



February 19, 2010

The State Of Customer Experience, 2010

by Bruce D. Temkin
for Customer Experience Professionals



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Lots Of Action, Especially In Companies With Customer Experience Leaders

by **Bruce D. Temkin**

with William Chu and Rachel Zinser

EXECUTIVE SUMMARY

We surveyed 141 executives from large North American firms to find out about their customer experience endeavors. It turns out that 90% of respondents think that customer experience is very important for their companies and 80% are trying to use it as an area of differentiation. While the lack of funding was the top problem last year, the lack of a clear strategy has emerged as this year's No. 1 obstacle. There's a lot of activity underway: 62% of companies have a voice of the customer (VoC) program, and nearly half have an executive in charge of their overall customer experience efforts. Our data shows that companies with this type of leadership have fewer obstacles and are more mature in their customer experience efforts.

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NOTES & RESOURCES

In Q4 2009, Forrester surveyed 141 decision-makers from North American companies with annual revenues of \$500 million or more.

Related Research Documents

["The Customer Experience Index, 2010"](#)
January 11, 2010

["The State Of Customer Experience, 2009"](#)
April 24, 2009

["Obstacles To Customer Experience Success, 2009"](#)
February 20, 2009

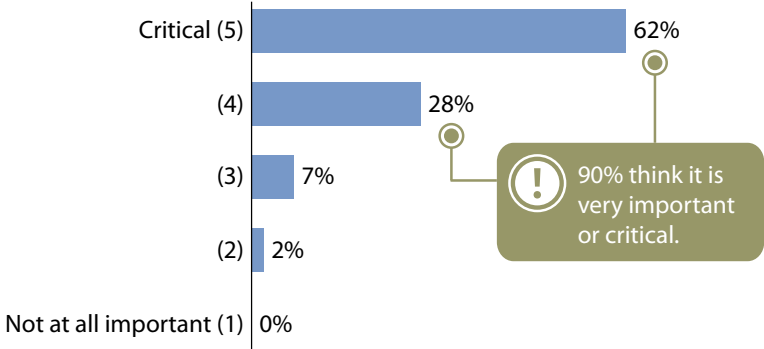
CUSTOMER EXPERIENCE IS ACTIVE IN 2010

To understand what companies are up to in their customer experience endeavors, we surveyed 141 executives from large North American firms. Their feedback highlighted that:

- **Customer experience is critical.** When we asked respondents how important customer experience was to their 2010 plans, 90% told us that it was very important or critical (see Figure 1-1). But firms aren't aiming to just keep up with their peers: 80% of the firms want to use customer experience as a form of differentiation (see Figure 1-2).
- **Most companies have *some* customer experience discipline.** Nearly two-thirds of respondents say that their companies have a disciplined approach to customer experience management — although only 11% see their efforts as being very disciplined (see Figure 2).
- **There's a lot of effort underway.** We asked about the customer experience activities that companies are working on. More than six out of 10 companies have a voice of the customer program and use a single set of customer feedback scores (see Figure 3). Nearly half of the respondents have an executive in charge of their cross-channel customer experience efforts.
- **Missing strategy has replaced funding as the key problem.** About half of the respondents identified three areas as key issues to their customer experience efforts: lack of a strategy, lack of processes, and lack of cooperation across the organization (see Figure 4). When we compared the problems from last year, funding has become less of an issue while the lack of a strategy has become a bigger concern (see Figure 5).¹
- **Firms need more customer experience maturity.** We asked the executives whether they agreed with 12 statements that represent key competencies for Experience-Based Differentiation (EBD). Only three items got the nod from a majority of respondents (see Figure 6). Unfortunately, less than one-third of these companies have employees who share a common view of the customer, make decisions that take the customer into consideration, and reward employees for improving customer experience.
- **Brands are getting more of the attention they deserve.** We compared the results from our competency evaluations between Q4 2009 and Q4 2008 (see Figure 7). The two areas with the largest improvements both had to do with brands: employees fully understanding the brand attributes and infusing the brand in customer experience design.
- **All interactions fail to deliver, especially online.** Our 2010 Customer Experience Index (CxPi) shows that customers aren't being treated well (see Figure 8).² But how do these executives think their companies are doing? Not so well either. For five of the nine interactions that we asked them to rate, less than half of the respondents thought they satisfied customers at least 75% of the time (see Figure 9). The online channel received the lowest marks, especially when it came to customer service.

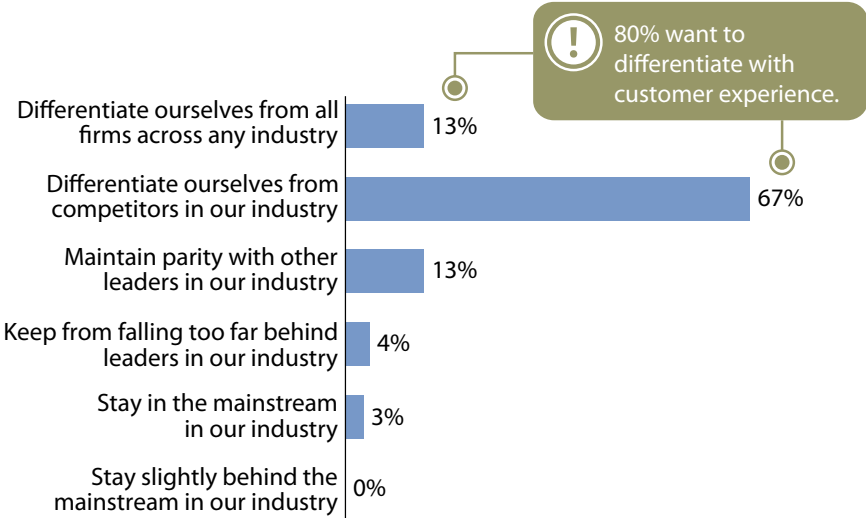
Figure 1 Customer Experience Is Critical

1-1 "How important will customer experience be in your company's strategy in 2010?"



Base: 141 North American companies with annual revenues of \$500 million or more

1-2 "How would you describe your executive team's goal for customer experience?"



Base: 141 North American companies with annual revenues of \$500 million or more

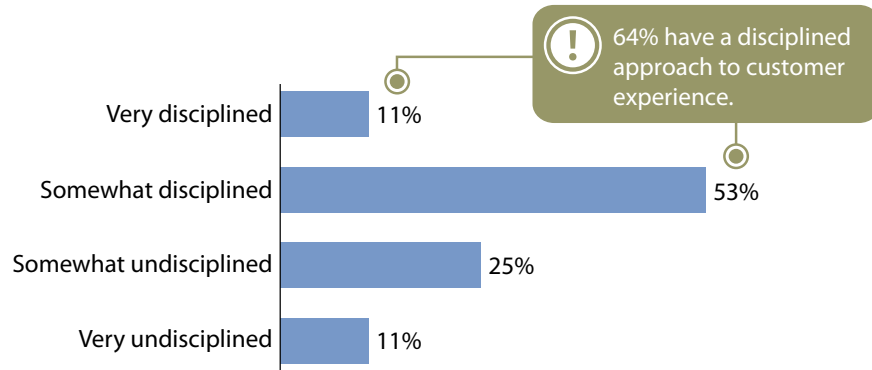
Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 2 Most Companies Have Some Customer Experience Discipline

“How would you describe your company’s overall approach to customer experience management?”



Base: 141 North American companies with annual revenues of \$500 million or more

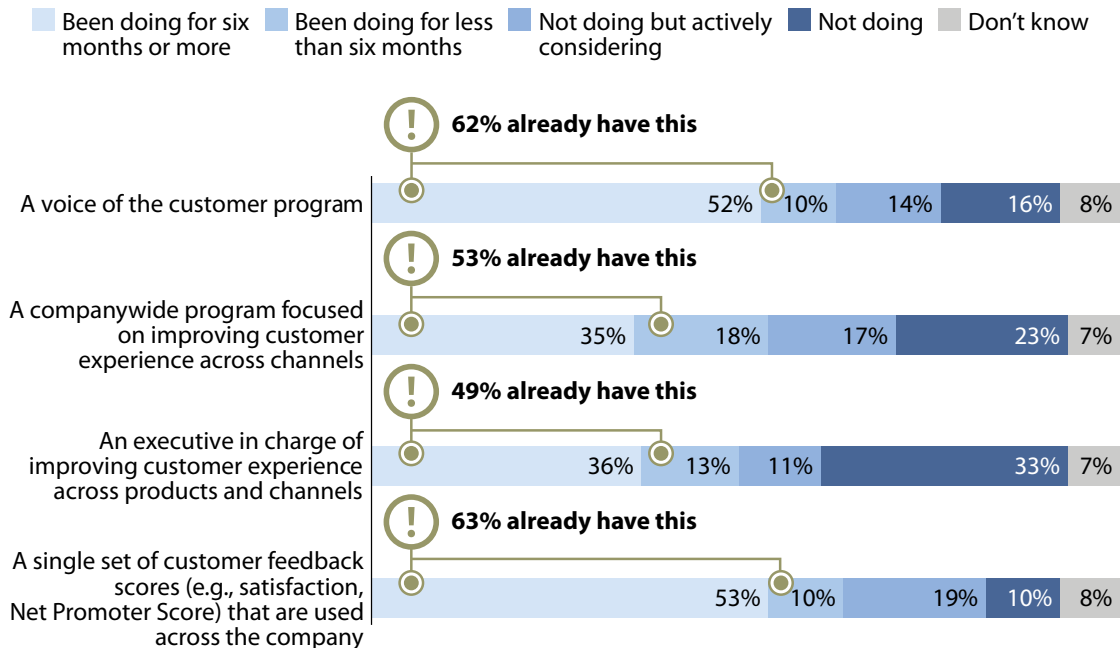
Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 3 Customer Experience Activity Is Underway

“To what extent has your company put in place the following items?”



Base: 141 North American companies with annual revenues of \$500 million or more (percentages may not total 100 because of rounding)

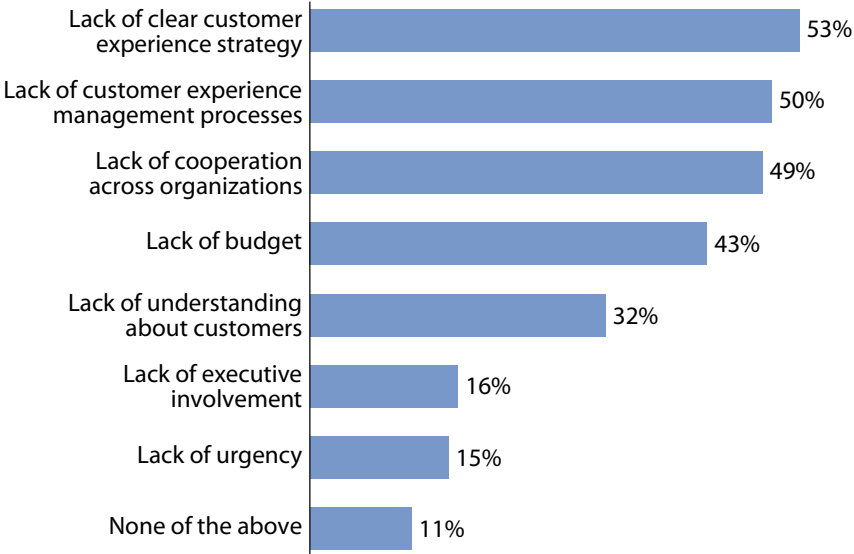
Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 4 Obstacles To Customer Experience Success

Percentage of respondents who identified the following as significant obstacles to improving their companies' customer experience



Base: 141 North American companies with annual revenues of \$500 million or more

Source: Q4 2009 Customer Experience Peer Research Panel Survey

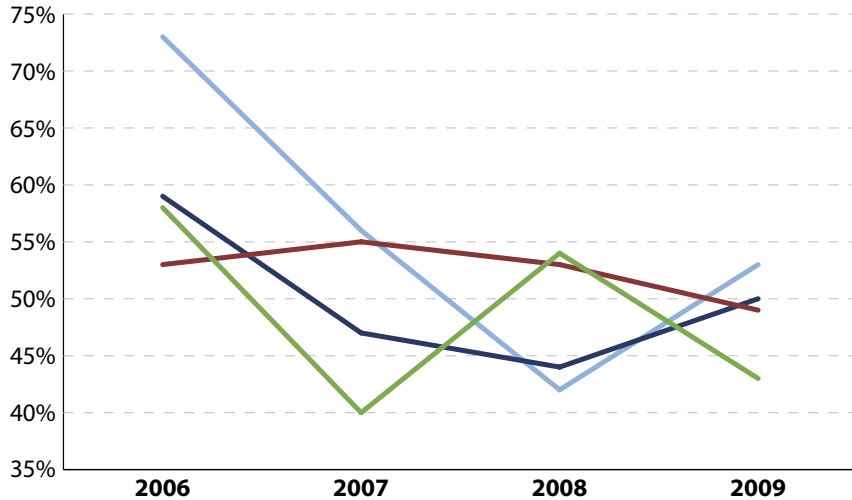
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Source: Forrester Research, Inc.

Figure 5 Obstacles To Customer Experience Success Are Shifting

Percentage of respondents who identified the following as significant obstacles to improving their companies' customer experience

■ Lack of budget
 ■ Lack of cooperation across organizations
 ■ Lack of customer experience management processes
 ■ Lack of a clear customer experience strategy



	2006	2007	2008	2009
Lack of budget	58%	40%	54%	43%
Lack of cooperation across organizations	53%	55%	53%	49%
Lack of customer experience management processes	59%	47%	44%	50%
Lack of a clear customer experience strategy	73%	56%	42%	53%

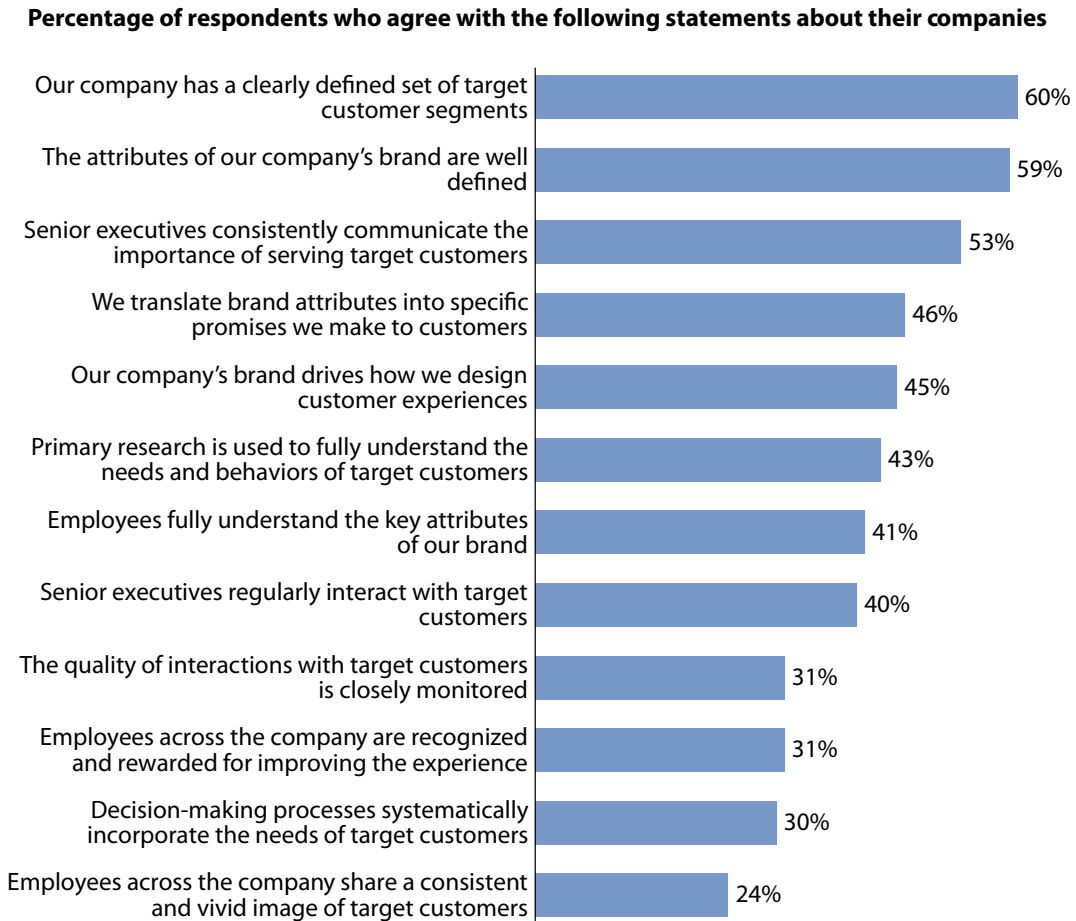
Base: North American companies with annual revenues of \$500 million or more

Source: Q4 2006, Q4 2007, Q4 2008, and Q4 2009 Customer Experience Peer Research Panel Surveys

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Source: Forrester Research, Inc.

Figure 6 Companies Aren't Focused On Target Customers



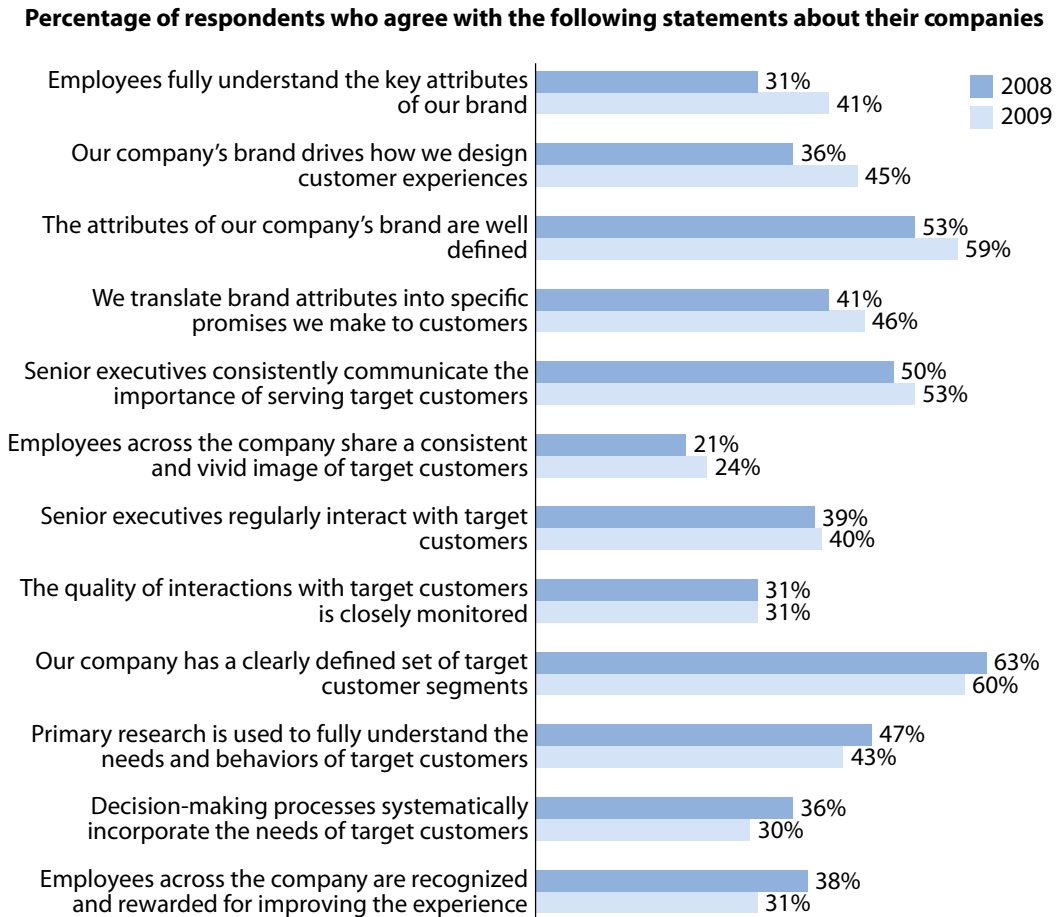
Base: 141 North American companies with annual revenues of \$500 million or more

Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 7 Companies Are Focusing More On Their Brands



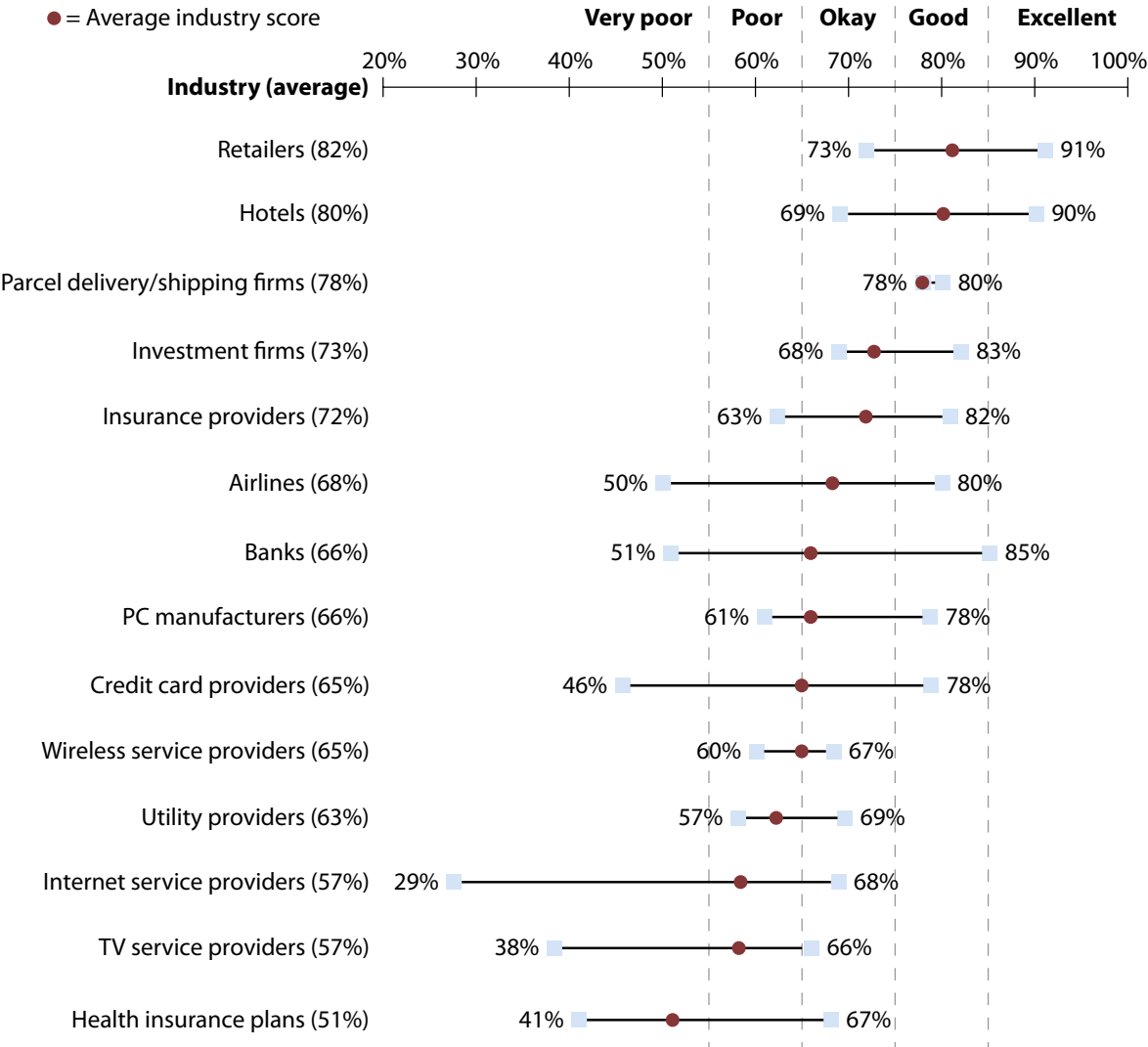
Base: North American companies with annual revenues of \$500 million or more

Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 8 Forrester's 2010 Customer Experience Index

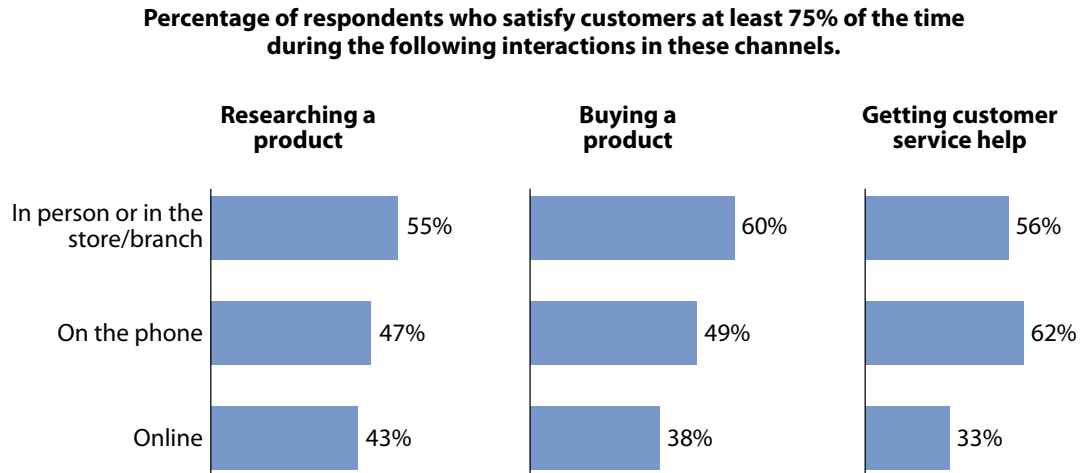


Base: US online consumers who have interacted with firms in these industries (numbers have been rounded)

Source: North American Technographics® Customer Experience Online Survey, Q4 2009 (US)

56316

Source: Forrester Research, Inc.

Figure 9 Companies Don't Satisfy Customers

Base: 141 North American companies with annual revenues of \$500 million or more

Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

CUSTOMER EXPERIENCE LEADERSHIP MAKES A DIFFERENCE

Companies are definitely making a push to improve their customer experience. And why shouldn't they? Our data shows that customer experience correlates to loyalty (see Figure 10).³ To understand what role a customer experience leader serves inside of these companies, we compared responses from the 69 companies that had an executive in charge of customer experience with the 62 companies that did not have someone in that position. This analysis uncovered that the companies with executives in charge of their customer experience efforts are:

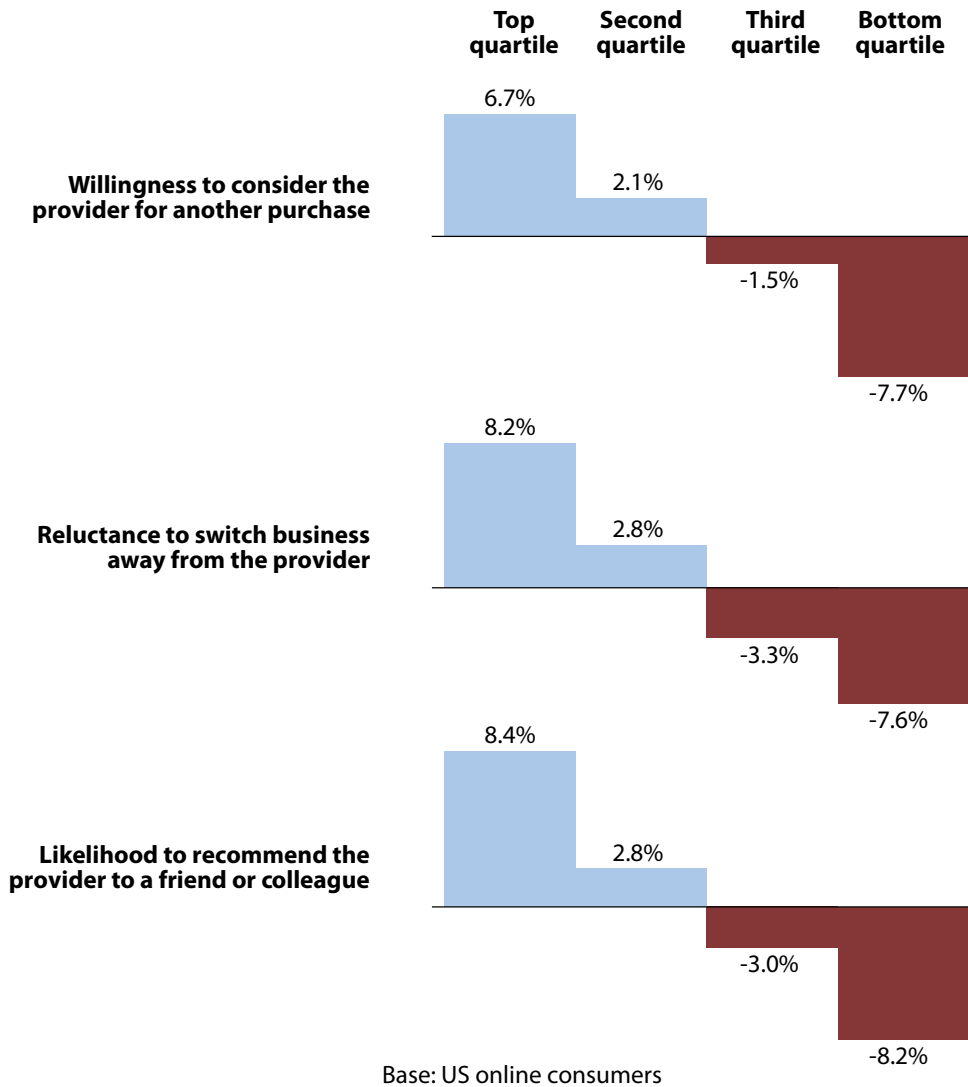
- **More ambitious.** Eighty-four percent of companies with customer experience leaders say that they want to differentiate their companies with customer experience, compared with 75% of the other firms (see Figure 11).
- **More disciplined.** Eighty-two percent of companies with customer experience leaders say that they have a disciplined approach to customer experience, compared with 40% of the other firms (see Figure 12).
- **More active.** Across all three areas of customer activity, companies with customer experience leaders have more initiatives underway. The gap ranges from 26 percentage points for voice of the customer programs to 56 points for enterprisewide customer experience programs (see Figure 13).

- **Less encumbered.** Leaderless companies are more likely to run into just about every obstacle except one: the lack of funding (see Figure 14). Why is that the case? Because firms with customer experience executives are trying to get more done. The most significant gaps between these firms are in the areas of executive involvement and urgency.
- **More mature.** Across all 12 customer experience competencies, the companies with an executive in charge scored higher (see Figure 15). The gaps showed up in monitoring the quality of interactions with target customers and senior executives communicating the importance of serving customers.

Figure 10 Customer Experience Leaders Have More Loyal Customers

Percentage of customers who are loyal compared with industry averages across three loyalty measures

Quartiles are based on companies' CxPi scores compared with their industry averages



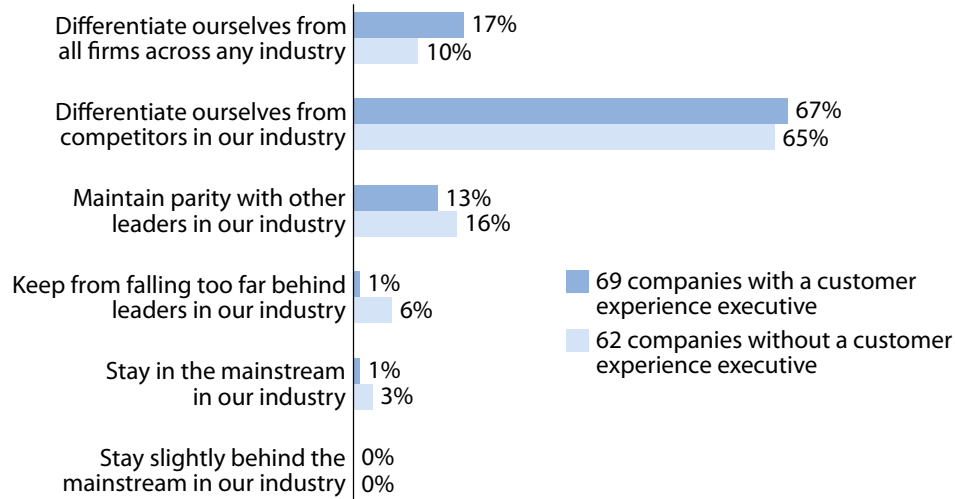
Source: North American Technographics® Customer Experience Online Survey, Q4 2008

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Source: Forrester Research, Inc.

Figure 11 Customer Experience Leaders Show Up In More Aggressive Companies

“How would you describe your executive team’s goal for customer experience?”
(Percentage of respondents who agree with the following statements)



Base: 131 North American companies with annual revenues of \$500 million or more

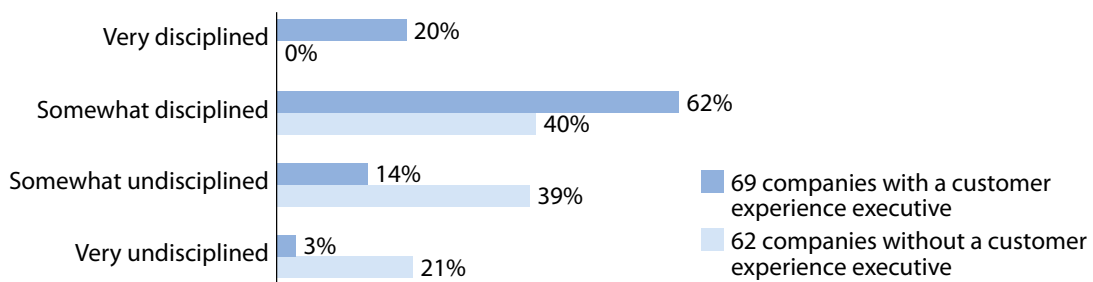
Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 12 Customer Experience Discipline Comes With Leadership

“How would you describe your company’s overall approach to customer experience management?”



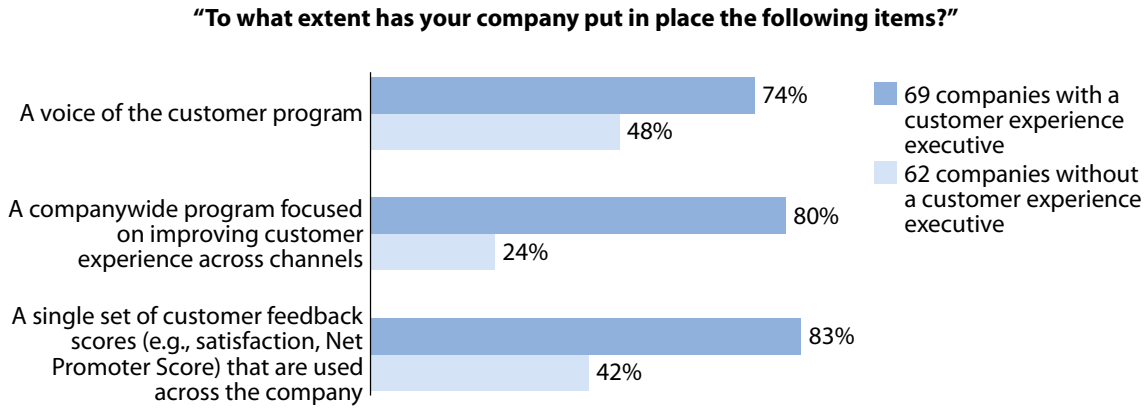
Base: 131 North American companies with annual revenues of \$500 million or more

Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 13 Customer Experience Leaders Are Active



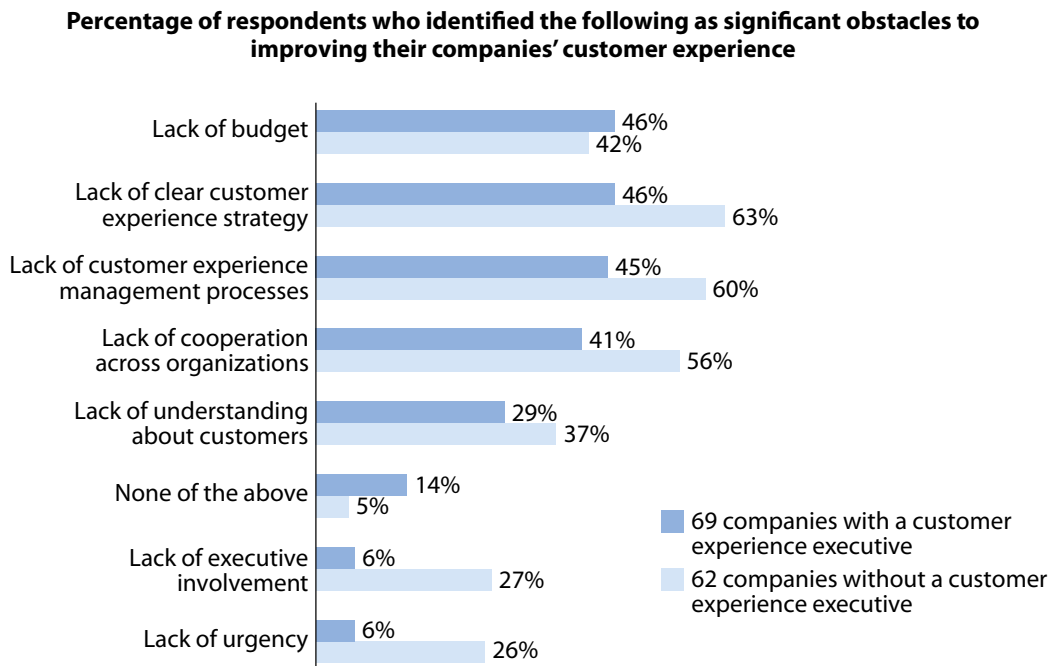
Base: 131 North American companies with annual revenues of \$500 million or more

Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 14 Fewer Customer Experience Obstacles Exist When There Is A Leader



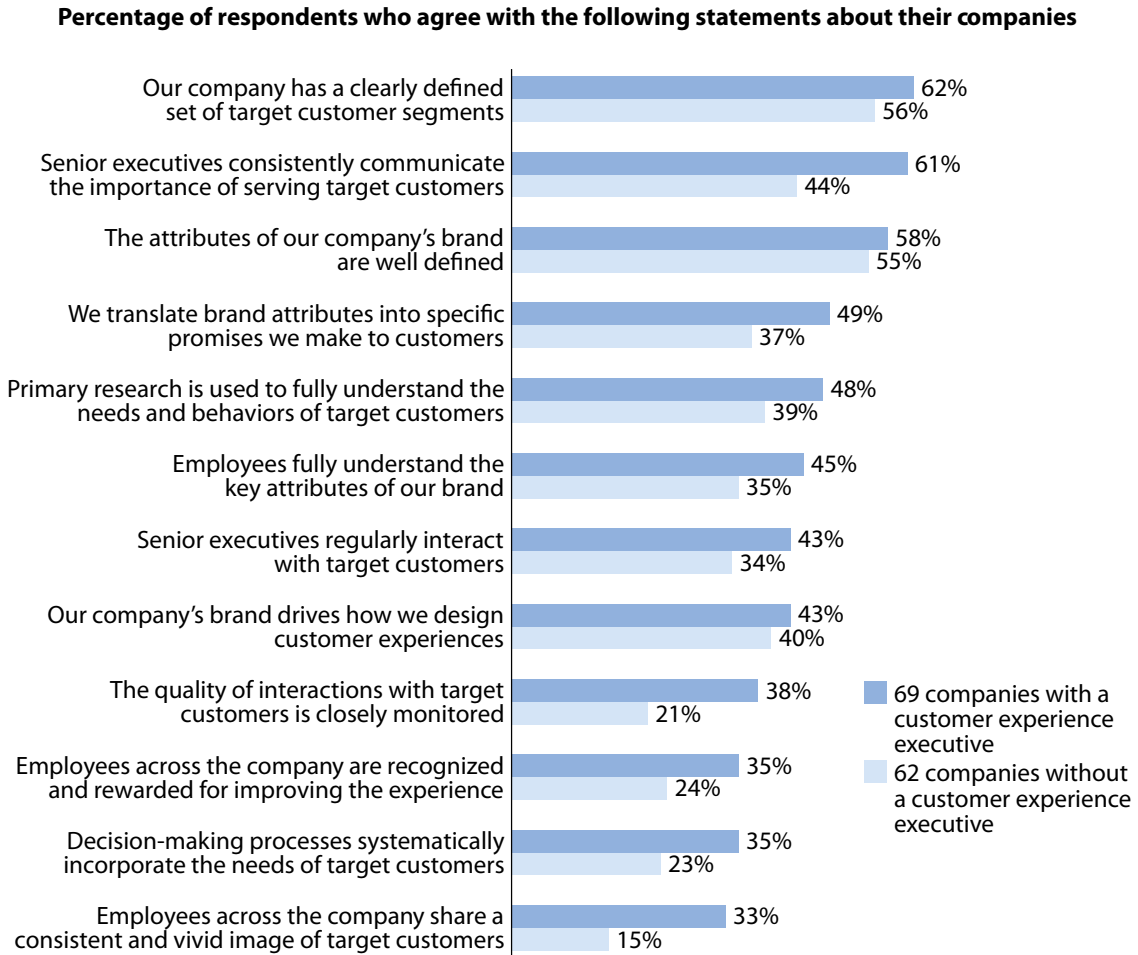
Base: 131 North American companies with annual revenues of \$500 million or more

Source: Q4 2009 Customer Experience Peer Research Panel Survey

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Source: Forrester Research, Inc.

Figure 15 Leaders Embed More Customer-Centric Behaviors



Base: 131 North American companies with annual revenues of \$500 million or more

Source: Q4 2009 Customer Experience Peer Research Panel Survey

Source: Forrester Research, Inc.

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RECOMMENDATIONS

GET THE ENTIRE COMPANY THINKING OUTSIDE-IN

Companies will gain the most benefit from their customer experience efforts when they get the entire company to think about customer needs. How can they do that? By starting with two key customer experience tools:

- **Map the customer journey.** Left to their own devices, companies will continue to operate with an internal focus. That's why we recommend that organizations use customer journey maps — also known as touchpoint or “moment of truth” maps — to examine interactions from their customers' points of view. Forrester defines customer journey maps as: documents that visually illustrate customers' processes, needs, and perceptions throughout their relationships with a company.⁴ We recommend that organizations follow these five steps: 1) Collect internal insights; 2) develop initial hypotheses; 3) research customer processes, needs, and perceptions; 4) analyze customer research; and 5) map the customer journey.
- **Build a robust voice of the customer program.** There's nothing more aligning in an organization than clear feedback from customers. But most organizations don't provide employees with that feedback in a consistent, usable form. That's why customer experience professionals should develop strong voice of the customer programs — distributing actionable feedback to call centers, stores, merchandisers, and category managers.⁵ A number of technology vendors are changing the landscape in these programs, making it easier to do things like analyze unstructured data and share information more broadly.⁶ We've also identified 16 best practices to follow in areas like leadership, culture, and reacting to customer feedback.⁷

SUPPLEMENTAL MATERIAL

Methodology

Forrester fielded its Q4 2009 Customer Experience Peer Research Panel Survey to 141 customer experience professional(s) from North American firms with \$500 million or more in annual revenues in our ongoing Marketing & Strategy Research Panel. The panel consists of volunteers who join on the basis of interest and familiarity with specific marketing and strategy topics. For quality assurance, panelists are required to provide contact information and answer basic questions about their firms' revenue and budgets.

Forrester fielded the survey from November to December 2009. Respondent incentives included a summary of the survey results and related research.

Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

If you're interested in joining one of Forrester's research panels, you may visit us at <http://Forrester.com/Panel>.

ENDNOTES

- ¹ Executives have been saying for awhile that customer experience is important. Only recently, however, have many of them begun to understand its direct link with loyalty. As a result, companies are starting to develop more disciplined approaches to customer experience management. But they have a long way to go. See the April 24, 2009, "[The State Of Customer Experience, 2009](#)" report.
- ² Forrester asked more than 4,600 US consumers about their interactions with a variety of companies, gauging the usefulness, ease of use, and enjoyability of those experiences. Based on these consumer responses, we calculated the Customer Experience Index (CxPi) for 133 firms in 14 different industries. Barnes & Noble, Marriott Hotels & Resorts, and Hampton Inn/Suites topped the rankings, while Charter Communications took the bottom spot for the third year in a row. Only 13 of the firms wound up with "excellent" ratings — and 45 were "poor" or "very poor." See the January 11, 2010, "[The Customer Experience Index, 2010](#)" report.
- ³ Forrester's previous research has shown a high correlation between customer experience and three key elements of loyal behavior: willingness to buy more, reluctance to switch, and likelihood to recommend. But how does that affect a company's bottom line? To answer that question, we looked at the percentage of loyal customers within the customer bases of more than 100 companies. It turns out that customer experience leaders have an advantage of more than 14% over customer experience laggards across all three areas of loyalty. The annual revenue gains from a modest difference in customer experience can total \$284 million on average across industries. See the June 22, 2009, "[Customer Experience Boosts Revenue](#)" report.
- ⁴ Left to their own devices, companies will continue to operate with an internal focus. That's why we recommend that organizations use customer journey maps — also known as touchpoint or "moment of truth" maps — to examine interactions from their customers' points of view. Forrester defines customer journey maps as: "Documents that visually illustrate customers' processes, needs, and perceptions throughout the life cycle of their relationships with a company." To get the most value from these journey maps, companies need to widely share findings, take action on insights, and sustain the learnings over time. See the February 5, 2010, "[Mapping The Customer Journey](#)" report.
- ⁵ Many companies say that they don't have a good connection with customers. That's why firms should consider developing a systematic approach for incorporating the needs of customers into the design of customer experiences — what Forrester calls a voice of the customer program. Successful VoC programs will incorporate listening, interpreting, responding, and monitoring. As customer experience professionals roll out VoC programs, they should be prepared to overcome internal organizational obstacles. See the February 8, 2007, "[Building Your Voice Of The Customer Program](#)" report.
- ⁶ Voice of the customer programs are a critical component to improving customer experience. But today's efforts are broken in many ways. They lack action, get caught in silos, and aren't cost- or time-effective. A number of trends are changing how companies implement their VoC programs, including analysis of

unstructured and unsolicited data, inclusion of social media, and more continuous feedback. Companies should take advantage of these trends to dramatically improve their use of customer feedback. The result: better customer experiences and more loyal customers. See the February 26, 2009, "[Voice Of The Customer: The Next Generation](#)" report.

- ⁷ To understand the best practices in voice of the customer programs, Forrester analyzed the 40 applications it received for its Voice Of The Customer award. When we examined the advice that applicants listed for other companies, we found 16 recommendations that fell into the following five categories: leadership, culture and alignment, listening to customer feedback, interpreting customer feedback, and reacting to customer feedback. See the November 11, 2009, "[Sixteen Voice Of The Customer Recommendations](#)" report.

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Headquarters

Forrester Research, Inc.
400 Technology Square
Cambridge, MA 02139 USA
Tel: +1 617.613.6000
Fax: +1 617.613.5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
www.forrester.com

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