

## When CX Should Begin with Tweaks, Not Disruption

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Today's most over-used corporate cliché is 'disruption.' See if the following sounds familiar to you from any number of business and technology publications you've likely read recently: "The world is changing, and we need to change with it—as a key part of our strategy, we are going to disrupt the [enter your favorite industry name here] market ..."

But when it comes to customer experience (CX), the most effective path to major improvements is not necessarily accomplished through seismic shifts or dramatic innovations—the next Alexa or Uber. Instead, companies can often make major gains by creating a culture of continual improvement—a constant tweaking of systems and processes. These tweaks happen when they continually identify, prioritize, and address distinct pain points along the customer journey and lifecycle.

This article will describe how to implement an incremental and iterative approach to CX design and execution. We will demonstrate how numerous small improvements can roll up to create significant value and yield impressive ROI.

## Going for Broke

In recent years, many companies have invested enormous amounts of money in CX initiatives. For example, the CEO of cruise line operator Carnival Corp. said that his firm has spent hundreds of millions of dollars on technology that promises to transform the experience of its passengers.<sup>11</sup> Walt Disney World poured an estimated \$1 billion into a CX initiative in the hope that RFID-enabled wristbands would change the way visitors do everything, from entering their hotel rooms to riding the Space Mountain.<sup>12</sup> Discount retailer Target Corp. announced it would spend \$7 billion on a multiyear plan to revamp both the digital and in-store shopping experience to adapt to rapidly evolving guest preferences.<sup>13</sup>

These massive CX investments have prompted other companies to follow suit. Globally, CX spending is expected to reach \$6.6 billion in 2017—nearly three times the amount spent in 2012. In five years, CX spending could double again, to \$13.2 billion, as CX becomes the most important priority of many companies.<sup>14</sup>

Clearly, executives recognize the importance of CX to their businesses' present and future viability. Companies invest in CX (and prioritize CX improvements) because they've seen evidence that CX matters. Research firm Forrester has shown that CX leaders had six times greater revenue growth than CX laggards from 2010 to 2015.<sup>15</sup> And between 2007 and 2014, companies that excelled at CX achieved nearly four times the total stock market returns of competitors with poor CX.<sup>16</sup>

<sup>11</sup> New York Times, Coming to Carnival Cruises: A Wearable Medallion That Records Your Every Whim, January 4, 2017, accessed April 3, 2017, [https://www.nytimes.com/2017/01/04/business/media/coming-to-carnival-cruises-a-wearable-medallion-that-records-your-every-whim.html?\\_r=1](https://www.nytimes.com/2017/01/04/business/media/coming-to-carnival-cruises-a-wearable-medallion-that-records-your-every-whim.html?_r=1)

<sup>12</sup> New York Times, A Billion-Dollar Bracelet Is the Key to a Disney Park, April 1, 2014, accessed April 3, 2017, [https://www.nytimes.com/2014/04/02/business/billion-dollar-bracelet-is-key-to-magical-kingdom.html?\\_r=0](https://www.nytimes.com/2014/04/02/business/billion-dollar-bracelet-is-key-to-magical-kingdom.html?_r=0)

<sup>13</sup> Target Corp, Investing to Grow: Target Commits More Than \$7 Billion to Adapt to Rapidly Evolving Guest Preferences, February 28, 2017, accessed April 3, 2017, <https://corporate.target.com/article/2017/02/financial-community-meeting>

<sup>14</sup> PR Newswire, MarketsandMarkets, Customer Experience Management Market Worth 13.18 Billion USD by 2021, November 23, 2016, accessed April 3, 2017, <http://www.prnewswire.com/news-releases/customer-experience-management-market-worth-1318-billion-usd-by-2021-602666195.html>

<sup>15</sup> Forrester, Customer Experience Drives Revenue Growth, June 21, 2016, accessed April 3, 2017, [http://blogs.forrester.com/harley\\_manning/16-06-21-customer\\_experience\\_drives\\_revenue\\_growth\\_2016](http://blogs.forrester.com/harley_manning/16-06-21-customer_experience_drives_revenue_growth_2016)

<sup>16</sup> Watermark Consulting, The 2015 Customer Experience ROI Study, accessed May 17, 2017, <http://www.watermarkconsult.net/docs/Watermark-Customer-Experience-ROI-Study.pdf>

## CX Leaders Grow Revenue Faster Than CX Laggards

Compound average revenue growth, 2010 to 2015



Source: June 21, 2016 “Customer Experience Drives Revenue Growth, 2016” Forrester report

## Why Small Changes Can Go Far

There’s no doubt that large investments to improve the customer experience can yield positive ROI. But does one need to throw billions, or even hundreds of million, of dollars at CX to move the needle?

Not necessarily. We believe companies can achieve major improvements in CX from targeted investments in just a few customer touch points. For instance, by some estimates, Amazon has generated billions of dollars in revenue simply by taking the friction out of online shopping via its patented 1-click ordering process. Zappos, by putting a free return label on its deliveries and implementing a 365-day return policy, won the loyalty of high-end shoe shoppers looking for an easier and less risky way to splurge on fancy footwear. In fact, the company has said that customers who sent back half their purchases buy more of its products.<sup>17</sup> Nordstrom has begun putting kiosks outside store entrances so that online shoppers can pick up items without having to find a parking spot in mall lots and garages—a low-tech facilitator for the high-tech, omni-channel CX. Nordstrom considers this critical as 22% of its total sales now come through the online channel.<sup>18</sup>

<sup>17</sup> Fast Company, Zappos’ Best Customers are also the Ones who Return the Most Orders, April 13, 2010, accessed May 2, 2017, <https://www.fastcompany.com/1614648/zappos-best-customers-are-also-ones-who-return-most-orders>

<sup>18</sup> Fortune, Nordstrom Is Pulling Back on Tech Spending and Its Stock Is Tanking, February 18, 2016, accessed May 2, 2017, <http://fortune.com/2016/02/18/nordstrom-tech/>

## Finding Small CX Improvements with Big Returns

We use a two-step mapping process to help companies identify lower-cost CX opportunities with outsized ROI:



### Map the customer's journey in detail— what it is today vs. what it needs to be tomorrow.

When customers contemplate a purchase, they embark on a journey: They evaluate their needs, explore which companies can solve those needs, make a purchase decision, take possession of the product, and begin using it.

Any customer journey can be segmented into dozens or even hundreds of micro-steps. The challenge is to step into the shoes of customers and walk the journey, mapping out the details across the customer lifecycle (awareness, research, selection, purchase, usage, and maintenance) that hopefully lead to repeat purchases.

Once you map out such a journey in as much detail as possible, the next step is to look for ways to improve

each step the customer takes. What improvements can make the journey easier, faster, or more pleasant, without causing major organizational disruption for the company? For example, minor improvements in the usability of a smartphone app could improve CX in ways that yield significant ROI. According to research from Forrester and the National Retail Federation (NRF), smartphones are driving retail sales more than ever.

“Retailers have found that even modest investments in mobile initiatives can result in huge returns,” says Artemis Barry, VP of digital retail at NRF.<sup>19</sup>

<sup>19</sup> National Retail Federation, NRF/Forrester Study Finds Mobile Investments Pay Off In Evolving Retail Landscape, January 31, 2017, accessed May 2, 2017, <https://nrf.com/media/press-releases/nrfforrester-study-finds-mobile-investments-pay-evolving-retail-landscape>

|                             | Customer                   | People and Organisation       | Operational Excellence | Systems and Infrastructure |
|-----------------------------|----------------------------|-------------------------------|------------------------|----------------------------|
| Engaging                    | Omni-channel Interaction   | Openness and Sharing          | Offering and Delivery  | IT Architecture            |
| Agile                       | Context and Responsiveness | Structure and Command         | Process Management     | Sourcing and Delivery      |
| Insight Driven              | Personalization            | Measurement and Direction     | Performance Management | Analytics and Insight      |
| Sustainable                 | Loyalty and Value          | Ethics, Safety and Well Being | Experience Driven      | Resilience and Efficiency  |
| <b>Ecosystem Innovation</b> |                            |                               |                        |                            |
| Innovative                  | Customer Innovation        | Employee Innovation           | Value Chain Innovation | Ecosystem Integration      |
| Collaborative               | Empowerment                | Employee Culture              | Continuous Improvement | Secure Data and Systems    |

**Figure 3:** The TCS Customer Enterprise Framework



### Map your own capabilities—what they are today vs. what they need to be tomorrow.

Having mapped your customer’s current journey and pinpointed changes that could yield significant improvements, your next step is to match those changes to your organization’s capabilities.

A customer enterprise framework, as shown in Figure 3, can be a valuable tool to determine which skills, business processes, systems, and technology infrastructure need improvements.

Consider, for example, the case of a large internet/cable/phone company that had to improve the customer experience provided by its contact centers. Its average care times were much longer than the industry average, leading to customer frustration and significantly increased operating costs. Further investigation identified the root of the problem: outdated technology coupled with inefficient processes. Customers were handed off from one representative to another, while the reps themselves struggled to cope with more than a dozen disparate IT systems. By adding a bit more automation to the front-end process, feeding web leads into a

CRM workflow, and improving the IT interface (allowing the call center reps to see information from multiple systems at once), the company decreased handling time. These relatively minor and focused improvements had a big impact on CX. And they were the tip of the iceberg in the company's CX initiative.

## **Only an Excellent CX Can Retain Fickle Customers**

The CX stakes have never been higher than they are today. The ease of digital interactions and rising expectations for instant attention and service have made customers increasingly willing to shift their spending to a competitor even after just one negative experience.

Indeed, in 2016, Forrester found 40% of consumers have a high willingness and ability to shift their spending to another company, and another 25% of consumers building that mindset.<sup>20</sup>

In this environment, companies must continuously look to improve the end-to-end customer experience—not tomorrow, with massive initiatives that may take years to implement, but right now. But companies trying to implement a culture of continuous CX improvement should also expect internal pushback. The biggest barriers to achieving better CX are often cultural rather than technological.

<sup>20</sup> Forrester, 2017 Predictions: Dynamics That Will Shape The Future In The Age Of The Customer, October 2016, accessed May 02, 2017, <https://go.forrester.com/wp-content/uploads/Forrester-2017-Predictions.pdf>

The cable operator's contact center had long been synonymous with personalized, high-touch service. Although research showed that customers now prefer faster, more efficient and automated interactions, the head of the customer care center worried that efficiency and automation would cost some of his employees their jobs. He did not recognize that in an era where cable companies must compete with a growing array of new competitors like Netflix and Hulu, the bigger risk was that dissatisfied customers would simply take their business elsewhere, potentially endangering the jobs of all the cable company's employees.

Cultural pushback can masquerade as financial prudence (i.e., "We'd love to improve CX, but we just don't have the money now"). Such objections do not hold water. There are ways to make CX better within any budget. If money is tight, the best thing is to start small, but make sure that those narrow changes will have the biggest possible impact.

In this way, you can demonstrate the value of CX improvements and secure funding for additional incremental improvements that will roll up into a big step forward.