September 25, 2024

Customer Experience Management

As the fight for share-of-wallet grows across every sector, today's companies are competing on more than just the products and services they offer – they are competing on the overall *experience* a consumer has with their brand across multiple channels. Provide the consumer with a positive experience, and they are likely to return and repurchase your product. Give the consumer a negative experience, and they are likely to move on to your competition. In fact, according to a recent PwC study, 32% of customers will walk away from a company or brand after a *single bad experience* and 59% will walk away after several bad experiences.[1] In this issue of Data in Motion, we provide an overview of the growing importance of Customer Experience Management (CXM) and the impact it can have on your sales.

What is CXM?

"Customer Experience Management is the management of customer interactions through each physical and digital touchpoint to deliver personalized experiences that drive brand loyalty and increase revenue," said David Clarke, Global Chief Experience Officer at PwC. "Brands carry out Customer Experience Management programs through a combination of software, analytics, research, and data-management systems."[2]

Research shows that companies that prioritize CX have customers who are more engaged, spend more, and are less likely to leave for the competition. Ultimately, this translates to a higher customer lifetime value. In fact, a 2023 study from McKinsey & Co showed that companies that prioritize CXM achieved more than double the revenue growth of "CXM laggards" between 2016 and 2021.[3]

Revenue of CXM Leaders vs. CXM "Laggards" Over Time, Indexed (100 = 2016)

>2x greater growth for leaders since 2016

CXM Leaders — CXM Laggards
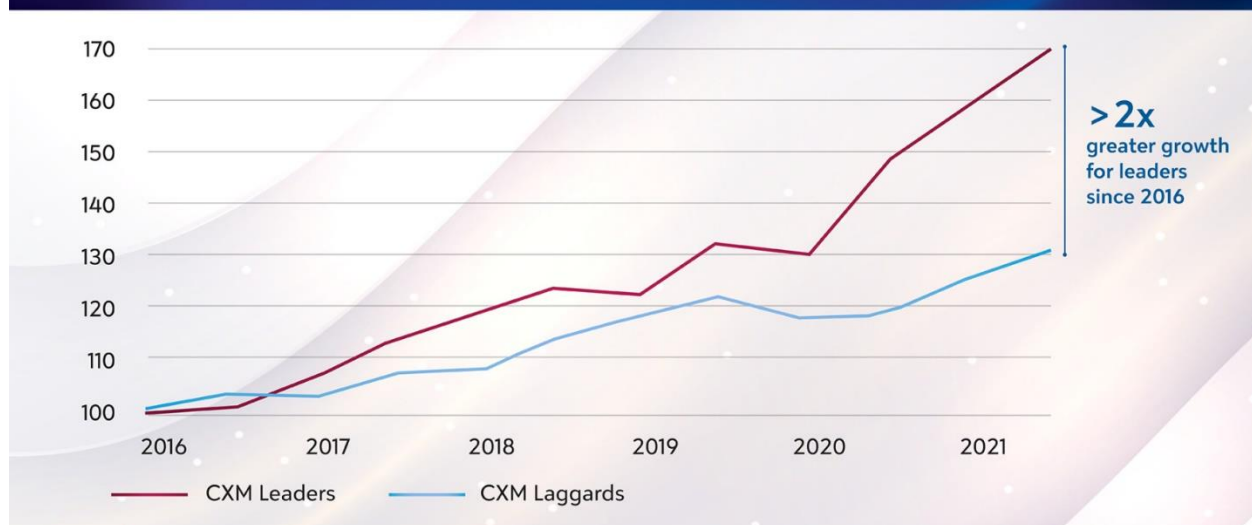
It All Starts with the Voice of the Customer

A key and necessary component to any successful Customer Experience Management effort is a robust Voice of the Customer (VoC) program. VoC programs typically leverage technology that solicits, captures and analyzes customer feedback. This provides valuable insights into customer needs, expectations, and pain points. Incorporating experience measurement questions for customers enables companies to quantify how a customer feels about their specific experience at any given time, providing a basis to objectively measure the impact of CXM initiatives.

VoC data can also be combined with customer transaction and operational data to provide powerful insights. For example, Scientific Games recently conducted a study to understand the correlation between players' satisfaction level with online lottery play and their actual monthly online spend. We found that players who rated their online play experience positively (7-10 on a 10-point scale) had a 41% higher average spend compared to those who rated their experience negatively (0-3).[4] The player feedback for each satisfaction score level enabled us to pinpoint and quantify opportunities for our lottery partner to address the concerns voiced by low satisfaction players to make them high satisfaction players, with the ultimate goal of realizing the potential incremental revenue that satisfied customers have been shown to generate.

Online Monthly Spend – High Satisfaction Players vs. Low Satisfaction Players

Low Satisfaction Players (0-3) $240

A $98 (41%) increase in average monthly spending

High Satisfaction Players (7-10) $338

Final Word

Customers place immense value on their experience with a company which directly impacts their engagement and spending behavior. Investing in customer experience is no longer optional, it is *essential* for any brand to compete and thrive. Companies that do this well begin with a deep foundational understanding of their customers' experience and how that connects to financial outcomes. They align all parts of the organization around this understanding and take the necessary steps to optimize the customer experience. In doing so, they create lasting value that drives engagement, boosts spending, and fosters long-term loyalty.

Sources:
1. PwC Consumer Intelligence Series - The Future of Customer Experience
2. CMSWire - What is Customer Experience Management?
3. McKinsey - Experience Led Growth
4. Medallia MEC Survey Data, Feb 2023 – April 2024; Online Wager Data

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