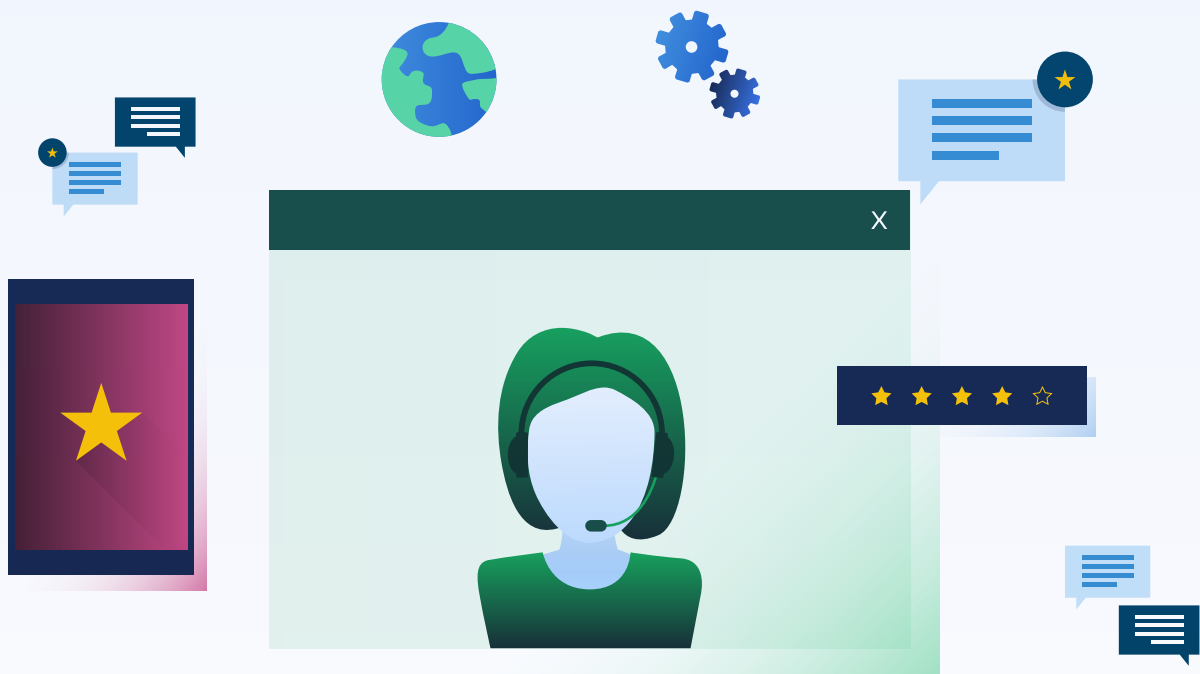# freshworks

The Art of
Customer Experience

Winning On The New Competitive Battlefield

An Enterprise Playbook

**We live in the early years of the
greatest customer revolution in history.**

Welcome to the Experience Economy.

Table of Contents

CHAPTER 1

Executive Summary

> "
>
> *"In an age of exceptionally high consumer expectations, customer experience has emerged as the new competitive battlefield"*
>
> —
>
> **Jake Sorofman,**
> Gartner.

Do you remember when customer-focused organizations were a novelty?

Do you remember when brands were able to operate without regard to customer feedback or social media reaction?

Do you remember a time before Steve Jobs or Jeff Bezos set the benchmark for CXOs' complete obsession with customer experience?

We don't either.

In today's world of the always-connected and empowered customer, organizations need to adapt quickly to stay relevant. As a result, the customer experience is paramount, and a key differentiator. No longer can customer experience be a mere afterthought. To outperform today, customer experience has to be at the epicenter of an organization's DNA.

> **Customer Experience (CX) is no longer a competitive advantage but a cost of entry. Infact, by 2020, customer experience will overtake price and product as the key brand differentiator, according to a Walker study.**

We have created this dedicated playbook based on our deep understanding of customer experience having served over 175,000 clients globally and solving their customer service challenges. With this playbook, our aim is to:

- Provide you a solid foundation for understanding the true definition of the next-generation customer experience and its impact on the dynamics of customer acquisition, retention and business performance.

- Guide enterprise leaders like you to reimagine their customer experience strategy and construct the right program to succeed on the new competitive battlefield.
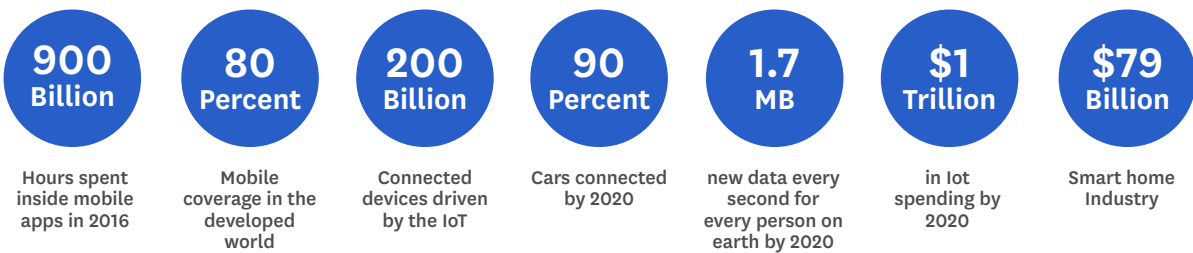
CHAPTER 2

Introduction

2.1 The Experience Economy

As consumers, we live in a world where digital technologies are permeating our everyday lives. Welcome to the 'Experience Economy', where everything is shaped by human experiences - by employees and customers — by every digitally connected person on the planet.

> **In 2020, 1.7 megabytes of new data will be created every second for every single person on earth, 44 times more than in 2009.**

This massive data explosion will be fueled by billions of connected things — cars, sensors, consumer electronics, industrial equipment, healthcare devices, buildings and so many more. What they can do — and the zettabytes of data they generate — will change the world in ways we can't even imagine today.

900 Billion	**80 Percent**	**200 Billion**	**90 Percent**	**1.7 MB**	**$1 Trillion**	**$79 Billion**
Hours spent inside mobile apps in 2016	Mobile coverage in the developed world	Connected devices driven by the IoT	Cars connected by 2020	new data every second for every person on earth by 2020	in Iot spending by 2020	Smart home Industry

> *"CEOs are concerned about uncertain economic growth, over-regulation and skills shortages. Yet CEOs are surprisingly optimistic about growth: 38% are very confident in their company's 12-month revenue growth prospects."*
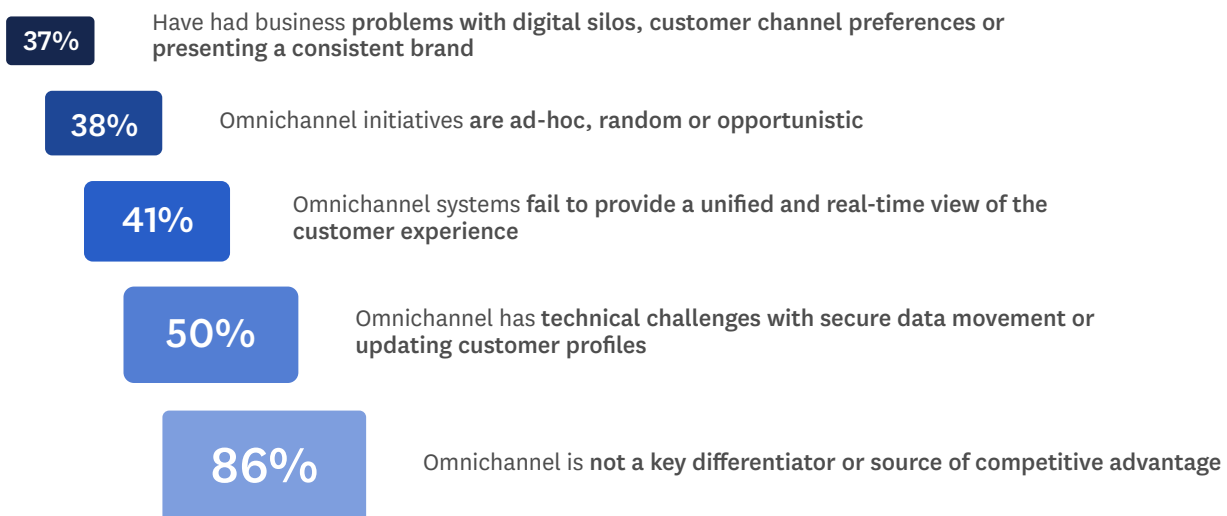>
> **20th Annual Global CEO Survey,**
> PwC, 2017

2.2 Customer Experience - The New Holy Grail

Despite the magnitude of digitization and data deluge we are witnessing currently and that we are likely to see in the future, there is a single common theme in all of our conversations with today's leaders - the quest for the holy grail of how to deliver a world-class *customer experience.*

Until recently, omnichannel was considered the Holy Grail for digital businesses to succeed. However, omnichannel management and other early market technologies are gradually being superseded by more holistic and modern customer-centric models that better suffice the evolving demands of the new-age customer.

37% Have had business **problems with digital silos, customer channel preferences or presenting a consistent brand**

38% Omnichannel initiatives **are ad-hoc, random or opportunistic**

41% Omnichannel systems **fail to provide a unified and real-time view of the customer experience**

50% Omnichannel has **technical challenges with secure data movement or updating customer profiles**

86% Omnichannel is **not a key differentiator or source of competitive advantage**

With the experience economy moving at warp speed, it is imperative for businesses to stay ahead of the curve by:

A. Understanding customer behaviour and preferences and provide customized offers and dynamic responses tailored for specific in-the-moment life and business situations.

B. Creating seamless, satisfying experiences that traverse both physical and digital touchpoints - across all channels.

C. Delivering any data to any place, device or machine — instantly, elegantly and accurately.

2.3 What is Customer Experience?

Everyone has a reason for loving the brands that they love: the quality product, the short lines, the fun website or the friendly cashier. Whatever it is that someone appreciates about a company, it boils down to one thing: *customer experience.*

But *what is customer experience, exactly?*

- Customer Experience (CX) encompasses **every interaction** the customer has with an organization throughout the customer lifecycle, in-person, over the phone, or online.

- At its center lies a clear and **compelling value proposition** that is, a product or service that satisfies the customer's need or want, usually associated with a short or long-term goal.

Good customer experiences typically comprise of three things from the customer's perspective:

1. **Useful** - they deliver value

2. **Usable** - the value is easy to find and engage with

3. **Enjoyable** - they're emotionally engaging and people want to use them
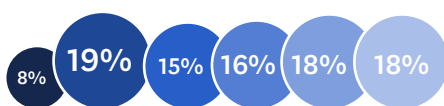
2.4 Drivers for Investing in Customer Experience

The top five reasons why some businesses are proactively managing and investing in customer experience are best depicted in the below illustration.
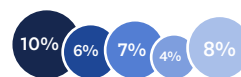
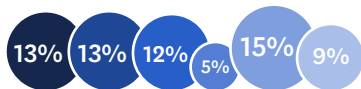**Primary Benefits of CX by company size**
(% of respondents)

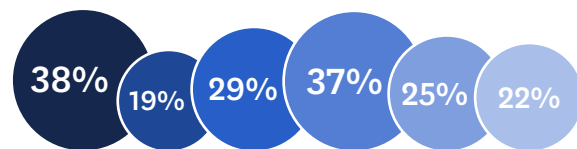● $10bn or more　　● $5bn to $10bn　　● $1bn to $5bn　　● $500m to $1bn　　● $250m to $500m　　● $250m or less

8% 19% 15% 16% 18% 18%

Improved customer satisfaction

10% 6% 7% 4% 8%

Lower cost of customer acquistion

13% 13% 12% 5% 15% 9%

Reduced operating costs

38% 19% 29% 37% 25% 22%

Increased sales

23% 29% 42% 30% 32% 35%
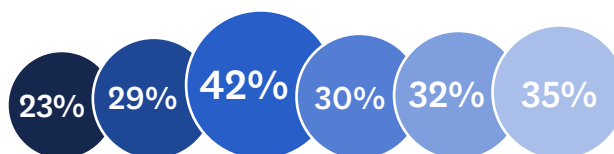
Improved customer retention

It's fair to say that positive customer experiences boost sales and conversely, poor customer experience leads to lost revenue. However, for business leaders to fully commit to the cause and effect of customer experience requires a serious mindset and cultural focus from key decision-makers who believe that the effort is worth their while.

> According to Forrester's report on The Future of Customer Service, today 95% of leaders say that providing a good customer experience is their top strategic priority.

2.5 Business Challenges that Customer Experience can Solve

Think of the customers you serve, your portfolio of products and services, and your most common channels.

| What challenges do you face in acquiring, retaining, and expanding customer relationships?

| Are there large gaps in your portfolio where customers fail to engage or drop out?

| Can you consider these opportunities from a customer experience perspective?

ACQUISITION Reaching new customers	**RETENTION** Deepening customer relationships	**EXPANSION** Expanding customer relationships
• Entering new markets	• Solving customer challenges	• Increasing up-sell & cross-sell
• Understanding who to target	• Increasing uptake and adoption of products & Services	• Increasing engagement
• Launching new products and services	• Increasing awareness	• Increasing customer value and loyalty
• Acquiring customers or extending base to new segments	• Reducing dormancy	• Reducing cost to serve
• Incentivizing referrals	• Empowering customers	• Increasing customer lifetime value

2.6 The 'Current' State of Customer Experience

Industry reports suggest that:

17% **63%** **20%**

Laggards

...prioritize CX but yield low/ negative financial results. They have large performance gaps between CX strategy & execution

Strivers

...prioritize CX but only yield modest financial results. They perform moderately on CX strategy and/or execution dimensions
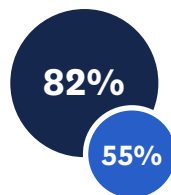
Masters

...prioritize CX and achieve strongest financial results. They excel both on CX strategy & execution

To win in the Experience Economy, companies will have to become a true 'Master' and put customers first.

86% **61%**

82% **55%**

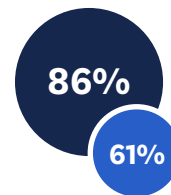**84%** **60%**

86% **61%**

82% **55%**
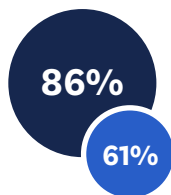
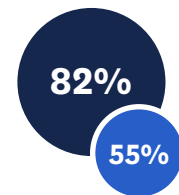Plan to focus on innovating compelling new customer experiences

Plan to rapidly scale new initiatives to enhance their relevance to customers
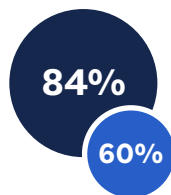
Believe maximizing the relevance of products, services and experiences will be critical or very important

Plan to use flexible technology to drive relevant customer experiences

Plan to continuously optimize operations to mke their products and services more relevant to customers

● Masters ● Laggards

The shift to hyper-relevance is also evident in the capabilities masters are planning to develop over the next three years. Masters' intense focus on relevance changes the game and allows them to maintain their growth momentum. Companies looking to emulate CX masters' success would be wise to follow suit.

Most organisations (80%) are expecting major changes to their current CX in order to meet their future customer vision and strategy.

According to a recent study published in the Harvard Business Review,

- In **transaction-based businesses,** customers who had the best experiences spent **140%** more than customers who had the worst experiences

- In **subscription-based businesses,** customers who had the best experiences had a **74%** chance of being a subscriber one year later, yet customers who had the worst experiences only had a **43%** chance of remaining a subscriber a year later

2.7 Assessment of your Customer Experience Strategy

| What do you think about your customer experience?

| Do you have a well-defined customer experience strategy?

| And, most importantly are your efforts really paying off?

Q: To what degree do you think your organisation's current customer experience needs to change to meet your customer vision/strategy?
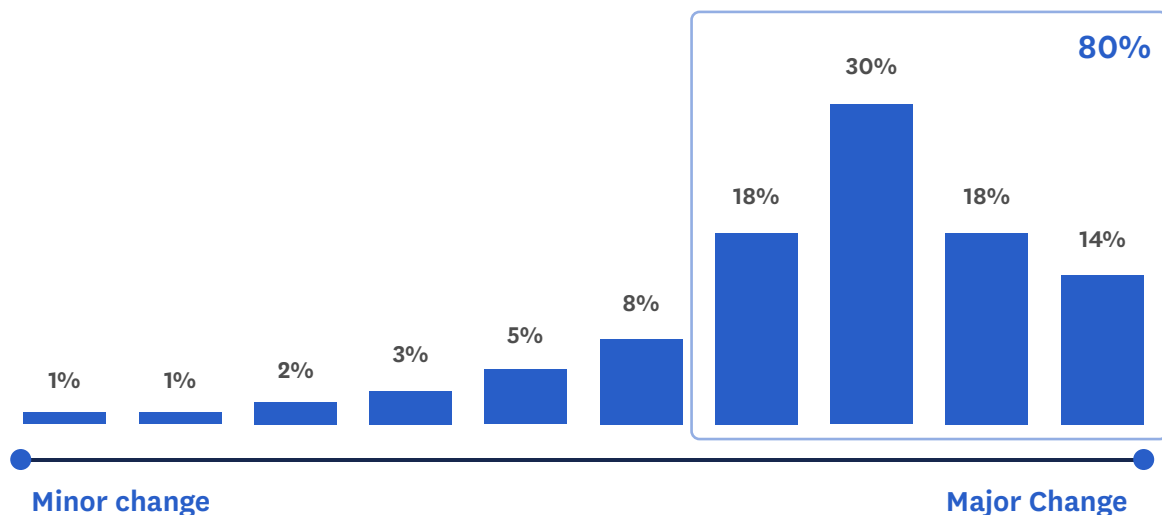
Base: 507 global leaders responsible for customer experience intiatives at their organisations

Source: A commissioned study conducted by Forrester Consulting on behalf of PwC, September 2016

Here is a simple exercise to assess your current customer experience strategy and gauge where you stand.

1	2	3	4	5
Strongly disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Strongly agree

Our Customer Experience Strategy:

Describes experiences	Paints a vivid picture of the desired experience for target customers	
Provides differentiation	Calls out aspects of the experience that distinguish our company from competitors in ways that are meaningful to the customer and difficult to mimic	
Aligns with corporate strategy	Builds on the key components of our corporate strategy(e.g., target market, value proposition, financial objectives, and core values)	
Aligns with brand promise	Reflects our brand promise and attributes	
Directs activities and guides tradeoffs	Informs employees about the activities that affect the desired experience and provides guiding principles to direct decision-making at all levels	
Prioritizes touchpoints	Establishes the most important channels for delivering on customer goals while meeting essential business objectives	
Allocates Resources	Provides criteria to direct resource allocation toward achieving the desired experience	
Specifies metrics	Defines measures that benchmark and monitor our progress toward achieving the desired experience and that correlate to key business metrics	

Total Score

CHAPTER 3

Crafting an effective Customer Experience Strategy

A focus on customer experience is one component of being a customer-centric organization, which requires larger shifts in organizational dynamics. These include shifts in:

STRATEGY from a portfolio of products and services that drive growth to a portfolio of customers that drive growth based on meeting their needs.

CULTURE that rewards employees for developing products and increasing sales to a culture that rewards employees for solving customer problems and improving customer relationships.

STRUCTURE where employees operate in silos and interact with other functions only when they need to launch a product to a structure where business units are linked across functions by teams.

CUSTOMER INSIGHT	1. Who are your profitable customers? 2. What do they value? 3. How are their needs changing?
DEFINE BRAND PROMISE	4. What does your brand stand for? 5. What can you promise? 6. How will this differentiate you?
CUSTOMER EXPERIENCE DESIGN	7. How can you deliver the promise? 8. What are your hallmarks? 9. Where do you over-index?
ORGANISATIONAL ALIGNMENT	10. What does this mean for your people? 11. Processes and Technology? 12. Products?
EXTERNAL COMMUNICATION	13. What can you claim credibly? 14. How can you dramatize this? 15. How can we communicate this across channels?
CUSTOMER MEASUREMENT	16. How can you measure the experience? 17. How can you measure the leading indicators? 18. How can you use CRM to measure results?

How does your organization currently manage customer experience?

Is your current strategy in line with the next-generation experience that today's customers demand?

We have laid out a simple 6-step plan to help businesses like yours to reimagine and refine your existing customer experience strategy to not only keep pace but to eventually outperform.

> **A coordinated approach to customer experience management - and one that is built from the ground up - is more likely to take root. - SAS & Harvard Business Review**

Step 1   UNDERSTAND YOUR CUSTOMERS

Do you understand your customers well? What they need from your brand? What channels and at what times they interact with you?

- The key to understanding your customers better is to cluster them based on common behaviors and then determine the priorities of those clusters.

- When possible, focus on those customers with high current or future value—for example, those who frequently access your services.

- Identify the best ways to serve your non-target customers, those to whom it is expensive to provide services, or those who might be better served by other means.

Step 2   EVALUATE CUSTOMER NEEDS

To what extent have you evaluated your customers' preferences and how they prioritize their needs?

- Assess your customers better by weighing the importance of their identified needs to your brand. Are the services something that you do, are capable of doing, or want to pursue?

- Determine how well your brand can meet their needs in comparison with competitors.

- Be mindful of who's doing similar work—if competing organizations meet or exceed their expectations, it changes their frame of reference and increases their expectations.

| Step 3 | **ESTABLISH A CUSTOMER VISION** |

Do you have a customer-focused business vision within your enterprise?

- Think outside-in; develop a knowledge and insight-based view of your customers.

- View them across all touchpoints and integrate all demographic, behavioral, and attitudinal data—for a single view of your customer.

- Establish your brand's customer-focused vision and continually reflect on the vision and goals.

- Live up to what you promise by applying both an external and internal strategy that reflects the vision.

- Be creative about the ways you create and deliver new services.

- Be willing to change existing practices to integrate improvements.

87%

49%

Adjust Organization to be more customer focused

● Masters

● Laggards

| Step 4 | **FOSTER A CUSTOMER-CENTRIC CULTURE** |

Does your enterprise culture revolve around customer excellence?

- Clearly articulate how your customers fit within the organizational mission (why we exist) and within the brand's values statements (what we believe in and how we behave).

- Connect their lifecycle end-to-end from awareness to acquisition to growth to retention, and successfully unveil unique moments of truth and opportunities to provide differentiation.

84%

50%

Foster a culture that continually seeks to improve relevance to customers

● Masters

● Laggards

- Communicate the importance of serving your customers and ensure that all employees, even those without direct interaction, understand how their work serves nemo.

- Ensure that the management regularly interacts with customers so they understand evolving needs.

| Step 5 | **ENGAGE & EMPOWER FRONTLINE EMPLOYEES** |

Have you empowered your frontline executives to do what it takes to satisfy customers?

- Clearly define the boundaries of the empowerment, while remaining flexible within those boundaries to encourage creativity.

- Equip frontline personnel with relevant technology* and consistent information resources.

- Give employees the authority to resolve customer issues on the spot.

- Learn how targeted employees perceive the proposed customer services. An organization cannot change without the participation of its employees.

- Focus on recruiting employees who support the customer service vision. Also, develop career paths that allow successful customer-oriented employees to remain on the frontline.

88%

51%

Augment employees with tools to enhance customer relationships

● Masters
● Laggards
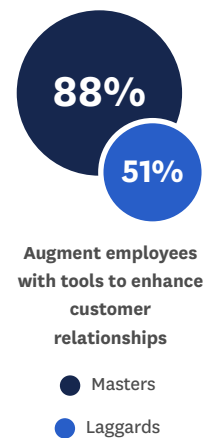
Engaged and satisfied employees are:

8.5x more likely to stay than leave within a year

16x more likely to refer friends to their company

3.3x more likely to feel extremely empowered to resolve customer issues

Sample | **Overview of CX Tools & Applications**

Understand employees	Tie EX to specific career events and decisions	Create a unified vision for service delivery
Differentiate employees through workforce analytics and digital listening to identify sets of needs, issues, or motivations	Connect with employees by identifying the right tone and channels, anticipating behavioral triggers, and shaping actions	Align capabilities to help employees access knowledge, tools, and support at critical moments in the journey; become digital; and co-design solutions with employees
Voice of the customer - Capturing VoC data via multiple mediums	**Ethnographic research** - use observation(s) to decide where and why to focus attention	**Participative platforms and co-creation** - involve employees in shaping service delivery and culture
Action segmentation - grouping customers by behaviors rather than demographics	**Human centered design and feedback loops** - break down complex problems and design solutions from the viewpoint of the customert	**Service blueprint** - align operations to support critical moments and desired experience
Journey mapping - to highlight the end-to-end customer experience as it stands today	**Choice architecture and personalization** - improve decisions, behavior, and satisfaction through personal data and insights	**Relationship management and measurement** - track the quality of service and experience for critical events

| Step 6 | **TRACK & IMPROVE ENGAGEMENT** |

How do you measure customer experience improvements within your enterprise?

- Baseline the current customer experience, its metrics* and its current measurements.

- Create and implement a closed loop feedback improvement mechanism; and evaluate and refine results.

- Align recognition to the vision of the ideal experience and core principles identified that exemplify the core elements of the brand strategy

- Track the effectiveness of customer experience action plans and initiatives.

- Reward and recognize achievements of customer experience improvements.

| Sample | **Customer Support Metrics Cheat Sheet** |

AVERAGES	• Average first reply time • Average resolution time • Average number of replies per case • Average handle time (AHT)
PERFORMANCE	• Number of conversations • Number of customer replies • Next issue avoidance • Churn • Percentage of escalations • Number of positive social mentions • Call wait time • Call abandonment rate

QUALITY	- Customer effort score (CES) - Customer satisfaction (CSAT) - Net promoter score (NPS)
SELF-SERVICE	- Knowledge base views - Pages viewed per session - Number of positive votes - New vs. returning users

CHAPTER 4

Conclusion

How do you measure customer experience improvements within your enterprise?

> 66
>
> *"When companies think creatively about how to develop compelling experiences for their customers, the brainstorm often leads beyond their own internal capabilities. They begin to see how to create greater value for their target relationships by partnering with other firms to co-create exceptional value."*
>
> ———
>
> **Nour, David.**
> **Co-create: How Your Business Will Profit from Innovative and Strategic Collaboration.**
> New York, NY: St. Martin's, 2017. 37. Print.

Today, customer experience is mission critical for every enterprise and its leadership, and the sooner they acknowledge this, the more headway they are likely to gain with competition. As a forward-thinking digital enterprise you probably already have the right mix of people, data, systems, processes and services to help you move forward — all you need now is the right strategy to combine and deliver them to your target customers.

Fast forward a couple of years and we will witness a world dominated by a new breed of digital natives or 'super-consumers' as some industry experts are calling them. These super-consumers will be always-on, always-connected and would expect nothing short of hyper-personalized and consistently awe-inspiring experiences at anytime, anywhere, on any device. Consequently, the Experience Economy will transform and adopt a new meaning, identity and character. How you keep pace and stay relevant is the big question - the answer to which lies in going back to the basics and getting them right.

CHAPTER 5

Sources

1. Mckinsey Report, 'Customer experience: New capabilities, new audiences, new opportunities', June 2017 - https://www.mckinsey.com/~/media/mckinsey/global%20themes/customer%20experience/cx%20compendium%202017/customer-experience-compendium-july-2017.ashx

2. Cognizant Whitepaper, 'The 2020 Customer Experience', April 2017 - https://www.cognizant.com/whitepapers/the-2020-customer-experience-codex2426.pdf

3. PWC Report, 'Changing the game: The new rules of Customer Experience in the 'Intelligent Experience Economy', August 2017 - https://www.pwc.com.au/consulting/assets/changing-the-game-report.pdf

4. Accenture Report, 'B2B: BETTER 2 BEST', 2017 - https://www.accenture.com/t20171221T063327Z__w__/us-en/_acnmedia/PDF-53/Accenture-Strategy-B2B-CX-Anthem-POV.pdf

5. Forrester Blog, 'Customer Experience Defined' - https://go.forrester.com/blogs/10-11-23-customer_experience_defined/

6. Forrester Research Report, 'Customer Experience Strategy Best Practices', 2015 - http://www.smith.co/assets/docs/Forrester_Report_Customer_Experience_Strategy_Best_Practices.pdf

7. Sparks Grove Report, 'The Human Experience Imperative', 2015 - http://www.sparksgrove.com/-/media/Sparksgrove/Files/Sparks_Grove_Human_Experience_Perspective.pdf

8. Genesys E-book, 'Three Strategies to Improve the Customer Experience', 2014 - http://www.genesys.com/resources/3Strategies_improve_CX_EB06022014_screen_(1).pdf

9. CGAP E-book, 'Customer Experience Toolkit' - https://www.cgap.org/sites/default/files/Customer%20Experience%20Toolkit.pdf

10. Axway E-book, 'Co-create. Co-innovate', 2017 - https://www.axway.com/sites/default/files/resources/ebooks/axway_eb_co-create_co-innovate_en.pdf

Sources

11. iPerceptions E-book, 'The Definitive Guide to Customer Experience' - https://www.iperceptions.com/hubfs/Content%20Assets/eBooks%20-%20assets/IPercepti ons_definitive_guide_to_cx_ebook_final.pdf?hsCtaTracking=4d6b20bf-64a1-4508-8f8c-b7 28b9b7c58b%7C2c33b90f-28ec-435f-a122-ad808f9ec76c

12. The Economist Intelligence Unit Limited, 'The value of experience: How the C-suite values customer experience in the digital age', 2015 - https://www.btireland.com/wp-content/uploads/2015/11/Genesys_Executive_Summary_-_ GLOBAL_FINAL.pdf

13. Canadian Marketing Association Report, 'Customer Experience: A Roadmap for Marketers', January 2013 - http://sparkideas.ca/wp-content/uploads/2015/04/Customer-Experience_Roadmap_White paper.pdf

14. HBR Article, 'The Value of Customer Experience, Quantified', 2014 - https://hbr.org/2014/08/the-value-of-customer-experience-quantified/