

Gaining a Competitive Edge by Optimizing B2B Customer Experience

An InMoment Report
In Partnership with CustomerThink

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In recent years there has been a groundswell of interest in improving the customer experience (CX) to differentiate in a world of increasing parity of products and pricing. Based on media reports, much of the attention has been on companies dealing directly with consumers.

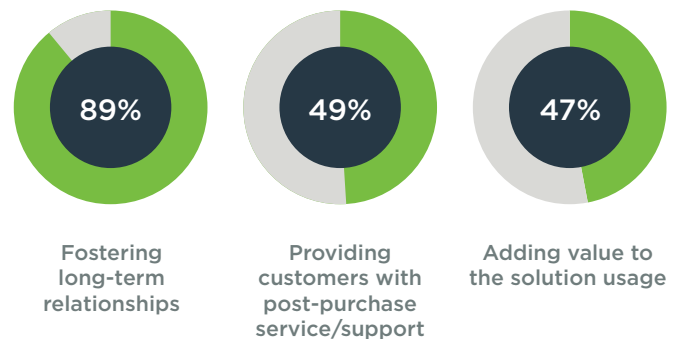
But media coverage belies the fact that business-to-business (B2B) enterprises have always had a strong incentive to create and sustain long-term customer relationships. What's been missing, however, is an enterprise-wide focus that encompasses the complete customer experience.

In this study, 89% of respondents rated “quality of customer experiences with our people and systems” (experience investments) as either a first- or second-priority area of investment for gaining a competitive edge, marginally behind “products and services” (solution investments) at 93%. However, take out the second-priority ratings, and you see that solution investments received significantly more first-priority responses (58%) than experience investments (38%). This suggests that B2B companies are pursuing excellence in both solutions and experiences as a “one-two punch” to win competitive battles.

Unsurprisingly, nearly 9 out of 10 managers rated “fostering long-term relationships” as one of their top three priorities of their CX initiatives. Providing post-purchase service/support and adding value to the usage of a solution were nearly tied at just under 50% of respondents.

Summing up, this study confirms that improving the customer experience is a key competitive strategy for B2B enterprises. But as you'll learn, there is a lot of room for CX programs to more clearly deliver business benefits that executives seek.

Top 3 CX Priorities



Early Returns Are Promising

Nearly half (46%) of the CX initiatives analyzed in this study are quite young at two years or less. At the other extreme, a healthy 36 of the 100 initiatives have been in place for five years or more.

For all companies with CX initiatives, 65% said their company “delivers excellent customer experiences” and 62% reported that their CX program had improved business performance.

However, when asked to rate the overall status of their CX initiative, just 24 respondents reported clear success: measureable benefits (18) or gaining a competitive edge (6). Only 5 initiatives were classified as outright failures.

Which statement best describes the overall status of your company's CX initiative?

STATUS	RESPONSES
Great success -- we've created a competitive advantage	6
Measurable benefits -- CX outcomes can be quantified	18
Making progress -- we're seeing some signs of CX improvement	46
Just starting out -- no results yet	23
Failed -- we tried, but didn't see any positive results	5
Don't know	2
TOTAL	100

The overall picture is encouraging, with 7 out of 10 initiatives reporting some level of success. The opportunity ahead clearly resides with the largest group of “making progress” initiatives—46 managers report they are “seeing some signs of CX improvement” but are not yet able to quantify benefits of their CX program initiatives.

When asked about benefits received so far, 73% of respondents said they have achieved “some” or “significant” benefits in improved customer satisfaction. The second-rated benefit, somewhat surprisingly, was “improved employee engagement” at 64%.

Slightly behind, and tied for third place, were “improved customer retention” and “achieved competitive differentiation.”

Four other benefits had a strong showing, selected by 50% to 60% of responses: “increased top-line revenue,” “reduced customer churn,” “built a stronger brand,” and “increased positive word of mouth.” Even the lowest-ranked benefit (reduced cost of operations) was selected by 35% of respondents.

CX Benefits



73% of respondents indicate they have achieved “some” or “significant” benefits in customer satisfaction. Somewhat surprisingly, 64% also indicate some or significant benefits in employee engagement.

Actionable Sources of Customer Feedback

Feedback sources are plentiful in today's world of empowered customers. While some will choose to fill out a traditional Voice of Customer (VoC) survey with structured questions, others will provide unsolicited feedback via comments, emails, social media posts, and more.

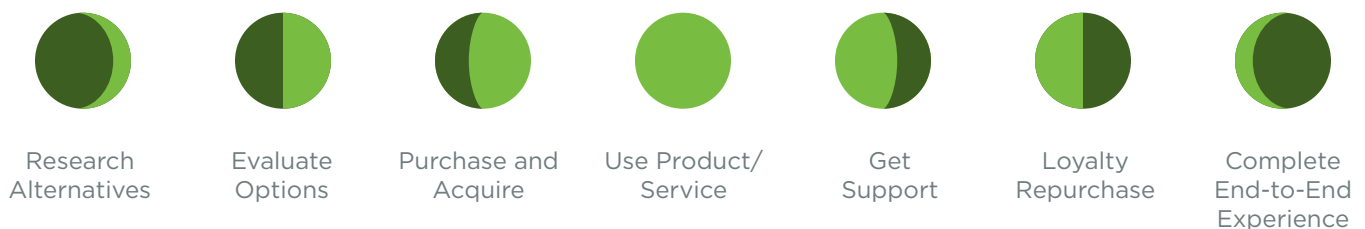
The challenge is not access to information, but rather which sources are the most actionable—effective in motivating the organization to take action on customer issues. This study found respondents evenly split regarding which was more effective in motivating the organization to take action on customer issues:

- **Quantitative or “hard data”** such as customer satisfaction/loyalty ratings, retention statistics, etc. **(26%)**
- **Qualitative or “unstructured data”** such as customer comments, email, audio recordings, stories, etc. **(23%)**
- The balance **(51%)** said they were equally effective.

Interviews confirmed there is clear value in both. Quantitative data such as satisfaction/loyalty ratings were valuable in “proving the case” that change was needed, especially in a company culture that values fact-based decisions. But comments, social media, and personal anecdotes were often cited as more effective in creating an emotional commitment to take action.

Digging deeper, respondents were asked whether they used qualitative customer feedback or quantitative interaction data (or both) to assess the quality of experiences during different phases of the customer journey (see “Seven Phases of the Customer Journey” below). In each phase, customer feedback was selected by nearly a 2:1 margin.

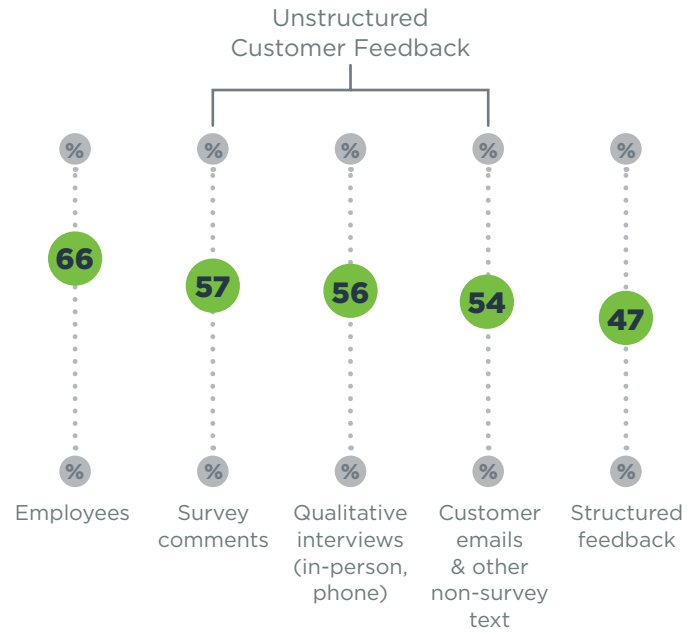
Seven Phases of the Customer Journey



Finally, survey takers were asked which specific sources they found provided “actionable insight to help your organization focus on needed changes or improvements to the customer experience.” Five sources stood out as clear favorites, with “employees” as the top choice, selected by 66%. This suggests that the ready availability of employee-based insights may trump direct customer feedback in driving change.

The next three sources were qualitative: “survey comments,” interviews, and “emails”—each selected by over half of respondents. Rounding out the top five was “structured feedback from surveys.”

Sources of Actionable Insight



Practices that Drive CX Successes

Successful CX initiatives are not just a matter of good fortune. This study learned that a concerted effort to implement 13 practices was the difference between the 24 successful B2B initiatives “Leaders” (defined as those with measureable benefits or a competitive advantage) and “Laggards” (all others). However, not all practices were equally predictive of success.

For this analysis, CustomerThink asked respondents to rate their effectiveness doing a number of different practices associated with CX programs. These practices were sourced from prior CustomerThink research, industry expert interviews, and sponsor input. The rating scale was from 1 to 5, where 1 = Not at all effective, 3 = Somewhat effective, and 5 = Highly effective.

The table on the following page lists the practices studied, comparing the effectiveness scores of Leaders and Laggards and the numerical difference

between them (the gap). Successful CX initiatives had an average score across all practices of 4.08, while all other CX initiatives had an average score of 3.22.

The practices are ranked by the size of the gap between the two groups. Larger gaps may indicate that the practice is a stronger factor in success, but all of the gaps were found to be statistically significant (95% confidence level).

	CX Practices Ranked by Gap Size	Leaders	Laggards	Gap
1	Company leaders set a positive example	4.14	2.86	1.28
2	Identify high-impact “moments of truth”	4.05	2.97	1.08
3	Include people and systems in CX design	4.17	3.14	1.03
4	Share feedback and frontline employees	4.26	3.27	0.99
5	Empower employees with tools and information	4.04	3.11	0.93
6	Train employees to deliver great experiences	4.33	3.42	0.91
7	Integrate customer feedback from multiple sources	4.17	3.37	0.80
8	Close the loop internally to ensure urgent feedback is	4.04	3.25	0.79
9	Proactively plan to delight customers	4.00	3.23	0.77
10	Hire “customer friendly” employees	4.08	3.33	0.75
11	Create action plans based on customer feedback	3.87	3.19	0.68
12	Measure, recognize, and reward positive CX behaviors	3.82	3.16	0.66
13	Understand what drives our customers’ loyalty	4.08	3.60	0.48
	Average	4.08	3.22	0.86

Leading by Example

Leadership has been studied intensely for decades in an attempt to decode what makes up a good leader. In Michelle Vondey’s paper “Follower-Focused Leadership: Effect of Follower Self-Concepts and Self-Determination on Organizational Citizenship Behavior,” you’ll find this definition of transformational leadership:

Transformational leadership focuses more on empowering followers to work for the best interests of the organization and to meet organizational goals. Transformational leadership has several characteristics:

1. Leaders communicate a clear vision.
2. Leaders explain how vision can be achieved.
3. Leaders show confidence in both vision and followers.
4. Leaders lead by example.
5. Leaders empower followers to work toward vision achievement.

We expect leaders to develop a strategy, “sell” their vision, and build confidence with followers. That covers items 1, 2, and 3.

It’s one thing to define a strategy and communicate it. It’s quite another to actually get it done, which is the main thrust behind item 5 (empowering followers). That requires implementing the right “systems” to enable, encourage, and reward followers for doing the right things.

That leaves number 4 (lead by example), which was identified in prior CustomerThink research as the key ingredient for customer-centric change.

What does “lead by example” really mean? CustomerThink put that question to industry experts, who supplied these examples:

Southwest Airlines focuses on a fun flying experience. On Halloween, the CEO Gary Kelly came as Gene Simmons of KISS. Google his name, go to images, and check him out. Tony Hsieh at Zappo's focuses on being customer-centric and, at busy times, he works in the call center on the phone.

— **Chip Bell, Chip Bell Group**

My favorite story comes from Jeff Van De Velde of SunTrust. “People started asking in meetings: Do we believe X because we’ve been bankers for Y years, or because clients told us?” Van De Velde continues: “As our chief marketing officer and our head of cross-channel strategy began doing that all the time, it became common practice throughout our company. Then you begin to seek it and call people on it when they don’t. So we have a culture where we’re trying to put the customer in the center of our decisions.

— **Lynn Hunsaker, ClearAction**

My favourite example of a business leader leading by example in the UK is a chap called Jens Hofma. Jens is the UK CEO of Pizza Hut. Jens decided when he took over the role that the best way for him to develop the authority to lead his business was to understand it from the eyes of both his employees and his customers. Jens therefore decided that one day every week he would work as a member of the waiting staff in his restaurant in Oxford Street. Jens has made a number of changes to both working conditions and practices and the customer experience as a result of what he has learned and observed.

— **Ian Golding, Customer Experience Consultant**

I have a favorite story to illustrate this point. Walt Disney used to walk through Disneyland [and] if he happened to see a piece of paper on the ground, he would stoop down to pick it up. He called this “Stooping to Excellence.” He knew that as he walked through the park, all of the employees were watching him. He had to demonstrate excellence. He had to demonstrate that he wasn’t beyond picking up trash off of the ground.

— **Shep Hyken, The Customer Focus**

If CEOs are as serious about great customer experiences as they claim in survey after survey, they need to show it through their personal behavior. By “walking the talk,” CEOs send a message to the rest of the organization about how they should behave. That will ripple through the management layers and, over time, help create a truly customer-centric business.

Success Requires a Coordinated Approach

For a deeper understanding, we broke the 13 CX practices (on page 6) into five categories, with “Leaders set positive example” as its own distinct group (Lead). The remaining 12 CX practices fit into one of the other four categories:

1. Leaders Set Positive Example (Lead)
2. Customer Listening (Listen)
3. Employee Engagement (Engage)
4. Taking Action (Act)
5. CX Design (Design)

- **88%** of companies with successful CX initiatives rated **Lead** as “effective” (4) or “highly effective” (5)

- **70–80%** of these companies rated **Listen, Engage, and Act** as “effective” (4) or “highly effective” (5)

- **60–70%** of companies rated **Design** as “effective” (4) or “highly effective” (5)

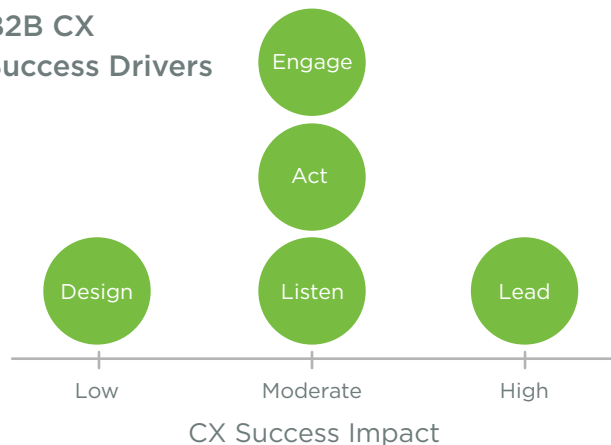
While not a statistical analysis, this suggests that companies reporting CX success are doing a better job of gathering customer feedback, making good decisions about what should be done, and aggressively acting to resolve customer issues.

Previous CustomerThink research revealed that business performance leaders (defined as those with better than average business performance) have a much stronger focus than laggards (all others)

on experience innovation: 67% rated innovating experiences as a first or second priority vs. 33% for all others. As more companies perfect their “listening and fixing” practices, CustomerThink believes that designing new and different experiences will rise in importance as a success driver.

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B2B CX Success Drivers



CX Maturity, Issues, and Obstacles

As this study and many others have found, there is no lack of interest in customer experience. B2B executives see customer experiences as a key strategy to differentiate, complementary to excellence in solutions. Why, then, are only 24% of companies clearly successful with their CX initiatives?

Is lack of time the reason for the gap between aspiration and results?

- Nearly half (46%) of CX initiatives have been in place for two years or less
- Another 17% have been in place for three or four years
- The remaining 36% of responses were skewed to initiatives of five years or more.

Not entirely, because this distribution was essentially the same for B2C and mixed B2B/B2C enterprises, which reported higher success rates.

The answer lies not just with the duration of CX initiatives but how that time is put to use to improve the effectiveness of CX practices. CustomerThink segmented the 100 CX initiatives studied into three logical groupings based on average score across the 13 practices and compared the CX success metric across the segments.

Those in the “optimizing” segment reported CX success at nearly twice the rate of those in

The Three Levels of CX Initiatives

- Ad hoc (<3.0)
- Developing (3.0 to 4.0)
- Optimizing (>4.0)

the “developing” segment. Only four of the CX initiatives with average scores less than 3.0 were clear successes.

This begs the question: What is success and why is it so hard to achieve? The foregoing analysis takes a fairly narrow view that success means either quantifiable benefits or gaining a competitive differentiation. But some initiatives in the “making progress” segment may also be considered successes, given that 60% of respondents think CX initiatives have helped to improve business performance.

CX practice effectiveness is clearly a factor in success, but ultimately CX program practitioners must define success clearly and uniquely for their own organizations.

Half of the business leaders in this study reported that employees simply lacked the time to devote to CX activities because they were busy with their current jobs. This was reflected in numerous interviews, where CX leaders said that unless CX becomes a part of employee jobs, or personnel is hired for this distinct purpose, it’s very difficult to move forward.

CX Success by Practice Effectiveness



The next two issues—“can’t measure ROI” and “undefined CX goals and strategy”—may explain why B2B organizations report lower levels of CX success. Simply put, if you don’t define what success looks like and/or can’t measure whether you’ve achieved it, you’re not likely to view your CX program as a winner.

“Lack of skills” and “cooperation across the organization” are two more significant issues reported by 37% of respondents. However,

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“availability of outside service firms” and “IT solutions” were the two lowest-rated issues. This suggests that CX leadership must dedicate their energies to uniting the organization to think about the impact of the end-to-end customer experience.

In the middle of the pack were “leadership and culture issues.” Nearly one in four believed that not having a senior leader in charge of CX

activities was an obstacle, and 47% said that a Chief Customer/Experience Officer would be beneficial. Other CustomerThink research has found much the same thing: A Chief Customer Officer would facilitate cross-department coordination and get support from the CEO and Board. These quotes from respondents to a 2014 CustomerThink study of customer-centric practices illustrate how CCOs can add value:

Shows an investment in the most important component for being in business at all... the customer. If we can have a CIO, we should certainly invest in a CCO.

Strong support, consistent message, and presence at the table where all the big decisions are made. Leadership to mobilize employees in that direction.

We have one (new) but fits into matrix structure so not directly responsible for health of customer relationships. Responsible for coordination between segments/strategy and channel/execution.

Issues Preventing Effective CX Delivery	%
Lack of time, too busy with current departmental jobs	50
Can't measure ROI due to data/analytics challenges	40
CX goals and strategy not defined	38
Lack of people with the right skills	37
Lack of cooperation across the organization (silos)	37
CX is not a part of company culture	25
Top management doesn't see a business case	22
Need a senior company leader (e.g. Chief Experience Officer)	23
Not a top priority for the IT department	19
Need more training on technology	19
Can't find the right IT solutions or platform	12
Availability of outside firms to provide services	7

About the Study

In March 2015, CustomerThink, in partnership with InMoment, fielded an online survey to its worldwide membership, resulting in 135 completed responses from B2B enterprises. Of these, 100 respondents said their company had a Customer Experience (CX) initiative in place, defined as “a focus on improving customer experiences to achieve business outcomes.” These 100 CX initiatives form the basis for conclusions about CX practices.

The majority of companies were located in North America (41%) or EMEA (33%), with the balance from Asia (20%) and Latin America (6%). Respondents were generally executives and middle managers with responsibility for CX initiatives, representing a mix of small (47%), medium (23%), and large (30%) enterprises. Thirty-five percent reported annual revenues of \$100 million or more.

About InMoment

InMoment™ is a cloud-based customer experience (CX) optimization platform that helps brands leverage customer stories to inform better business decisions and create more meaningful relationships with their customers. Through its Experience Hub™, InMoment provides Voice of Customer (VoC), Social Reviews & Advocacy, and Employee Engagement solutions, as well as strategic guidance, support, and services to more than 350 brands in 95 countries. The company is the leading VoC vendor for the food services, retail, and contact center industries, with expertise in B2B, financial services, lodging, and numerous others. For more information, visit www.inmoment.com.