Customer experience and your bottom line

Executive summary for the retail industry

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Avanade and Sitecore research
conducted by Vanson Bourne

Quantifying the customer experience

It should come as no surprise that companies that have a digital customer experience strategy tend to outperform those who do not. A quick search on social media for hashtags like "#CX" will provide many examples of how a focused approach to the digital customer heeds ample results. But what does the research say? Is there any hard proof to back this up?

Until now, quantifying the value of a customer experience strategy was next to impossible. Very few research-driven reports existed. This lack of insight is why Avanade and Sitecore® teamed up with third-party research team, Vanson Bourne, to survey hundreds of high-level decision makers in enterprises across industries and countries, to get answers. The results confirm what we suspected all along, but also raise serious red flags.

Simply put, our research finds that developing a customer experience strategy is incredibly valuable and offers tangible, exponential benefits to businesses everywhere. Unfortunately, there is an enormous lack of commitment on the part of businesses to do so. Very few are ahead of the game. For the full story and statistics, continue reading this summary or download the entire report at www.avanade.com/cxresults and www.sitecore.net/cxresults.

This report explores in more detail the insights captured from respondents working in the global retail industry and their relation to global and other vertical data.

Just how valuable is customer experience in retail?

The bottom line is this: investing in customer experience strategy pays. Respondents in the retail industry indicated that they double their return for every US $1 spent on developing customer experience strategies.

Doubling your investment is a significant return for retailers and respondents from organizations in the retail sector who are actively fostering a strategy to improve customer journeys have seen various improvements across their business. The biggest improvement comes in the lifetime value of customers (23%), followed by improved sales cycles (21%) – both of which are incredibly crucial areas to get right in a fast-moving, consumer-focused industry such as retail. A 20% improvement in their competitive financial performance has also been seen as a result of focusing on the customer experience, and a 19% increase in revenues is reported (Figure 1).

Benefit	%
Increased customer loyalty	18%
Increased revenues	19%
Improvement in lifetime value of customers	23%
Financial performance is better than our competitor	20%
Improved sales cycles	21%

Figure 1: Analysis showing the average percentage increase of each realized benefit; asked to respondents in the retail sector whose organization has seen at least one benefit to prioritizing the customer experience, respondents only saw those benefits they say have been realized (25-48 respondents).

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Falling behind: only 13% of retail businesses are hitting the mark

First the good news: 86% of respondents in the retail sector said that their organization has a formal customer experience strategy in place, the joint highest of any sector surveyed alongside electronics and high tech. A further 12% are in the process of developing one. Alarmingly though, just 13% say that they are one step ahead of customer expectations. Considering so many respondents report that their organization has a customer experience strategy in place already, most are actually just moving along with the crowd. Few are ahead of the game.

The obstacles to getting there

So why are so few retail businesses going beyond with customer experience? Over eight in ten (86%) respondents in retail organizations say that they face obstacles to delivering a good customer experience. One explanation might be the sheer size of the challenge ahead of these businesses; over eight in ten respondents in retail organizations say that they require improvements across the entire customer experience lifecycle, from building, developing and implementing, to managing and maintaining it.

3 ways retail businesses can unlock customer experience value

Many businesses achieving the benefits of a customer-focused experience strategy do so in three simple, yet crucial ways:
1. Invest in modern marketing technology
2. Bolster their expertise with a third party or upgrading of skills
3. Invest in unified and personalized customer experience capabilities across channels

In fact, over seven in ten (73%) respondents in retail organizations said that they achieved their customer experience gains by upgrading and/or adopting a marketing technology platform. Almost half (49%) said that their gains were thanks to enlisting a trusted, third-party partner, and/or simply investing more in upgrading the skills of their resources (Figure 2).

How benefits have been achieved

Upgraded and/or adopted marketing technology	73%
Leveraged a third party and/or upgraded skills	49%
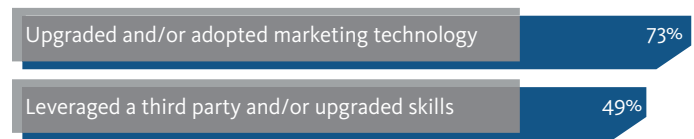
Figure 2: Analysis showing the percentage of respondents from retail organizations who have adopted the above methods to achieve the benefits they have seen in the last 12 months; asked to respondents whose organization has seen at least one benefit in the last 12 months as a result of prioritizing the holistic customer experience (82 respondents)

Additionally, 69% report that their organization is likely to invest in customer experience management over the next year and they expect to see a 10% increase in revenue as a result.

The reason these three tactics are powerful is simple. They provide the ability for businesses to offer customers personalized, relevant information at the right time, in the right place. It is this "frictionless" omni-channel delivery of services that goes hand in hand with happier customers, and better results.

In summary

We live in an era where the digital customer experience is king. However, very little quantifiable data was available, until now, to show just how valuable it is. Avanade and Sitecore's joint report reveal a simple but stunning truth. In retail organizations, customer experience strategies generate double the return – US $2 for every US $1 spent – and an overall increase of 23% in the lifetime value of customers. But retail companies are falling behind, with just 13% ahead of their customer's expectations, despite having the highest levels of adoption of customer experience strategies of any vertical surveyed. Clearly, something needs to be done to ensure that these organizations begin to see the same level of return that organizations in other sectors are seeing.

Three actions can help turn your businesses into a winner:
1. Invest in your people and expertise
2. Implement innovative marketing technology
3. Introduce a seamless customer experience management system.

About this research

In February and March of 2016, a third party research firm, Vanson Bourne, interviewed 880 influential business decision makers across six countries and 14 industries. 105 of these came from organizations in the retail sector. Respondents came from businesses larger than US $500 million in annual revenues.

Respondents were interviewed using an online methodology and a robust multi-level screening process was used to ensure only appropriate respondents participated in the project.

Want more insight on the importance of building a customer experience strategy?

Download the full report at www.avanade.com/cxresults and www.sitecore.net/cxresults.

About Avanade

Avanade leads in providing innovative digital services, business solutions and design-led experiences for its clients, delivered through the power of people and the Microsoft ecosystem. Our professionals combine technology, business and industry expertise to build and deploy solutions to realize results for clients and their customers. Avanade has 29,000 digitally connected people across 23 countries, bringing clients the best thinking through a collaborative culture that honors diversity and reflects the communities in which we operate. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation. Learn more at www.avanade.com.

About Sitecore

Sitecore is the global leader in experience management software that enables context marketing. The Sitecore® Experience Platform™ manages content, supplies contextual intelligence, and automates communications, at scale. It empowers marketers to deliver content in context of how customers have engaged with their brand, across every channel, in real time. More than 4,600 customers—including American Express, Carnival Cruise Lines, easyJet, and L'Oréal—trust Sitecore for context marketing to deliver the personalized interactions that delight audiences, build loyalty, and drive revenue. For more information, follow us at @sitecore or visit www.sitecore.net.

About Vanson Bourne

Vanson Bourne is an independent specialist in market research for the technology sector. Our reputation for robust and credible research-based analysis is founded upon rigorous research principles and our ability to seek the opinions of senior decision makers across technical and business functions, in all business sectors and all major markets. For more information, visit www.vansonbourne.com.

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