

BOARD PERSPECTIVES

ISSUE 177

Maximizing CX: The Game You Must Win

How a business engages its customers at every point of their buying journey is critical to connecting the organization's brand promise to, and delivering on, an exceptional customer experience. Does the board understand what the organization does to differentiate itself with its customers? If not, it should.

Performance management is on the radar of every board. Customer satisfaction and loyalty metrics are an integral part of the dashboard directors use to discharge their oversight responsibilities with respect to strategy formulation and execution. But customer satisfaction and loyalty are outcomes.

In contrast, "customer experience" (CX) refers to the totality of all touchpoints through which a business engages with its customers. These touchpoints are often described as the buyer's journey, or the process by which customer satisfaction and loyalty outcomes are achieved.

The CX conversation applies to both business-to-business (B2B) and business-to-consumer (B2C) companies. Everything from marketing to sales to customer service, product usage satisfaction, and even website and digital platforms impacts the customer experience. The CX is reflected through customer sentiment throughout the buyer's journey as well as a customer's decision to return to the brand.

Why Is CX Important?

Most marketing professionals agree that the primary purpose of a CX strategy is to improve customer retention and satisfaction. This strategy is fairly intuitive to directors. Of course, the cost to obtain a new customer is higher than the cost to sell to an existing customer. Some assert it is five to seven times higher.¹ This thinking frames why CX is so important.

¹ "The Cost of Losing a Customer," by Brent Barclay, Acumen Learning, May 16, 2023: www.acumenlearning.com/post/the-cost-of-losing-a-customer.

How well a business understands changes in customer sentiment throughout the buyer's journey can prove to be decisive in determining its success over time relative to its competitors. The following statistics tell the story:

- One in three customers will leave a brand they love after just one bad experience, while 92% would completely abandon a company after two or three negative interactions.²
- Nearly nine in 10 (88%) consumers trust recommendations from friends and family.³
- On average, a consumer will tell up to 15 people about a negative customer experience.⁴
- Nearly nine in 10 (88%) companies prioritize customer experience in their contact centers.⁵ According to Gartner, 89% of companies compete primarily on the basis of customer experience (up from 36% in 2010).⁶ However, less than half of organizations (44%) plan to invest in the customer experience in the next year.⁷

CX, in essence, is all about a persistent, obsessive focus on the customer, whether the model is B2C or B2B. CX encompasses everything a business does or should do to put its customers first and manage the processes that engage them both directly and indirectly, with the intention to meet or exceed their expectations and sustain their loyalty over the long term.

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And why is that important? In driving more than two-thirds of customer loyalty, CX outperforms brand and price combined. Yet over 70% of CX leaders struggle to design the appropriate projects and initiatives that would increase customer loyalty and achieve their desired sustainable growth results.⁸

² "32 Customer Experience Statistics You Need to Know for 2024," by Niklas Stattin, SuperOffice, May 2, 2024: www.superoffice.com/blog/customer-experience-statistics/.

³ "Beyond Martech: Building Trust with Consumers and Engaging where Sentiment Is High," 2021: www.nielsen.com/insights/2021/beyond-martech-building-trust-with-consumers-and-engaging-where-sentiment-is-high/.

⁴ "What's More Dangerous Than a Dissatisfied Customer? A Silent One," by Laurie Morrow, Market Connections: www.marketconnectionsinc.com/dangerous-silent-customer/.

⁵ "Why Customer Experience Matters and How to Improve It," by Ruthie Carey, Five9, December 4, 2023: www.five9.com/blog/why-customer-experience-matters-and-how-improve-it#:~:text=Building%20excellent%20CX%20not%20only,experience%20in%20their%20contact%20centers.

⁶ "71 Customer Experience Statistics & Facts for 2024 You Can't Ignore," by Esat Artug, Ninetailed, December 31, 2023: <https://ninetailed.io/blog/customer-experience-statistics/>.

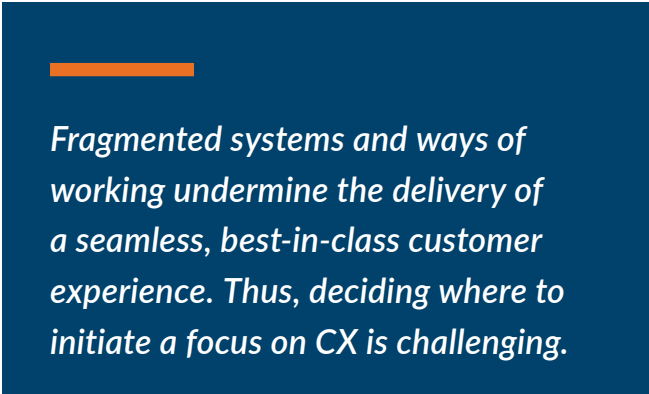
⁷ "32 Customer Experience Statistics You Need to Know for 2024."

⁸ "It's the Journey That Matters: Improving Customer Experience and Loyalty," by Scott Clark, CMSWire, August 31, 2020: www.cmswire.com/customer-experience/its-the-journey-that-matters-improving-customer-experience-and-loyalty.

Building and Maintaining CX

If CX is so important, why is managing it so hard? Dynamic markets ensure that strategy, technology, execution and the application of the customer experience are constantly evolving. Customer preferences change. So do communications and customer engagement channels. Privacy regulations and compliance requirements proliferate. As new strategies and technologies are put in place, issues arise when they are not integrated into the CX.

Further issues sprout up when the experiences for both customers and employees are not designed to work in harmony, and CX is neither embedded nor consistently reinforced across all areas of the business. Disparate teams or systems send disconnected communications or operate in silos with conflicting goals, creating friction for customers. Technology may be viewed as an out-of-the-box silver bullet for solving the CX problem. It is also hard to link data to customer value in a secure, privacy-compliant and reliable manner.



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The bottom line: Fragmented systems and ways of working undermine the delivery of a seamless, best-in-class customer experience. Thus, deciding where to initiate a focus on CX is challenging.

So, where to start? Following are five suggestions:

1. **Adopt an “everyone is responsible” mindset.** When it comes to activating growth through a differentiated customer experience, everyone in the organization (e.g., operations, finance, human resources, legal and compliance), not just marketing, has a role to play. A clear vision is needed to align multiple parts of the organization toward customer-centricity.

Focused data and analytics should facilitate the understanding of customer needs, design of relevant products and services, and reimagination of business models. Platforms and technology should drive change and enable launching at scale through capability building, technology, operating models, measurement and performance. To make it all work, everyone who matters should be on board.

2. **Connect and communicate with customers.** In a rapidly changing world, customers have options — and they know it. Companies should cut through the noise and capture attention throughout the customer journey life cycle with a high-tech, high-touch approach. Communicating clearly, making it easier to navigate online accounts, sending notifications proactively, letting customers choose how the company communicates with them, honoring

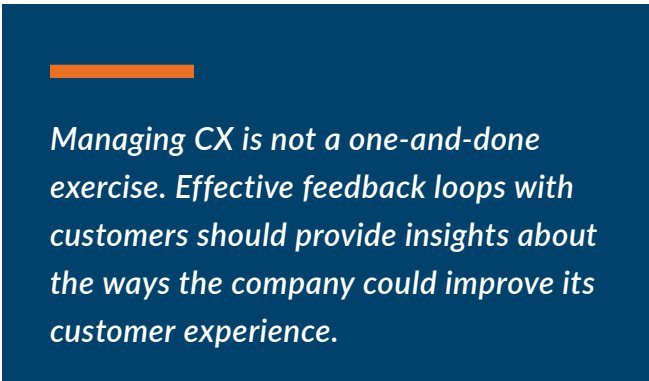
their preferences, and sending personalized communications are ways to deploy both technology and the human element. Improving timing and relevance is the holy grail — for example, communicate at the point of the life cycle as close as possible to a moment of need.

- 3. Determine the brand’s “North Star.”** Whether the model is B2B or B2C, figure out what end customers want and let it drive the company’s goals, with an emphasis on the experience moments that matter. The two should be compatible and comprise the brand’s North Star. Then, focus on the most effective way to deliver the customer experience that is consistent with that direction, considering constraints (e.g., technical debt, data not available timely, disconnected systems and artificial intelligence (AI) automations not fully trained) that cannot be addressed in the near term.

By allocating resources to improve those moments that have an emotional connection with buyers, the organization creates the very best experience out of its existing capabilities. As for constraints, there is a solution for every problem. If bandwidth is limited, automate repetitive tasks to free up time for employees to become effective brand advocates in solving problems and better serving customers — a win-win for the company and its customers.

- 4. Find the right incentives.** Based on the company’s goals and known customer preferences, the appropriate incentives should be implemented to align everyone to the desired outcomes and drive process or technology improvements. The structure for incentives should support a seamless operating model that is focused on the customer’s perspective.
- 5. Innovate and improve CX continuously.** Managing CX is not a one-and-done exercise. Effective feedback loops with customers should provide insights about the ways the company could improve its customer experience. Many brands are experimenting with AI, starting with easier use cases that are less customer-facing — such as recording notes and checking for compliance.

Customer-facing AI applications must be fully trained to ensure they are reliable in responding to the prompts customers are most likely to feed to them. As brands test generated content models for customer interfaces, some are making public statements that they are not yet ready to launch AI-generated content. But the dreaded “FOMO” (fear of missing out) is very real for many companies. That is why centers of excellence are emerging and, in the content space, AI is being built into major platforms.



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The payoff of a successful CX strategy is improved business performance in terms of revenue growth, lasting customer loyalty, a higher customer lifetime value (the total net profit a company can expect to generate from a customer throughout their entire relationship),

and a sustainable competitive advantage. Indeed, in the digital age, CX could prove to become the ultimate differentiator. That is why CX is “the game you must win.”

Implications for Boards

The dynamic nature of meeting and exceeding customer expectations continuously over time requires an organizationwide, cross-functional focus for the company to get it right. The board has a vested interest in ensuring that it does. Directors must first decide how best to organize their approach to CX oversight. Should it be a matter for the full board, a board committee, or a board task force or subcommittee? The technology and privacy underpinnings of CX suggest the need for a technology focus.

Directors should set the tone for CX, ensure that an effective strategy and appropriate policies are in place, and monitor relevant and reliable CX metrics integrated into the board’s dashboard. They should engage in strategic resource allocation conversations with management to understand how CX improvement opportunities are prioritized, appropriate stakeholders are engaged and improvement initiatives are appropriately led. In a B2C environment, all directors can do their own research by being a “secret shopper.”

Following are some suggested questions that boards of directors should consider, based on the risks inherent in the organization’s operations:

- Are all functions of our organization customer-centric? In other words, is the customer the focal point of each function’s decisions related to managing the costs, elapsed time, and quality associated with products, services and customer interactions with the brand?
- Do we have a comprehensive view of our customers that allows us to unlock data, drive insights and inform our CX improvement decisions? How do we know?
- Do we have reliable and relevant CX metrics? If so, do they address the distinctive attributes of the value proposition underlying why customers choose our products, services, processes and interaction points over others? Do our metrics provide insight into which aspects of CX our organization needs to improve?
- How is the emergence of generative AI and other technologies affecting CX and the necessity for us to innovate to keep pace with changing customer preferences and needs? Are we connecting our technology investments to customer value and optimizing them to deliver exceptional experiences? How do we know?
- How does our customer experience compare to our competition? To best practices?

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How Protiviti Can Help

CX has emerged as a pivotal driver of business growth, with each customer interaction shaping brand perception and loyalty. Customer experience leaders must navigate today's rapidly changing business dynamics, seamlessly connect experiences, and orchestrate them within their organizations — all while continuously reimagining external and internal experiences to align with the evolving expectations of consumers and employees. To that end, innovating human connections and helping leaders face the world with more confidence is what inspires us at Protiviti. That's why we help leaders to create and deliver exceptional experiences that offer excitement, build trust and drive business growth. We operate at the intersection of strategy, design, technology enablement and governance to unlock revenue growth and customer loyalty to bring your brand promise to life.

About the Authors



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