

Customer experience and your bottom line

Research reveals investing in compelling
CX drives business impact

Experiences. Results. Expertise.



Avanade and Sitecore research
conducted by Vanson Bourne

Table of contents

Summary of key findings	3
Introduction	4
Financial gains are within reach	5
Benefits.....	5
Drivers	6
Obstacles and improvements	7
The role of technology, skills and partners	8
Customer experience management	8
The lifetime value of a customer	9
Conclusion.....	10
Research scope & methodology	10

Summary of key findings

Huge benefits have been seen as a result of focusing on the customer experience

- US \$3 return on investment expected for every \$1 invested in the customer experience
- Almost six in ten (58%) have seen increased customer satisfaction over the last 12 months
- Close to four in ten (37%) have seen improved sales cycles
- So many more benefits have been realized, and are expected in the near future

Keeping up with competition is driving the customer experience, more than the customers themselves

- 64% report that competition is a key driver, compared to 52% who say this is customer feedback

Not many organizations are able to get in front of their customers wants and needs

- Only 14% admit that they are one step ahead of their customers' changing expectations

Investment in technology, skills and people is how organizations are achieving benefits

- 78% of organizations are achieving benefits by investing in modern marketing technology
- Half (50%) do so by investing in skills and third-party expertise

Customer experience management is key

- Eight in ten (80%) consider it important to see a return on marketing investment
- 77% believe customer experience is important for delivering a strong, relevant customer experience
- 68% are investing in it in the next year

Lifetime customers are of great value, but organizations need to make them feel appreciated

- 37% would compare their lifetime customers to diamonds and 46% to platinum
- Feeling undervalued is the most likely reason a customer would feel frustrated with a brand

Introduction

Customers have always been the jewel in the crown of a business. Without customers, your business won't exist, but it's because of them that organizations are constantly evolving to better suit their needs. In an increasingly digital world, where customers are more empowered, brand loyalty is no longer a given. With customers able and willing to switch alliances between businesses, organizations can no longer assume they have guaranteed "lifetime" customers. You have to stand out. Therefore, it makes sense that organizations are focusing heavily on customer experience. This research uncovers the impact that this focus has on the bottom line. Because, while trying to perfect that customer experience, organizations have discovered a whole host of benefits that have huge financial and business impacts, making the case for that "flawless" customer experience even more worthwhile.

Organizations that do not keep pace risk losing both their customer base, the huge financial gains, and the competitive edge that come from a seamless customer experience. Because, let's face it, if your organization doesn't take this leap, then your competitors will.

This research will share:

What are the business benefits of focusing on customer experience?

What do these benefits mean for your organization's bottom line?

What obstacles are standing in the way of achieving the benefits?

How can your organization overcome these obstacles?

Financial gains are within reach

Benefits

The ever-evolving digital world means that organizations have more touchpoints with their customers than ever before. It is no surprise that the majority of organizations are prioritizing a formal customer experience strategy to develop that seamless journey. But why are they doing it? This research reveals that there is a huge return on investment to be had.

Triple in fact

Respondents report that for every US \$1 their organization spends on improving the customer experience, their organization sees a return of US \$3. Three times the amount invested in that experience will be returned to the bottom line. Investing in customer experience strategy pays. For some organizations, this return is even greater. For example, in the financial services sector, organizations are seeing as high as a \$5 return on their investment.

Direct business benefits seen over the last 12 months

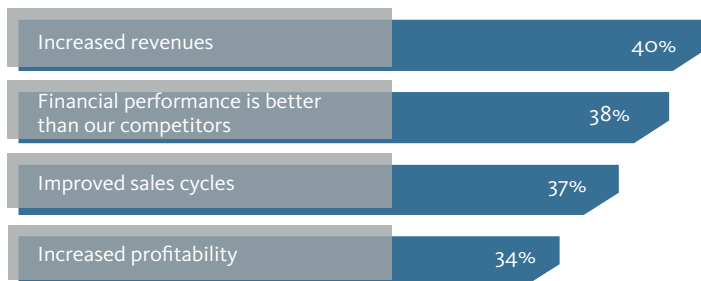


Figure 1: Analysis showing the percentage of those who have seen the above “direct business impact” benefits in the last 12 months as a result of prioritizing the customer experience; asked of respondents whose organization prioritizes its customer experience strategy (663 respondents).

All areas of the business are being positively impacted by the focus on customer experience. The direct business benefits are huge and tangible: Around four in ten respondents report seeing increased revenues (40%), a better financial performance than their competitors (38%) and improved sales cycles (37%) in the last 12 months. (Figure 1)

Where these benefits have been seen, an average improvement of between 18%-21% has been reported. Imagine being able to increase your organization’s revenues by 19% in 12 months as a result of focusing on the customer experience!

Fundamentally, of course, it is about keeping customers happy. How much can your organization expect to improve customer-based benefits in the short space of a year? By a lot actually: at least four in ten have seen improvements in these areas in the last 12 months, rising to 60% for increased customer satisfaction. (Figure 2)

Customer focused benefits seen over the last 12 months

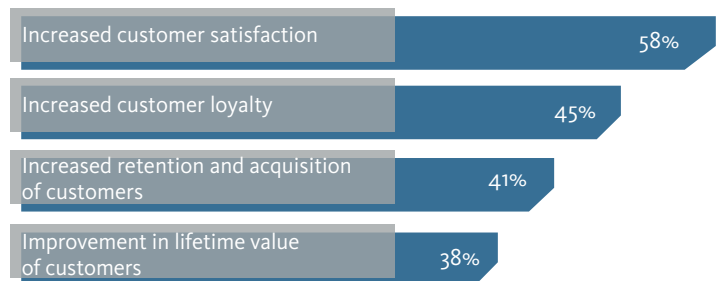


Figure 2: Analysis showing the percentage of those who have seen the above “customer-based” benefits in the last 12 months as a result of prioritizing the customer experience; asked of respondents whose organization prioritizes its customer experience strategy (663 respondents).

These improvements have not been insignificant either. Where they have been seen, respondents report an increase of between 19%-22% in each area, on average. The growth seen in just a year across the customer-based benefits is incredibly substantial.

These benefits are not stand-alone; there is evidence to suggest that organizations are likely to see more than one of these benefits when they focus on customer experience. For example, almost all (97%) respondents agree that the growth and retention of customers leads to increased revenue.

Additionally, these benefits will not be short-lived, as the majority of respondents also anticipate these benefits to start, or keep, occurring in the next 24 months. (Figure 3)

Anticipated benefits expected over the next 24 months

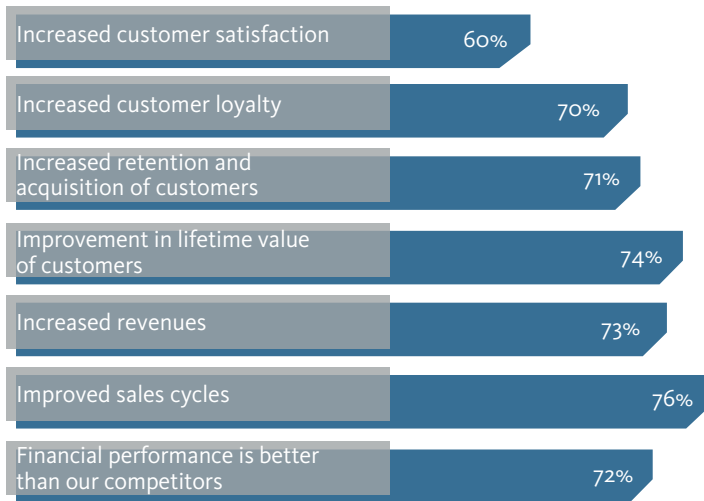


Figure 3: Analysis showing the percentage of those who anticipate seeing the above benefits in the next 24 months as a result of prioritizing the customer experience; asked of respondents whose organization prioritizes its customer experience strategy (663 respondents).

Many areas of the business are going to benefit from focusing and prioritizing the customer experience strategy. Simply put, happy customers equal happy profit margins. With a threefold return on investment, very few organizations can afford to ignore their customer experience. Not grabbing this opportunity leaves your customers unsatisfied, and competitors more than willing to fill this void.

Drivers

Interestingly, even though a greater focus on the customer is resulting in these gains, it is less common for the customer to actually drive the investment and focus in the first place. Most commonly, competition (64%) has encouraged organizations to take a closer look at the customer experience, even more so than customer feedback (52%). (Figure 4)

Drivers to focus on the customer experience

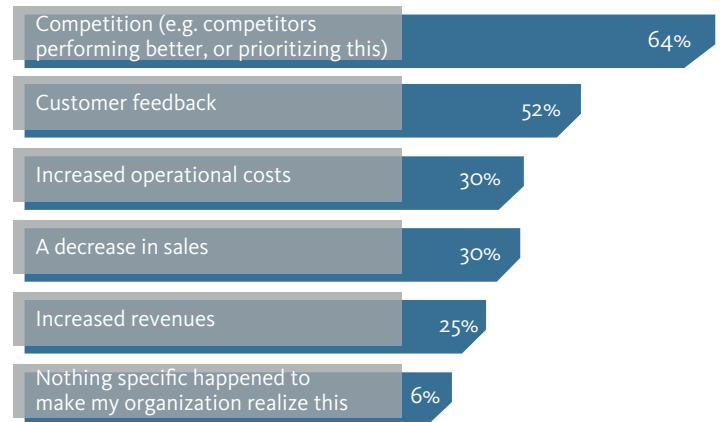


Figure 4: “What happened that made your organization realize it needed to prioritize the customer experience, to increase business performance?” Asked of respondents whose organization prioritizes its customer experience strategy (663 respondents).

Huge importance is placed on what competitors are doing to enhance their customer experience, which counts for more than what their customers are actually looking for. The focus on competition as a driver, rather than the customers themselves, suggests an internalized view of what they should be providing, and perhaps these organizations are not truly in touch with what their customers are looking for.

This focus on their competition as a driver should also mean that organizations are aiming to be one step ahead of their customers, and therefore, other businesses in their field. This is not the case. Only 14% of respondents report that their organization would consider themselves to be one step ahead of their customers' changing expectations.

Drivers of focus on the customer experience in an over-saturated global marketplace where customers have the final say, very few are in the ideal position in order to be leading the way. Those who are focusing on what the customer wants are likely able to get, and stay, in front.

Obstacles to delivering a good customer experience

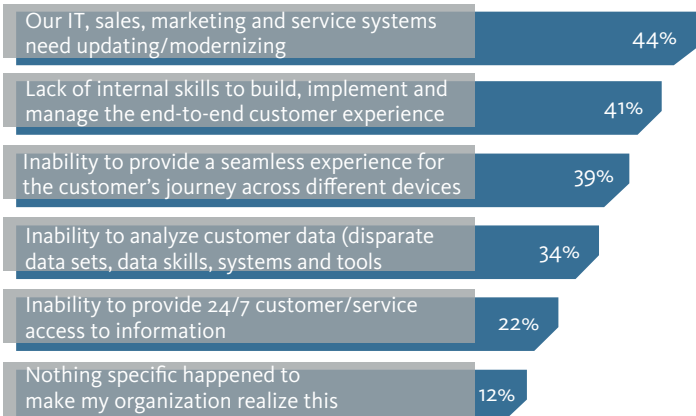


Figure 5: “What are the obstacles preventing your organization from delivering a good customer experience?” asked of all respondents (880 respondents).

Obstacles and improvements

Aside from the very thing that drives organizations being an obstacle in itself, what else is stopping organizations from achieving the vast array of benefits that come from prioritizing the customer experience?

The vast majority (88%) of surveyed decision makers admit that they face obstacles when delivering a good customer experience, with the most common being the need to update and modernize systems (such as those in IT, sales, marketing and service) (44%). This is closely followed by a lack of internal skills to build, implement and manage the customer experience (41%). These obstacles suggest that many organizations will fail to excel with their current systems and skills alone. (Figure 5)

And while improvements have been made in customer experience over the last 12 months, over eight in ten believe their organization requires improvement at every step of their connected experience delivery. Organizations cannot, and should not, do it alone.

There is an obvious need for further help and support when delivering a connected experience, and this help should be ongoing to further realize continued benefits. With holes in their connected experience delivery, and an admittance of the lack of skills and up-to-date systems in place to support a good customer experience, most organizations will need a third party to turn to in order to push themselves one step ahead.

The role of technology, skills and partners

The benefits are obvious, but there are obstacles. How have organizations managed to overcome them and improve their bottom line; most importantly, how does your organization do that?

According to those surveyed, there are two simple, yet crucial, methods of achieving these benefits that shine through: upgrading and/or adopting marketing technology (78%) and leveraging third-party providers and/or upgrading skills (50%). Those organizations that require further improvement across the life-cycle of their customer experience could benefit from the introduction or development of marketing technologies, by enlisting a trusted third-party partner or investing more in skills.

How organizations have achieved benefits from prioritizing the customer experience

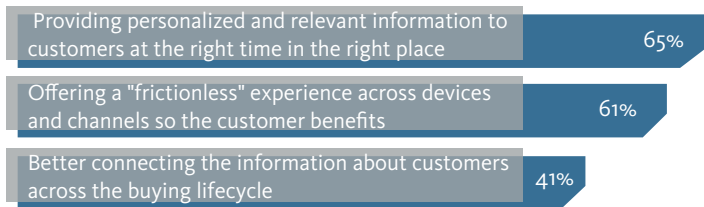


Figure 6: "Which of the following do you think helped to achieve the benefits that you have seen in the last 12 months?" Asked of respondents whose organization has seen at least one benefit as a result of prioritizing a holistic customer experience (601 respondents).

Investment in technology, partners and skills will likely result in better analytics, better personalization and a smoother, more seamless experience for the customer. All three are ways in which respondents believe their organization has been able to achieve benefits in the last 12 months. (Figure 6)

These benefits are very achievable. Sowing the seeds of investment in skills, technology and people in the short term will yield huge rewards in the near future. It makes "money" sense.

Customer experience management

Organizations who are not prioritizing the customer experience are going to be left behind. The real question is how are organizations going to get the most from this focus? The key is in the management of it.

Eight in ten (80%) respondents believe customer experience management is important for delivering marketing return on investment (ROI), and marketing ROI has direct impact on increased revenues (93%), lead (92%) and sales (92%) conversions, according to surveyed decision makers.

Not only is customer experience management considered the most important to give a return on marketing investment, it is also considered the most important for delivering a strong customer experience (77%). (Figure 7)

Activities considered important for a strong, relevant customer experience

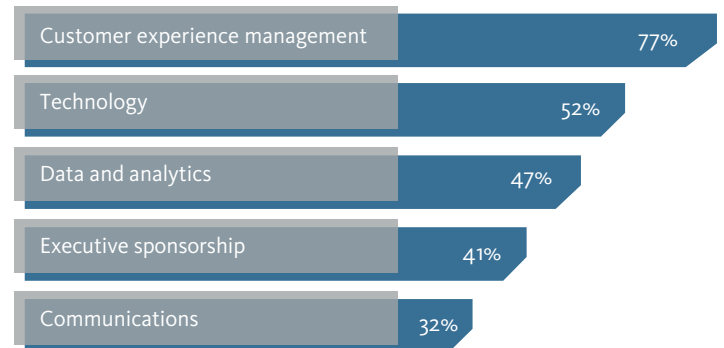


Figure 7: "Which of the following activities do you think are important in enabling your organization to deliver a strong, relevant, customer experience?" Asked of all respondents (880 respondents).

Therefore, it is of no surprise that the majority (68%) of organizations are going to be investing in this area in the coming year. (Figure 8)

What is more compelling is that respondents anticipate this future investment to result in an 11% increase in revenue. No wonder they are investing!

If your organization is in the 32% not investing in this area, your bottom line is likely already suffering, and it is time to call a board meeting. Those who are not investing in their customer experience strategy already estimate that their organization is missing out on 8% in revenue.

What all this is telling us is that it is not enough to focus on the customer experience in pockets; a successful, seamless customer experience strategy and the people and technology needed to make it happen is needed in order to fully see the benefits.

The lifetime value of a customer

Instead of focusing on the short term—single sale, single transaction, single campaign view—organizations that pivot on lifetime loyalty will benefit multifold, optimizing long-term growth. As lifetime customers become less guaranteed, their value increases, and the role that customer experience plays becomes paramount in anchoring them to your brand.

Almost all (99%) surveyed decision makers agree that providing a strong customer experience will improve a

Areas for investment over the next 12 months

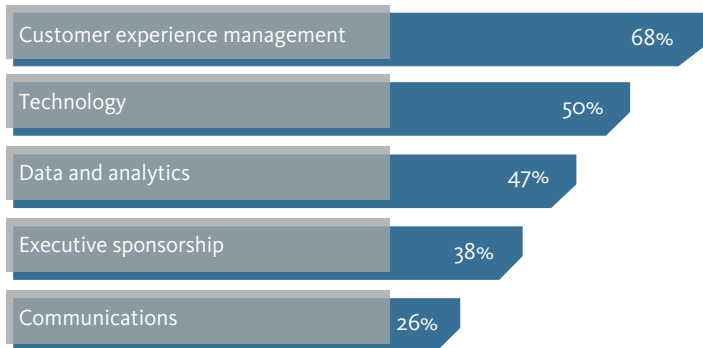


Figure 8: “Which of the following is your organization likely to invest in over the next year?” Asked of all respondents (880 respondents).

customer’s lifetime value. Additionally, 97% think that an improvement in customer lifetime value would result in benefits such as increasing revenue (72%) and growing profitability (65%). (Figure 9)

A cycle is forming: increased focus on customer experience results in happier customers, which results in customers who stick around. This in turn results in increased revenue, profitability and shorter sales cycles, which in turn could result in more money and time to focus on the customer experience. Then repeat.

Given these benefits, it is no surprise that 84% of respondents report that their organization places huge importance and value on their lifetime customers. 37% would liken them to diamonds (incredibly precious), with 46% likening them to platinum (highly valued).

Interestingly, it is feeling undervalued (52%) that is most likely to see a customer’s delight turn to frustration with a brand, according to respondents. Organizations need to demonstrate their appreciation for these valued “diamond” and “platinum” customers in order to prevent their delight from turning to frustration. They could do this by focusing on their customer experience. However, as only 14% are one step ahead of their customers’ expectations, organizations need to make sure they are investing in the right tools, services and partners to get them there. And that’s where experts come in.

Benefits from improving the lifetime value of a customer

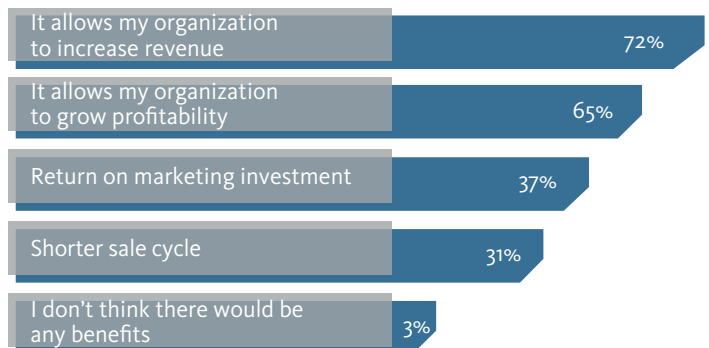


Figure 9: “What are the main benefits that improving the lifetime value of your customers has for your organization?” Asked of all respondents (880 respondents).

Conclusion

Customers want flawless. They want speed. They want smooth. Because of this, we live in an era where the digital customer experience is king. In a market where there are ten competitors vying for customers' attention, you have to be the one they turn to.

This focus will result in massive financial gains for organizations. A triple return on investment should be enough to drive this focus. It certainly will be for your competitors.

But with only 14% ahead of the game, what can your organization do to get there first? Three actions can help to turn your business into a leader:

- Investment in innovative marketing technologies
- Investment in your people and expertise
- Investment in a seamless customer experience management system that brings it all together.

These three areas will help you digitally transform to better centralize the customers' needs; understanding them through strong analytics, making them feel valued by providing personalized information (at the right place and right time) and saving them time and stress by offering a frictionless experience across devices and channels.

A minimal focus on customer experience will result in competitors bypassing you, in disappointed customers, and a poor bottom line. Can your organization afford to be the one that ignores their customer experience?

Research scope and methodology

Avanade and Sitecore commissioned independent technology market research specialist, Vanson Bourne, to undertake the research upon which this report is based.

880 decision makers with responsibility or influence over their organization's customers' digital experiences were interviewed in February and March 2016. Respondents came from across the globe; 320 came from the US and Canada, 160 each from the UK and Germany, and 120 each from Australia and Singapore. They worked in the following roles in their organization; business development and sales, customer/client service and support, IT, marketing and digital strategy and finance. Respondents came predominately from organizations with an annual global revenue of more than US \$1 billion. Interviews were conducted using a mixture of online and telephone with a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate. Unless otherwise indicated, the results discussed are based on the total sample.

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 28,000 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.

For more information

Visit www.avanade.com/cxresults
for research information.

Visit www.sitecore.net/cxresults
for research information.

©2016 Avanade Inc. All rights reserved.
©2016 Sitecore Corporation A/S. All rights reserved.