

Balancing CX against Total Technology Spend

Arulmozhi Kasthuriengan

arulmozhi.j@gmail.com

Abstract:

Balancing Customer Experience (CX) improvements against overall technology spending requires a strategic approach that prioritizes investments that yield the highest return on investment (ROI) and aligns with business objectives. It involves understanding the practical implications of CX investments and the expected returns, while also ensuring that technology choices align with the long-term vision and avoid creating tech debt.

The last few years have been characterized by an overwhelming amount of change for customers and marketplaces. From supply chain shortages to shifts in customer channel preferences, organizations have struggled to catch up and keep pace with customers' evolving needs and expectations.

Keywords: CX (Customer Experience) Initiatives, Net Promoter Score (NPS), Digital Purchase Experience, Customer Understanding, Elevating Customer's Performance, Single Platforms, CX investments.

INTRODUCTION

Here's a more detailed breakdown:

1. Prioritize High-Impact CX Initiatives:

- **Focus on customer needs:**

Identify the most impactful areas for improving the customer journey and prioritize investments that address those needs effectively.

- **Consider the business value:**

Assess the potential ROI of different CX initiatives and allocate resources accordingly.

- **Prioritize basic functionality:**

Ensure that basic functionalities are in place before investing in more advanced features.

2. Leverage Technology for Efficiency and Scale:

- **Automate repetitive tasks:**

Use technology to automate routine tasks and processes, freeing up agents to focus on more complex and personalized interactions.

- **Utilize analytics tools:**

Leverage data analytics tools to gain insights into customer behavior and preferences, enabling better decision-making and personalization.

- **Consider single platforms:**

Explore single platforms that offer a range of tools that work together seamlessly and can evolve as needed.

3. Avoid Engineered Inference and Maintain Human Connection:

- **Balance customer empathy and technology:** Don't let automation overshadow the human element of CX.

- **Use technology to augment human interaction:** Use chatbots and virtual assistants to provide instant support but ensure that they are used in conjunction with human agents.

- **Personalize the customer experience:** Use technology to personalize interactions and make customers feel valued.

4. Address Tech Debt:

- **Choose solutions that are designed for adaptability:** Select technology solutions that can adapt to new technologies and change customer needs.
 - **Focus on long-term value:** Avoid solutions that create tech debt and hinder future innovation.
5. Continuously Monitor and Improve:
- **Collect and analyze customer feedback:**
Use customer feedback to identify areas for improvement and continuously refine CX strategies.
 - **Track key metrics:**
Monitor key CX metrics, such as customer satisfaction, net promoter score (NPS), and customer retention, to assess the effectiveness of CX initiatives.

By strategically allocating technology and focusing on high-impact CX initiatives, businesses can create better customer experience, improve customer satisfaction, and ultimately drive business growth.

Such disruptions have also required all types of organizations to engage their target customers in new ways with digital technology — from online car shopping to leveraging self-service, digital has become ingrained in the customer experience (CX).

But technology is only part of the whole story.

We have found that the most compelling digital experiences start with a compelling understanding of the customer — who they are, what they want, what job they have to do, and even how they feel about themselves. Unfortunately, many organizations have it backwards: They start with the technology and *then* back into customer understanding. Their unending quest for operational efficiency is prioritizing automation over customer empathy – and that is a problem. Without compelling customer understanding, there are no compelling digital experiences.

Leaders admit customer understanding isn't necessarily their strong suit. As one example, the latest Gartner CMO Spend survey found marketing leaders cite customer understanding and customer experience management as a top capability gap.

Can this problem be solved?

Compelling digital experiences start with knowing how to support what customers are trying to achieve in the first place. It is less about shiny, new technology and automation, and more about using customer understanding to create experiences that help them develop a greater sense of control and self-confidence in a way that they couldn't have alone.

Insight Center Collection

Creating a Compelling Customer Experience

It's about building a genuine relationship.

Brands strive to meet customer expectations by optimizing their customer journeys, but these efforts cannot produce the desired results if they are driven by what gets customers to click and convert rather than what drives longer-term satisfaction, loyalty and retention.

Here's how they can get there.

Start With What Customers Crave

Most companies do not have a good grasp on what a compelling digital experience means to their customers. This doesn't mean most experiences are subpar, they're just unremarkable because digital experiences have become commoditized.

In fact, a Gartner study found that only 14% of customers had digital interaction with a brand that led them to do something different.

What is different is when brands reframe their approach to focus on how they can help to elevate their customers' sense of self, instead of simply elevating customers' perception of their products and services alone. Customers crave a better understanding about themselves. In doing so, they will be more successful at meeting their objectives or reaching their goals.

Most companies focus their investments on “what customers think of us” vs. “what customers think of themselves,” which is an overlooked opportunity to mend. To support a positive shift in customers' self-perception, organizations can apply the following three approaches:

- **Recognize that not all digital experiences are meant to be frictionless.** Depending on a customer's goal, a better experience can create some friction enabling customers to reflect on their choices by providing a learning path. By learning path, we mean a sequence of brand interactions that deepens their understanding of how to accomplish their goals. A Gartner study found that B2B and B2C customers agreed that if they “realized something new about their needs or their own goals” they were 1.73 times more likely to buy more.
- **Think value over volume.** Catalytic brand experiences are unique and emotional and have a personal impact on customers' lives. In doing so, it changes customers in some way, becoming part of how they see themselves and choose to continue behaving. These experiences have nearly double the impact on brand commitment when compared to conventional approaches such as driving brand distinctiveness, familiarity or authenticity.
- **Think beyond the digital purchase experience.** Demonstrate how your customers can maximize the value of your products and services that they already own. Gartner research shows customers who are on the receiving end of this type of value-enhancing reaction are significantly more likely to not only stick around but also buy more.

Consider the Brooks Shoe Finder. The assessment helps customers actively reflect on their running mechanics (e.g., position of their feet, relative pressure on knee joints), in addition to asking customers to consider key questions about their fitness goals. What is different about this quiz is that it's not just about the product, it's about helping the customer build confidence in their ability to achieve their running goals, and likely leads them to make different, more informed choices than they would have otherwise.

It's important to note that these approaches will not be effective unless they are grounded in understanding of your customer personas no matter how cool the technology used. Don't get us wrong, we love technology. But we love customer understanding even more, which is why it's one of the essential ingredients of a compelling CX.

Cultivate Customer Understanding

Few, if any, brands have entirely digital journeys — they still deliver physical products, offer physical experiences, or provide human interactions. That means you must understand where and how customers desire digital experiences in the customer journey rather than merely focus on the digital journey as the end-all-be-all.

Understanding your customers' current and shifting needs starts with a mix of effective customer listening approaches such as voice of the customer (VoC), defining personas, developing customer journey maps and inspiring more customer-centric decisions — all critical factors in achieving the goal of better understanding and adapting to customer needs.

From here, organizations can then focus on how they're going to deliver that experience. It's not a one-time exercise but a competency that requires sustained investment in order to be effective.

The organizations that lead with their customers in mind come out on top: Gartner's analysis found that CX programs that exceed management expectations are 1.9 times more likely to have persona development

initiatives in place for more than three years and two times more likely to have end-to-end customer journey mapping in place for more than three years.

Given the current macroeconomic environment, brands have an opportunity to reinvest and strengthen their CX capabilities in ways that make their customers feel confident they have made the right choice to continue to do business with them.

A key outcome of strong customer understanding is customer empathy.

Customer empathy is an element of a customer engagement strategy that balances a deep understanding of a customer's situation, interest and intent with an organization's goals. This is not easy, especially when that deep customer understanding we've been describing isn't present.

A simple, but powerful example of strong customer understanding and empathy comes from L'Oréal.

L'Oréal understands that skincare is a vitally important part of a person's wellbeing. Their Skin Genius mobile application combines personalized assistance with a course-changing digital experience, leveraging an AI-powered assessment of the customer's unique skin care needs using a privacy-protected picture of your face. It also prompts customers to change courses by simulating an in-person beauty advisor, leading customers to reflect on and explore skin improvement goals.

Having a better understanding of their skincare regime means that customers will likely have a better sense of overall wellbeing. This goes back to elevating the customers' sense of self.

Compelling customer experiences don't have to involve over-the-top digital capabilities. Small things, grounded in human understanding, can be just as powerful.

Taking a Holistic Approach with Total Experience

Clients often ask us how they should structure their functions to deliver better customer experience, or what technology they should buy. But that is not the complete question.

The pandemic has taught us the critical role employees play in delivering great customer experience. Their experiences matter just as much as customers, which manifest in employee experience or EX. But in most organizations, the functions responsible for CX, EX, user experience (UX), and the associated technology platforms work separately.

So, the better question to ask is how to organize in a way that delivers a more holistic and compelling digital experience for customers *and* employees.

Enter: total experience, or the deliberate connection of CX, EX and UX to make way for superior shared experiences for all stakeholders.

Lego Group is an example of a B2C organization that has embraced total experience. It was realized that digital solutions often fail to meet the needs of customers and employees because of siloed approaches to design.

When the Covid-19 pandemic forced the LEGO Group to debut new products virtually, the company initially created a self-service online catalog for retailer customers. However, this solution did not adequately provide the high-quality buying experience that customers and sales employees previously had in-person, as the solution's design did not account for all end users' unique and intersecting needs. To meet this challenge, LEGO Group launched a virtual showroom solution that delivers a higher-quality product-viewing experience.

In designing and deploying technology solutions that consider the needs of customers and employees first — and technology second — Lego enabled its employees to serve customers better and improve the overall

buying experience with smoother interactions between customers and employees and an improved overall product viewing experience.

Lego achieved this by leaning on the core components of customer understanding *and* TX to avoid the trap of engineered insincerity.

Measuring CX: One Size Does Not Fit All

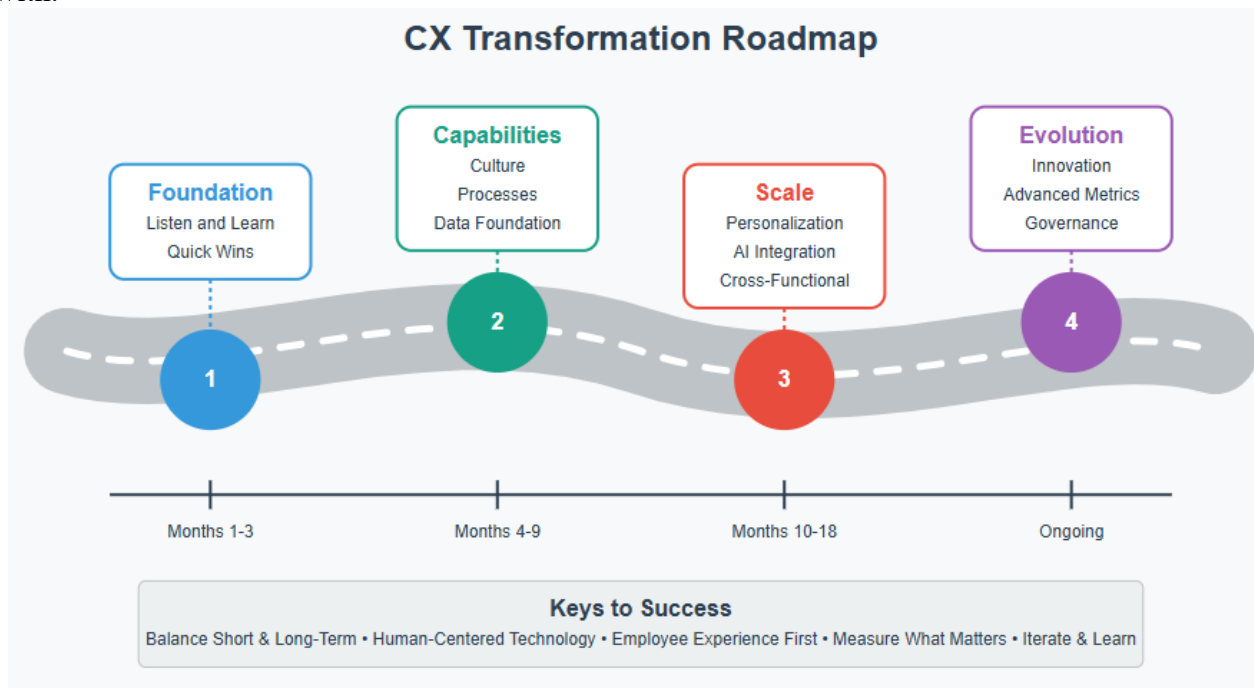
You can't declare your CX efforts compelling without proper measurements in place, which should reflect your company's *and* customers' goals.

CX metrics have several uses. They can be used to communicate the rationale for previous investments; validate whether improvements to customer experience have taken place; set goals and targets for future improvements; or intervene when remedial action is needed. The truth is organizations will often use dozens of CX metrics, and no organization uses the same combination.

You cannot be successful if you rely on one measurement to determine performance, because you risk managing to a score instead of the customer's needs and expectations. A better strategy is to use a variety of metrics that align with key roles across marketing, IT, customer service and product development, and associated CX priorities, empowering your organization with a more accurate and actionable view of customers' behaviors and perceptions.

Here are five metrics that are essential to measuring CX:

1. Customer satisfaction (CSAT): The oldest and most widely used CX metric.
2. Customer loyalty program participation or retention: A key indicator of the value customers see from engaging with your company.
3. The Net Promoter Score (NPS): A widely used barometer of the state of the customer relationship.
4. Employee engagement: Recognizes the role of employees in customer experience
5. The Customer Effort Score (CES): A more precise way to measure if you are truly easy to do business with.



CONCLUSION

There isn't one way to measure digital customer experiences. It's best to take an approach where your organization gathers a variety of customer signals along a customer's journey.

Compelling customer experiences — physical or digital or both — start with compelling customer understanding. When we understand customers well enough, it gives us the ability to connect with them on a

deeper level, even in small ways. We have to strive to challenge our beliefs about what customers, *and now employees*, want in experience.

Exceptional customer experiences are not about knowing every detail about your customers, it's about knowing what your customers do, and why they do it. Demonstrate that you understand how to help them be successful and confident at pivotal moments in their journey.

It is about context, not technology. As business leaders, you have the power to influence this change.

REFERENCES:

1. CallMiner (2022): <https://learning.callminer.com>
2. Inmoment(2021): <https://inmoment.com/customer-experience-leaders>
3. Forbes(2023): <https://www.forbes.com/councils/forbesagencycouncil/2023/08/30/technology-and-the-human-touch-in-cx-how-to-strike-the-right-balance/>
4. PWC (2023) https://www.pwc.com/us/en/technology/alliances/google-cloud.html?WT.mc_id=CT3-PL300-DM1-TR1-BR_SA_-OTHERBM_-GoogleCloud_Google_Search&gclid=Cj0KCQjw9O_BBhCUARIsAHQMjS4OvNXit0kzJzgD1mkTxL94OvXf7663BkD5twD3Zt6fosuSPE2JY6EaAnZ8EALw_wcB