3 Ways To

INCREASE
REVENUE

with

Customer Experience
Improvement

TABLE OF CONTENTS

THE ROI OF EXPERIENCE

As a customer yourself, you can intuit the value of great customer experience. But when it comes to making decisions and prioritizing actions inside your business, intuition is rarely enough. Capital investment and organizational changes often come down to some simple, yet difficult, questions: What will the impact be? Will it drive revenue?

This ebook is designed to help you answer these questions in relation to investments your company makes in customer experience—while providing you with revenue-driving customer experience actions and elements you could start incorporating into your business today.

EXPERIENCE ECONOMICS

ex·pe·ri·ence ec·o·nom·ics *(noun)*

The study of the linkage between customer experience and its financial impact.

In the US alone, Forrester estimates that the total annual impact of customer experience across industries is over **$6.8 billion***. They link this huge revenue opportunity to the ability of great customer experiences to drive customer retention, unlock a larger share of their wallets, and drive word-of-mouth referrals.

Designing and delivering superior customer experiences is just one half of the battle. The other half: determining how much of the $6.8 billion opportunity you've brought to your company's bottom line.

A great foundation for linking customer experience to revenue is through something we like to call Experience Economics. It connects customers' spending behavior to their perceptions of the experiences they've had with a given company.

Time to get out your loyalty scores and financial data.

$6.8 B
Annual Impact Of CX Across Industries

*Forrester, The Business Impact Of Customer Experience

The Science Behind Experience ROI

There is a wide spectrum of loyalty metrics, but take the Net Promoter Score® (NPS) as an example. It asks a simple question:

"What's the likelihood that you would recommend this company's product and services to a friend?"

How do you demonstrate the impact of a metric like NPS on revenue? Loyalty scores might demonstrate intent or sentiment, but they're not the same as actual behavior. This is where your financial data comes in. By linking the quality (or lack thereof) of a customer's experience to their spending behavior, you can begin to see just how valuable happy customers are to your bottom line. And this doesn't even take into account the fact that they're also driving you new business through word of mouth; or that as you improve, you're likely reducing the cost to serve those customers.

Once you're able to see the value of delivering great experiences, you can be smarter and more strategic about the way you invest.

Intuit discovered that, over a customer's lifetime, **promoters spend 2.5X more and renew 17% more** than detractors.*

So how do you actually go about calculating the link between customer experience and revenue?

It's a great question. Peter Kriss, Medallia's Senior Research Scientist, wrote about the revenue impact of delivering a great customer experience in the **Harvard Business Review**. We have a free webinar outlining just what you need to do to calculate the impact.

Find out more: **www.medallia.com/resource/the-roi-of-cx**

*Medallia Research Study

1
PAINPOINT REDUCTION

Your customers' experiences can suffer from both acute and systemic issues. In other words, issues that happen by chance, in the moment, versus those that are chronic symptoms of some aspect of the way you run your business. The latter—which we call painpoints—are places anywhere in the customer's journey that consistently cause friction and frustration. They can convert your happiest customers into your angriest ones—and worse still, increase churn.

Painpoint reduction involves the identification and resolution of these points of friction through organizational and operational improvements.

Why Should You Care?

1. **Customer Satisfaction And Churn**
   Painpoints can have a broad impact on total customer satisfaction, ultimately increasing churn, and loss of revenue.

2. **Cost Of Support**
   Customers in pain are more expensive; they need more support.

3. **Cost Of Attracting New Business**
   It's more expensive to attract new business than retain old business.

"Increasing customer retention rates by 5% increases profits by 25% to 95%"

Frederick Reichheld & Phil Schefter
Harvard Business Review

PayPal

Systematic Painpoint Reduction

At the strategic level, PayPal's Global Operations team is focused on reducing top customer painpoints across the customer journey. For example, based on merchant feedback, the team identified that there was merchant dissatisfaction with fees, a need for stronger protection policies, and a strong desire to talk to a relationship manager every month.

Last year alone the team identified 20 such painpoints—both on the merchant and the consumer sides of the business. They then developed, tested, and rolled out solutions through A/B testing. With this approach, PayPal not only measured substantial decreases in painpoints and increases in satisfaction, but has also quantified significant financial gains due to these improvements.

Impact

+8 NPS
increase in customer service in 2013

$2 BILLION
increase in transaction volume due to painpoint reduction

"As a result [of painpoint reduction] so far in 2013, we've tracked 40 million fewer issues that customers have experienced than last year."
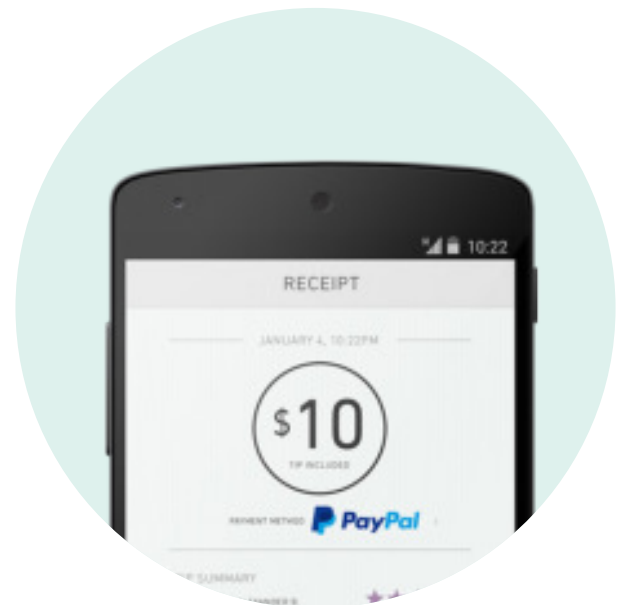
David Marcus
President, PayPal

Next Step Checklist

✓ Create A Journey Map

Create a clear map of your customer's journey, identifying all potential touchpoints. Ultimately map painpoints to steps (or hand-offs) in the journey.

✓ Look For Trends In Customer Feedback And Behavior

What are the issues you can solve today that will preempt churn tomorrow? Look for trends that indicate painpoints that consistently impact customer behavior.
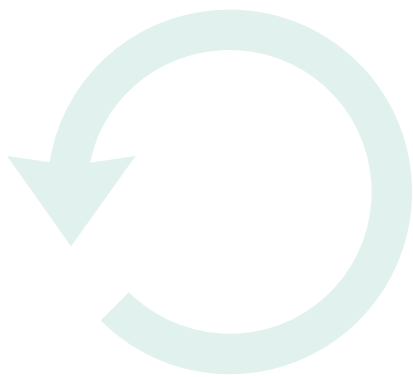
✓ A/B Test Experience Improvements

Don't be intimidated by the cost of painpoint reduction. Test improvements on a small sample of your customers and prove their value before making a larger investment.
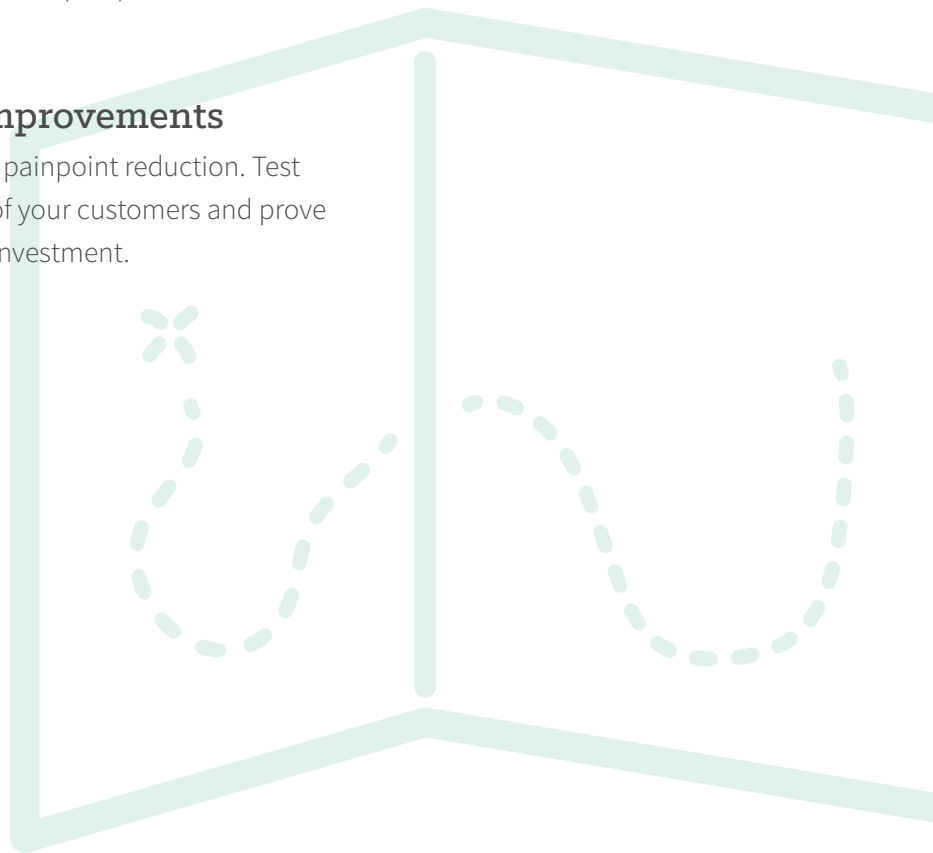
2
CLOSING THE LOOP

When an experience is powerful enough—whether positive or negative—the customer might want to say something to you about it. A loop is opened. This loop can be opened by anything from a social media post to a call center conversation. Closing that loop involves engaging the customer around that feedback. If it's positive feedback, then it means thanking them and encouraging the good habits of loyalty. Or if it's negative, then it involves understanding what went wrong, acknowledging it, and undertaking activities to save the customer relationship.

When it comes to building lifelong relationships with customers, closing the loop can be one of your most powerful tools.

Why Should You Care?

1. Customer Recovery

Customers who have experienced problems often open the loop. Closing it is a great way to rescue them.

2. The Lifetime Value Of Customers

Closing the loop with happy customers can make them even more valuable, both in terms of their spend and the referrals they bring.

3. Employee Engagement And Empowerment

Allowing employees to close the loop puts their roles in the context of the customer and promotes empathy.

"The strongest feedback loops do more than just connect customers, the front line, and a few decision makers in management; they keep the customers front and center across the entire organization."

Rob Markey, Frederick Reichheld, and Andreas Dullweber

Harvard Business Review

Closing The Loop Reduces Churn

Cox, a cable and telecom company, was having a hard time building lasting relationships with customers—a vital key to retention and an important issue in an industry plagued with high churn.

Even for those employees directly interacting with customers, feedback engagement was skewed by customer issues that made the most "noise." For example, one-off corporate escalations drew attention away from the most prevalent issues across the broader customer base. There was no systematic approach to closing the loop with all customers.

To deal with this, Cox first created "one version of truth"—one common repository for actionable feedback that empowered employees throughout the organization to make fact-based decisions. This not only made it possible to methodically close the loop, but also to identify and prioritize customer experience improvements that could be long-term solutions to recurring problems.

From there, Cox created a centralized Closed-Loop Feedback team to manage issue resolution and follow up with detractors. The new CLF team:

- Gets back to customers 47% faster than the previous method
- Ensured that all customer alerts are addressed
- Has contributed to significantly reducing churn

Impact

9 POINT
average improvement of NPS across channels

11 POINT
average increase of NPS for each of the 6 regions

These increases are crucial: Cox calculated that detractors are 2.5 times more likely to churn than promoters and passives

Next Step Checklist

✓ ## Assess Your Current Feedback System

Evaluate how you currently communicate with customers who provide you with feedback; does your current approach make it easy to close the loop?

✓ ## Empower Employees

Empower your employees with the tools and guidelines to act quickly and creatively to rescue unhappy customers.

✓ ## Make Happy Customers Happier

Make sure you're responding to happy customers, too. There's value in making them even happier.

✓ ## Break The Silence

Don't forget that silence isn't golden. Follow-up with customers you haven't heard from in awhile.

3
MOBILIZED ORGANIZATION

Customer experience is the responsibility of an entire company. Every employee has a role in delivering a delightful experience to customers. In fact, Bain & Company's customer guru, Rob Markey, argues that creating a great customer experience doesn't start with focusing on the customer. It starts with getting employees engaged: enaged with the company's mission, engaged with customers, and engaged with their feedback.

So, how to do it? It's important to bring visibility to the quality of customer experience within and between teams and identify opportunities for best practice exchange as well as improvement. Another powerful way to motivate change is to communicate the lifetime value of customers to employees. Once employees start to actively take into account how each and every one of their interactions with a customer impacts revenue, then it's much easier to mobilize everyone in your organization to own their part of the experience. And finally, once that starts happening, it's important to celebrate those employees who are doing their best for the customer.

Why Should You Care?

1. **It All Starts With Employees**
   Your employees are ambassadors for your brand. It's critical to get them engaged in serving the customer.

2. **Engagement Leads To Better Experience**
   Unsurprisingly, there is a link between how engaged employees are in serving the customer and how satisfied customers are.

Frontline Engagement And The Link With Customer Experience
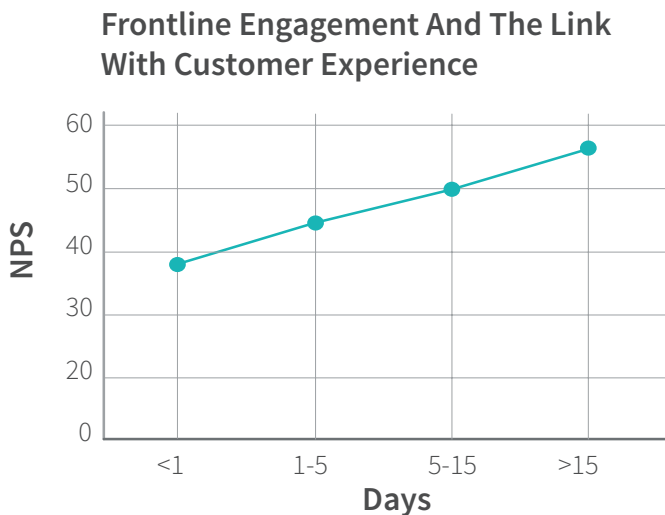
Days Medallia is used per month at the frontline

CHOICE HOTELS
I N T E R N A T I O N A L ·

Transparency Increases Revenue

"We've been able to show that properties that use the Medallia application have higher likelihood to recommend scores and higher RevPAR. Properties that engage with Medallia perform better in guest satisfaction as well as revenue."

Stephen Hardenburg
Director Market and Guest
Information, Choice Hotels

With the realization that higher Medallia engagement translates to more revenue, Choice Hotels has made increasing property engagement a major initiative. And since the company has more than 6,300 properties in 35 countries— that RevPAR (revenue per available room) certainly adds up. Choice Hotels shattered its original goal of 65% active property engagement, improving usage from less than 40% to more than 88% of properties actively engaging with the customer experience management system.

How did Choice Hotels drastically increase company-wide engagement in just 24 months? By demonstrating the financial impact of improved guest experiences to its franchisees and making its employee-powered engagement with customers more robust. They've stepped up their game on social media, nurtured growth in their online review volume, and given employees the tools they need to act in real-time to make customers happy.

Impact

88%
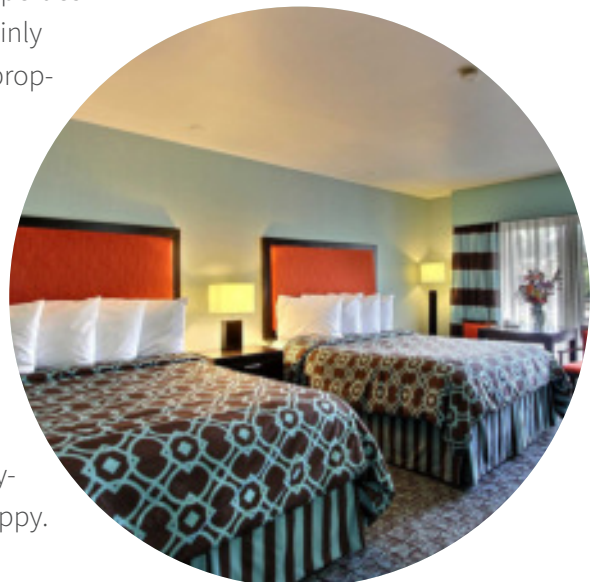active property engagement in past two years

Higher   Higher
LTR ➔ **RevPAR**

$18 MILLION
in incremental revenue from employee engagement with painpoints through "Great Room Condition" program

Next Step Checklist

☑ Share Feedback Widely

Seriously consider giving every employee access to customer feedback and financial metrics – transparency with your employees gets them onboard with your mission.

☑ Leverage Your Leaders

Take a look around your organization. How engaged are your employees? Identify those across the company who are most engaged and collaborate with them to motivate the least engaged.

☑ Put Customers First

Consider your day-to-day actions. Are there instances where, for whatever reason, consideration of the customer is taking a backseat? Pull up a chair and bring the customer to the table.

☑ Drive Cultural Change

Don't think of mobilizing your organization around the customer as a process or an ad hoc initiative. It needs to be a top-down and bottom-up seismic cultural shift that radiates from the heart of your business.

SEEMS LIKE A LOT?

We've given you some tactics you can start executing right now—with proof points for the non-believers in your organization. With these strategies, you can make customer experience a priority and watch it pay in dividends. Tackling everything at once, though, might feel like a lot to bite off.

That's where we come in.

In fact, this is what we do best. And we bring it all to you in one, intuitive platform, which you can deliver into the hands of each and every one of your employees.

We're already helping some of the world's leading brands do just this, including two of the world's top three accounting firms, America's largest luxury retailer, multiple Fortune 50 industrial conglomerates, 9 of the world's 10 largest hospitality brands, the largest auto company in the world, the world's leading provider of food services and facilities management, and the world's largest energy distribution company.

Contact
ebook@medallia.com

About Medallia

Medallia® is the Customer Experience Management company that is trusted by hundreds of the world's leading brands, including Four Seasons, GE, Marriott International, Nordstrom, Sephora, and Zurich Insurance. Medallia's Software-as-a-Service (SaaS) application enables companies to capture customer feedback everywhere the customer is (Web, social, mobile, and contact center channels), understand it in real time, and deliver insights and actions everywhere—from the C-suite to the frontline—to improve the customer experience. Founded in 2001, Medallia has regional headquarters in Silicon Valley, London, Sydney, and Buenos Aires. Learn more at www.medallia.com.

Follow us on: medallia-inc   blog.medallia.com   @Medallia   MedalliaInc

MEDALLIA

MEDALLIA.COM