

FORRESTER PERSPECTIVE:

# The Business Impact Of Customer Experience

Key insights from the Forrester report  
“Why Customer Experience, Why Now?”

*By Kerry Bodine and Moira Dorsey*



**We've entered the age of the customer — an era when focusing on customers is more important than any other strategic imperative. Every executive knows that customers matter. But most companies don't approach their customer interactions in a disciplined way.**

This Forrester Perspective helps you understand how a competitive shift has raised the importance of customer focus; how customer experience (CX) drives real business value; and how to treat customer experience as a business discipline.

#### **WHAT IS CUSTOMER EXPERIENCE?**

Forrester defines customer experience as how customers perceive their interactions with your company. Executives don't get to decide how customer-centric their companies are — customers do.

Whether business-to-consumer (B2C) or business-to-business (B2B) — or product- or service-focused — every company in every industry can leverage great customer experiences for business gain. Customer experience has always been important. Why is it now mission-critical?



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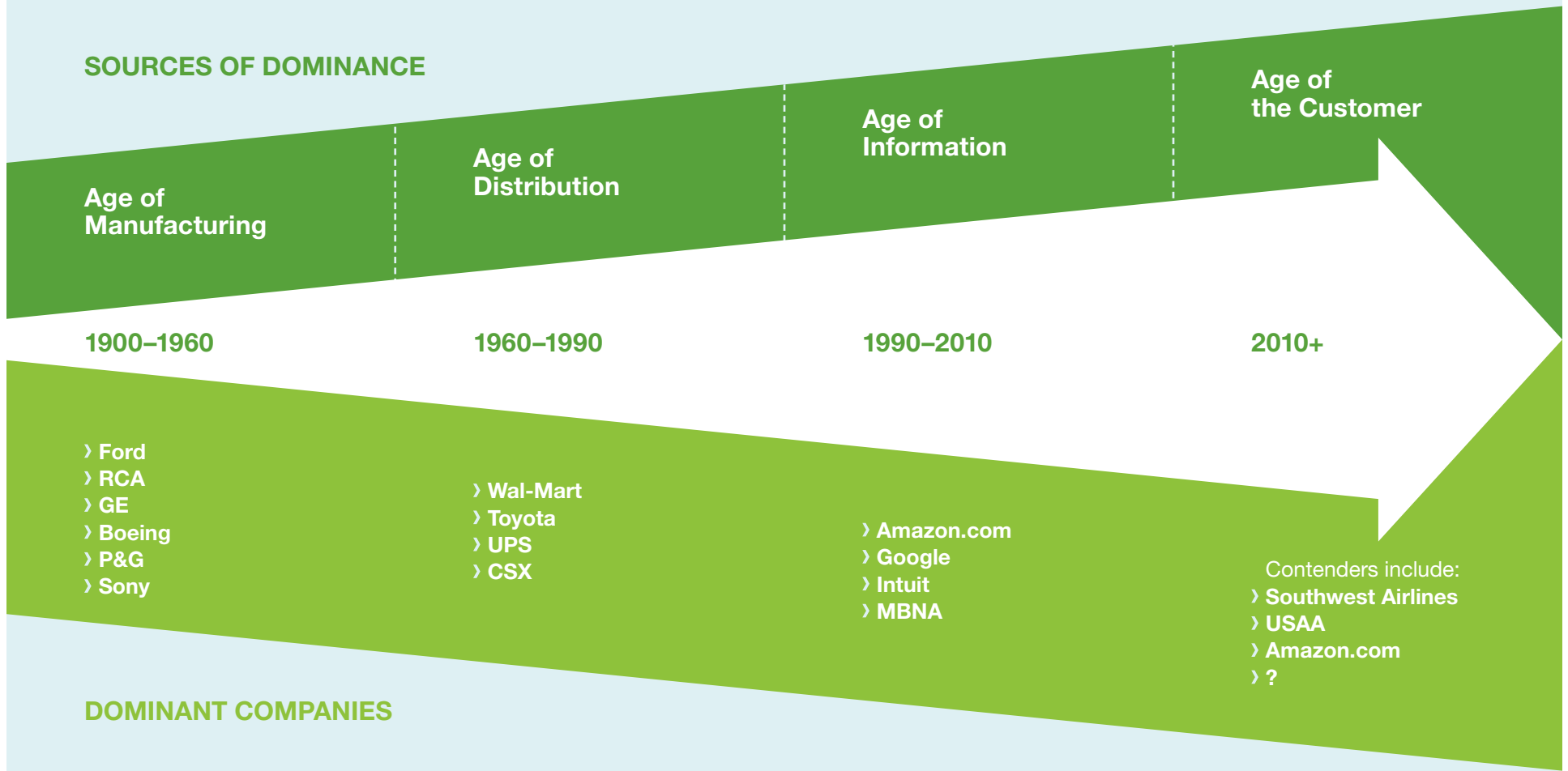


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## WE'VE ENTERED THE AGE OF THE CUSTOMER

For decades, companies have been promising to delight customers while simultaneously disappointing them in nearly every channel. That tactic no longer works. Why not? Because we've entered a new era that Forrester calls the age of the customer — a time when focusing on customers matters more than any other strategic imperative.

## SOURCES OF DOMINANCE



## DOMINANT COMPANIES

## WHY CUSTOMER EXPERIENCE?

In the age of the customer, companies find that:

### **Commoditization has stripped away existing sources of differentiation.**

Competitive barriers of the past — such as manufacturing strength, distribution power, and information mastery — can't save you today. One by one, each of these corporate investments has been commoditized.

### **Traditional industry boundaries have dissolved.**

Automakers now find themselves competing not only with other automakers but also with services like Zipcar, which obviates the need for car ownership. Likewise, Google News, Expedia, and mobile devices undercut newspapers, travel agents, and laptop manufacturers. Regardless of industry, customers will compare your firm to companies like Southwest Airlines, Zappos.com, and Disney — which are known for their customer centricity.

### **Customers have more power than ever.**

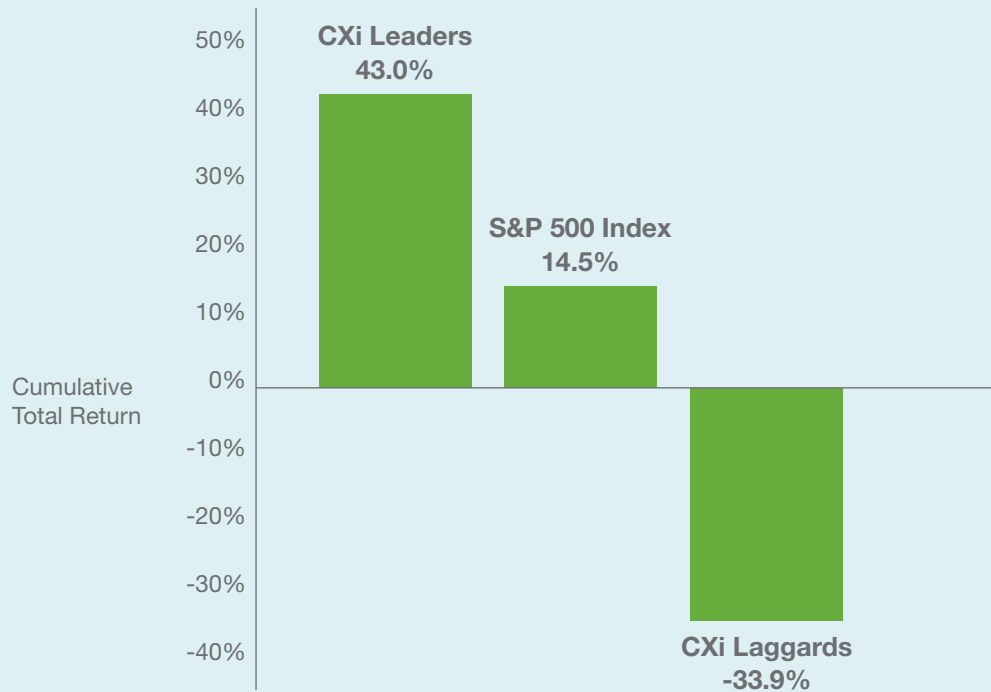
With online reviews, social media, and mobile access, it's easy for your customers to know more about your products, services, competitors, and pricing than you do. As strategy guru Michael E. Porter said: "Where the buyer has full information about demand, actual market prices, and even supplier costs, this usually yields the buyer greater bargaining leverage." And when customers aren't happy, they don't think twice about bashing brands on channels like Twitter and Facebook.

Forrester used 15 years of customer experience research to create a framework that outlines 40 essential practices across six disciplines:

- Strategy
- Customer understanding
- Design
- Measurement
- Governance
- Culture

### CX LEADERS OUTPERFORM THE COMPETITION

A stock portfolio of Forrester’s Customer Experience Index (CXi) leaders had a cumulative 43% gain in performance over a six-year period (2007 to 2012), compared with a 14.5% increase for the S&P 500 Index and a 33.9% decrease for a portfolio of customer experience laggards.



Source: Watermark Consulting



Sprint focused on eliminating the root causes of customer calls to its contact center and moved from last to first in the American Customer Satisfaction Index. As a result of fewer outsourced calls and fewer customer credits, the company saved \$1.7 billion per year.

## CUSTOMER EXPERIENCE DRIVES GREATER LOYALTY

Using data from 7,500 consumer surveys, Forrester examined the correlation between the customer experiences delivered by 150 US firms and the loyalty of their customers. Good customer experience correlates with consumers' willingness to repurchase, reluctance to switch, and likelihood to recommend firms across all 14 industries we examined.

### Revenue Impact Of Customer Loyalty (US\$ millions)



Base: US online adults (numbers have been rounded to the nearest whole number)  
 Source: June 10, 2013, "The Business Impact Of Customer Experience, 2013" Forrester report



USAA has created a seamless experience for researching, financing, and insuring vehicle purchases. As a result, the company saw a 77% year-over-year increase in visitors to its car-buying site, a 15% increase in completed auto loans, and a 23% increase in vehicles sold.

## IT'S A BUSINESS DISCIPLINE, NOT A BUMPER STICKER

Customer experience improvements won't magically materialize through wishful thinking or random efforts. To create a companywide focus on customers, work with your C-level executives to:

**Dedicate personnel to customer experience.** Initiatives can't take off if they're tacked on to people's day jobs. Over the past several years, Forrester has seen more companies appointing a chief customer officer (CCO), a single executive who leads CX efforts across a business unit or an entire company. But these executives can't do it alone — they need the support of a centralized CX organization for cross-functional coordination, domain expertise, and operational support.

**Allocate budget to customer experience initiatives.** Today's customer experience leaders — firms like Best Buy, Apple, and US Cellular — are already laser-focused on delighting their customers, and many of them are doubling down on their CX investments. Meanwhile, many customer experience laggards have started to invest heavily. If your company is having trouble finding the funds, consider shifting dollars from your advertising budget to projects that will help your employees deliver on the promises you've already made to customers. After all, consumers trust peer recommendations far more than ads.

**Craft a customer experience strategy.** Just as your company needs an overarching corporate strategy to guide employee activities and resource allocation, you also need a CX strategy to focus the organization on delivering the right type of customer interactions. Simple statements like, "We want to delight our customers," aren't enough. The right customer experience strategy for your company will align with the specifics of your corporate strategy and brand — and will help guide you in prioritizing your CX initiatives.



The corporate role of chief customer officer is still fairly new.

Visit [forr.com/CCOinsights](https://forr.com/CCOinsights) to meet a CCO.

## GET STARTED NOW

Forrester can help you prioritize the initiatives that deliver real results and create sustainable change. Specifically, our experts will work with you to:

**Assess the maturity of your customer experience capabilities.** Take stock of how your firm performs 40 essential practices today, and build a plan to turn those activities into a self-improving CX management machine.

**Determine the root causes of your customer experience problems.** Identify and document the people, activities, processes, policies, and technologies that shape every customer interaction; then use this ecosystem map to prioritize the root causes your company must address in order to deliver exceptional customer experiences.

**Prove the ROI of customer experience improvements.** Demonstrate the potential business benefits of initiatives ranging from small website tweaks to full CX transformation projects. Using our proprietary industry data and case studies, Forrester will help you determine what return you can realistically expect.

**Implement or enhance a new or existing CRM.** Identify the strengths and weaknesses of your customer relationship management (CRM) environment using industry best practices. Define relevant metrics and key performance indicators (KPIs) to measure success and business impact, in order to ensure buy-in by key stakeholders and management.

**Develop a digital experience road map.** Evaluate your company's digital strategies, architectures, organization, and plans against best and emerging practices in areas such as CRM, contact center support, business intelligence (BI) adoption, and mobile application development.

## Connect With Forrester

Talk to one of our experts about your customer experience strategy.

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