metrics.

Optum, a B2B health services company, uses Net Promoter Scores (NPS) as its main CX metric because it found a clear relationship: More promoters within an account means more growth, and fewer detractors means less attrition.¹⁹ To operationalize NPS, Optum measures its strategic drivers, such as ease of doing business and value for cost. And it measures tactical drivers of each

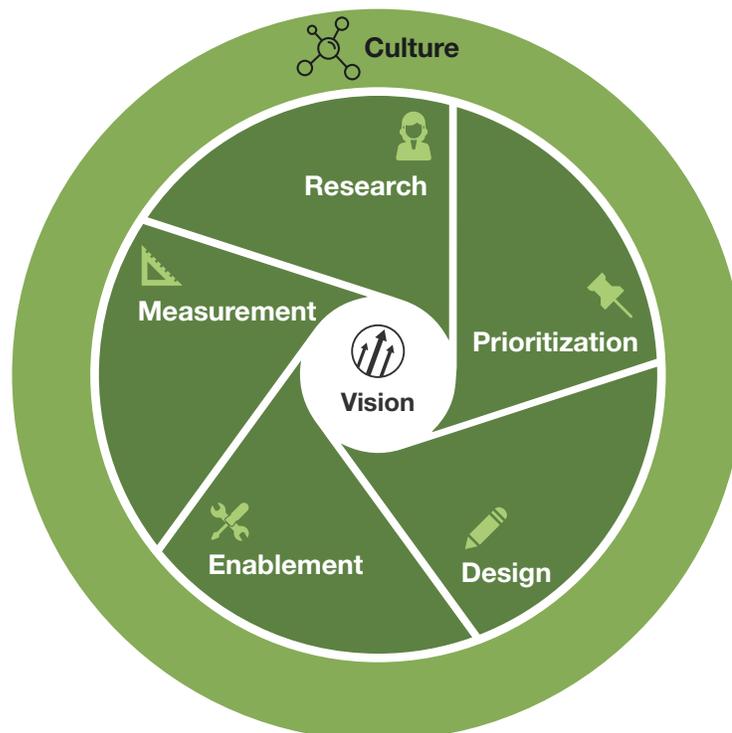
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strategic driver, such as ease of using the product as a driver of ease of doing business.²⁰ Optum's CX team built a simulator to rank issues based on their impact on NPS. For each CX issue, the team works with the business to identify the root cause, create an action plan, and define key operational and CX metrics. The firm also developed one-click Salesforce reports that let sales reps access the entire client profile as well as survey verbatims and CX and operational metrics across three years.²¹

- › **Culture.** The best organizations create a system of shared values and behaviors that focus employees on delivering great customer experiences. In those companies, employees manage CX because it's the right thing to do, not just because their boss tells them to. Customer-centric behaviors are ingrained into culture alongside traits like empathy, trust, fairness, and cooperation.

Financial services firm USAA sets the gold standard for customer-obsessed cultures. It immerses its new hires into what their new roles mean, articulates expected behaviors and standards, and emphasizes their mission of focusing on members, associates, and their families. The results of activities like these helped USAA retain the top score in all four financial services industries in our 2019 US CX Index: direct banking, credit cards, auto and home insurance, and direct brokerages. What's more, USAA's scores for three of the four industries were in the top 5% in the US — which we refer to as the "CX Elite."²²

FIGURE 6 The Six Competencies That Make Your CX Vision A Reality

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What It Means

Brands Will Split Between Breakthrough And Backsliding

It's a familiar pattern: Faced with disruption, some businesses cautiously dip their toes in the water of transformative change, while others dive in and swim for dear life. That's the current situation with customer experience. While CX leaders like Amazon in mobile manufacturing, Southwest Airlines in transportation, and USAA in financial services double down on their own efforts to differentiate, laggard competitors launch lesser efforts to find and fix their most egregious problems. Expect this trend to continue:

- › **Excellent CX will remain rare as elite brands see competitors creep up on them.** CX role models like those cited above got to their elite status through a combination of customer-obsessed strategies and customer-centric cultures plus intensive efforts to close gaps in competencies like measurement and design. Now they're near the limits of what that approach can achieve, as evidenced by their CX Index scores hitting a plateau. What's more, it's not clear how they can rise above that plateau except through major innovation — an inherently unpredictable occurrence. The result is that good brands will creep closer to the “excellent” category by following the proven path of adopting CX competencies, while already excellent brands will struggle to attain higher levels of performance.
- › **The worst experiences will become less common, raising the floor for “poor.”** 2017 was a bad year for high-profile CX failures in the news, like the airline passenger who was dragged off a plane, bleeding and with a concussion, because he refused to give up his seat to a United Airlines employee. The good news is that companies on the low end of the CX spectrum in their industries have begun to take serious action. For example, United Airlines — the lowest-ranked major airline in the CX Index — announced 10 significant policy changes aimed at making the company “more customer-focused.”²³ And this isn't an isolated incident. The TV service provider and internet service provider industries, which appear near the bottom of the CX Index just above US federal government agencies, have also seen CX laggards launch serious improvement programs. Expect to see their efforts eliminate the worst blunders by forcing their cultures to take customer experience seriously.