

FORRESTER®

Unlocking the Power of Experience Excellence

David Truog
VP, Research Director, Customer Experience Research

LuxeCX | September 25, 2019

Agenda

What “CX” Really Means

The Impact Of CX

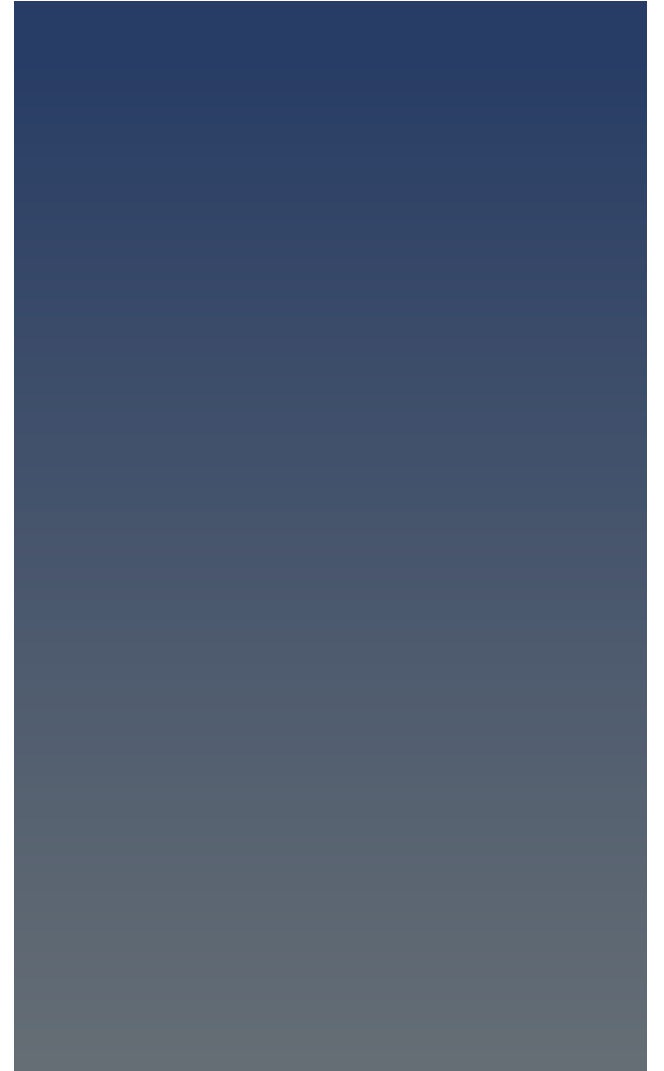
The State Of CX

Designing Emotion Into Experiences

Designing Stories Into Experiences

How To Achieve The Right CX Reliably

What “CX” Really Means

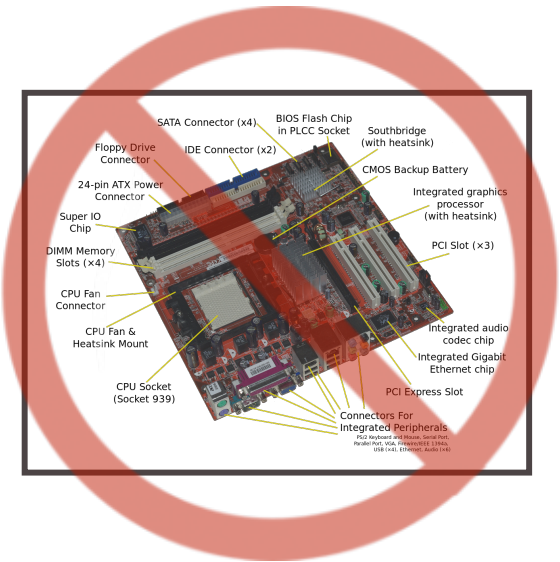
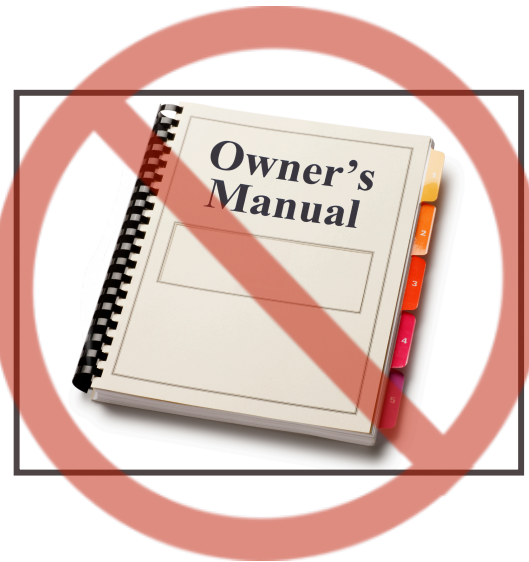


*CX is customers' perceptions
of their interactions with a brand.*

CX is customers' perceptions of their interactions with a brand.



CX is customers' **perceptions** of their interactions with a brand.



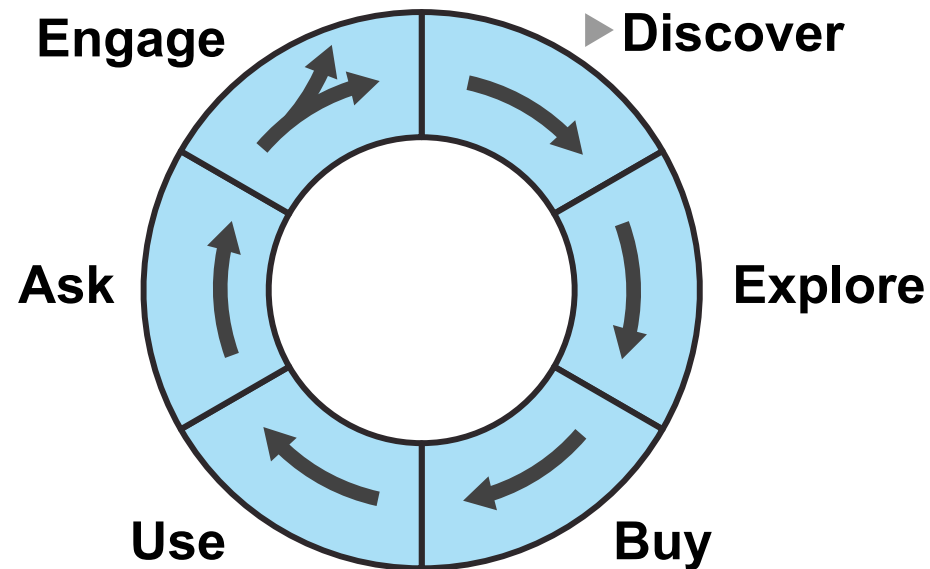
CX is customers' perceptions of their **interactions** with a brand.



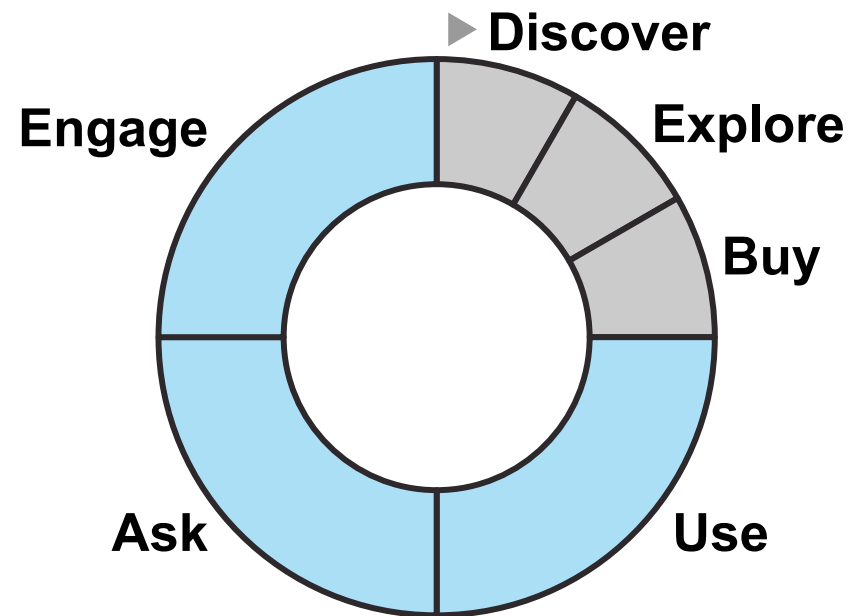
Image credit, thermometer: Marco Verch (<https://www.flickr.com/photos/30478819@N08/39983406063>)

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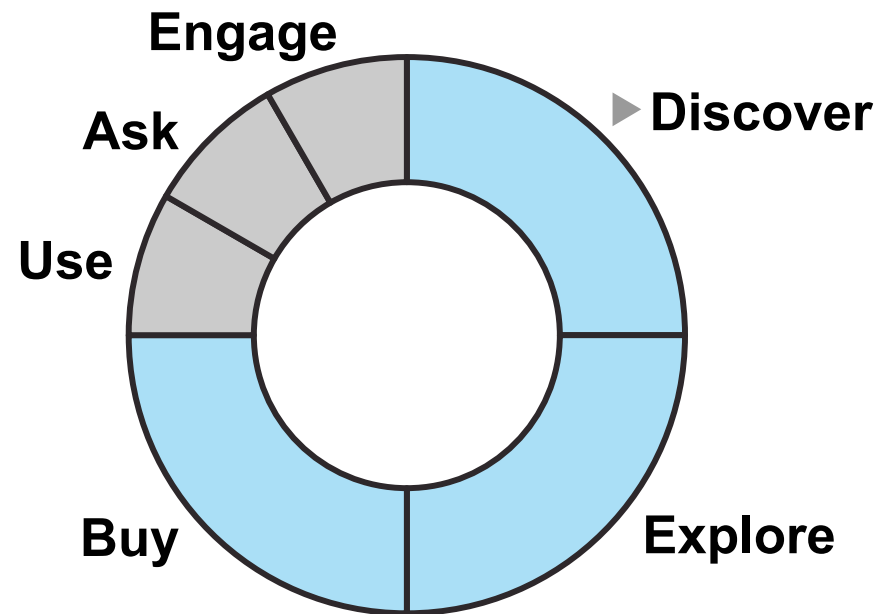
Customers interact with brands in stages



What customers care about most



What companies usually focus on most



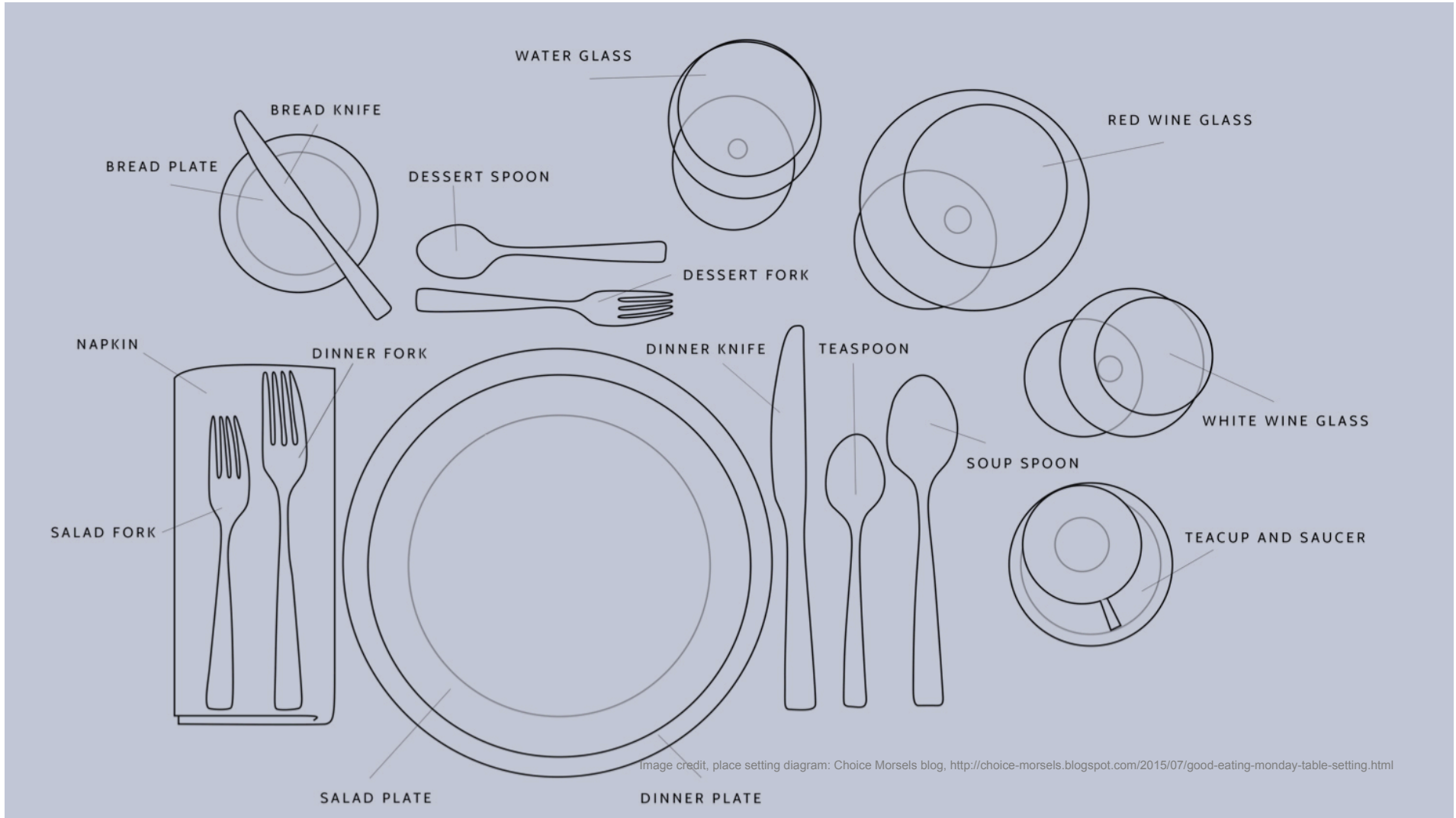


Image credit, place setting diagram: Choice Morsels blog, <http://choice-morsels.blogspot.com/2015/07/good-eating-monday-table-setting.html>

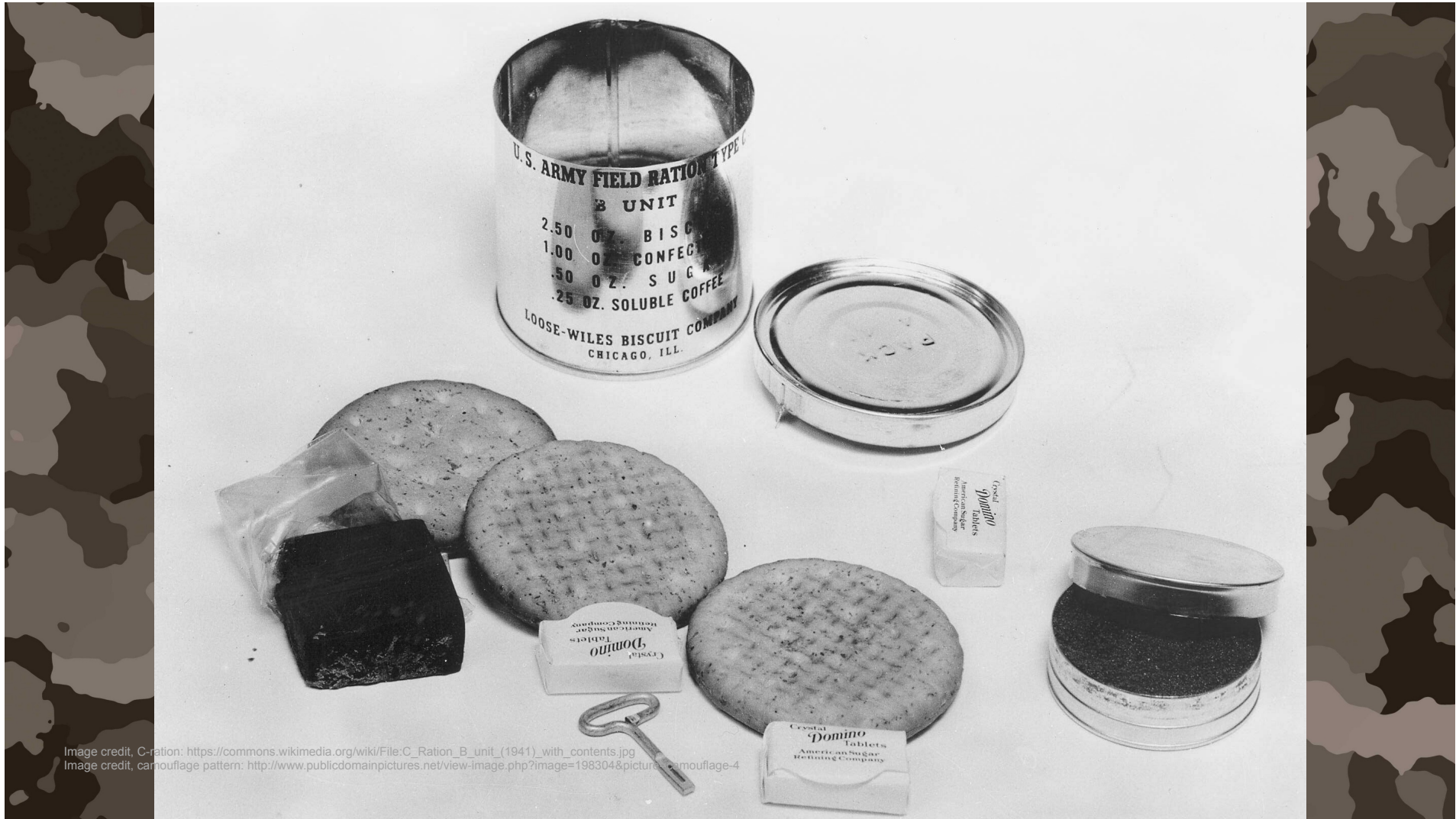


Image credit, C-ration: [https://commons.wikimedia.org/wiki/File:C_Ration_B_unit_\(1941\)_with_contents.jpg](https://commons.wikimedia.org/wiki/File:C_Ration_B_unit_(1941)_with_contents.jpg)
Image credit, camouflage pattern: <http://www.publicdomainpictures.net/view-image.php?image=198304&picture=camouflage-4>

Experiences are rich and complex.
Statement or question

There are many touchpoints along the journey

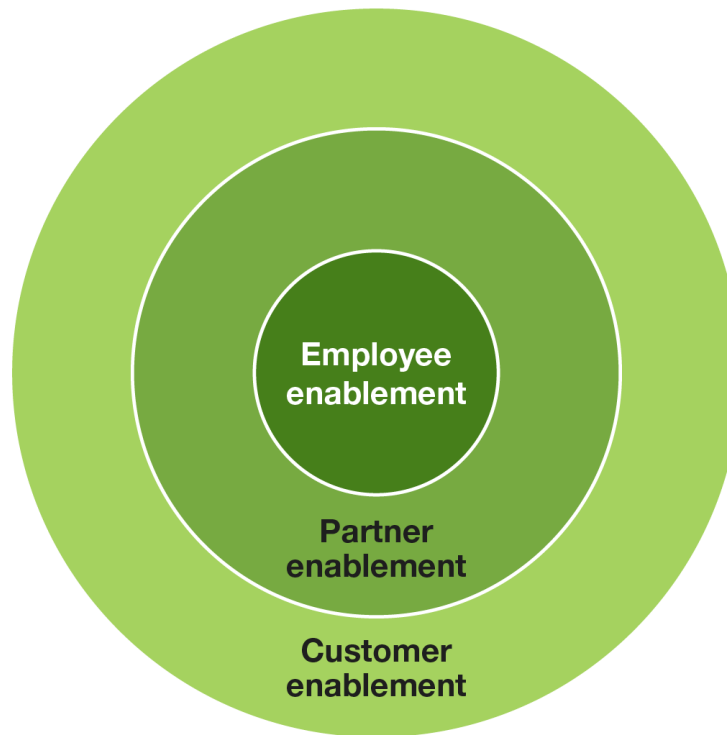


200 customer touchpoints



529 customer touchpoints
spanning multiple product lines

Journeys are enabled by an entire ecosystem



1. Employee enablement:

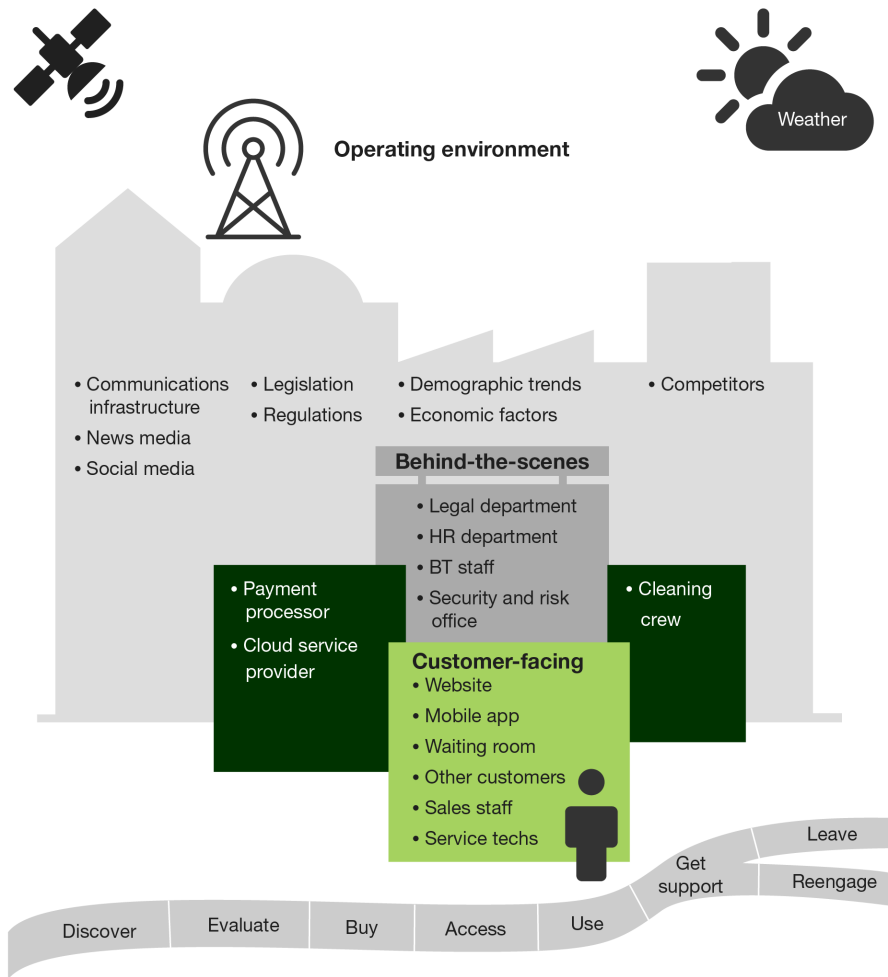
Build an employee experience that ensures workers can consistently deliver the right experience for your customers.

2. Partner enablement:

Once you've enabled your workers, use those lessons to help your business partners enable their employees to meet your CX standards.

3. Customer enablement:

Empower motivated and engaged customers to help other customers get the value they seek from their interactions with your business.

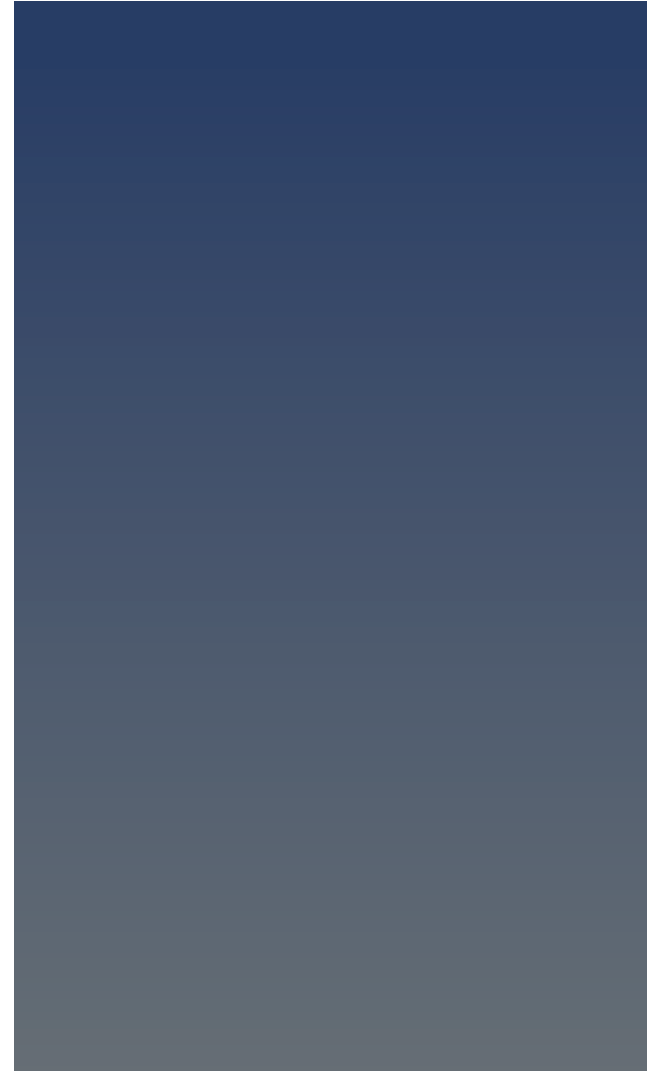


CX is customers' perceptions of their interactions with a brand.

Post-purchase perceptions matter more than pre-purchase.

Journeys consist of many touchpoints based on large ecosystems.

The Impact Of CX



Customer experience leaders . . .

- Grow **revenue** faster than laggards
- Drive more **purchase intent**
- Earn greater **pricing power**
- Lower their **service costs**

GREAT CX DRIVES BUSINESS RESULTS

5.1x

Revenue growth of CX leaders over laggards⁴

10.6x

Stock growth of CX leaders over laggards⁵

4.5x

Willingness to pay a price premium of customers who have excellent versus very poor experiences⁶

HP

12% increase in net revenue⁷

Southwest

46 consecutive years of profitability⁸

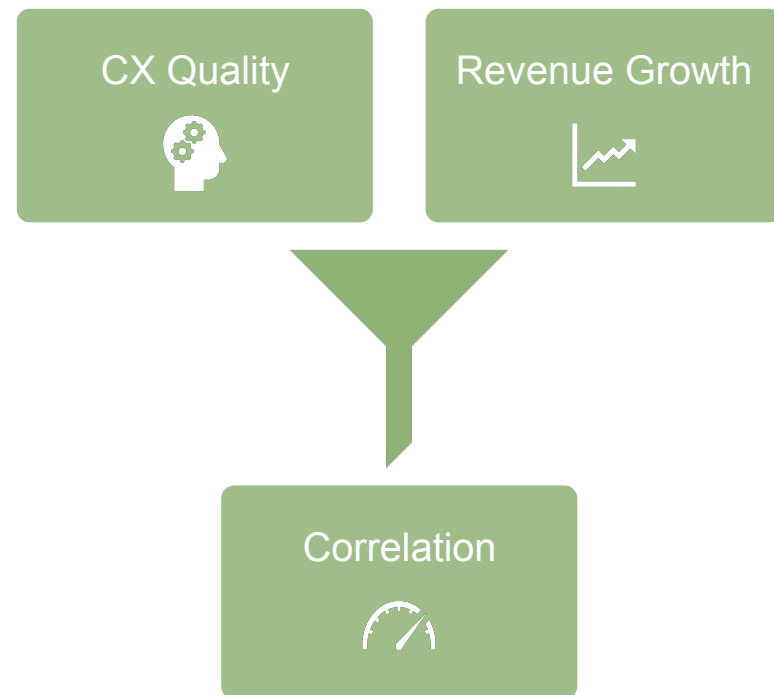
Emirates NBD

3.75x growth in unsolicited positive comments from customers⁹

How do we know?
Statement or question

Correlation — let's consider revenue growth

- Grow **revenue** faster than laggards
- Drive more **purchase intent**
- Earn greater **pricing power**
- Lower their **service costs**



How we gauge CX quality



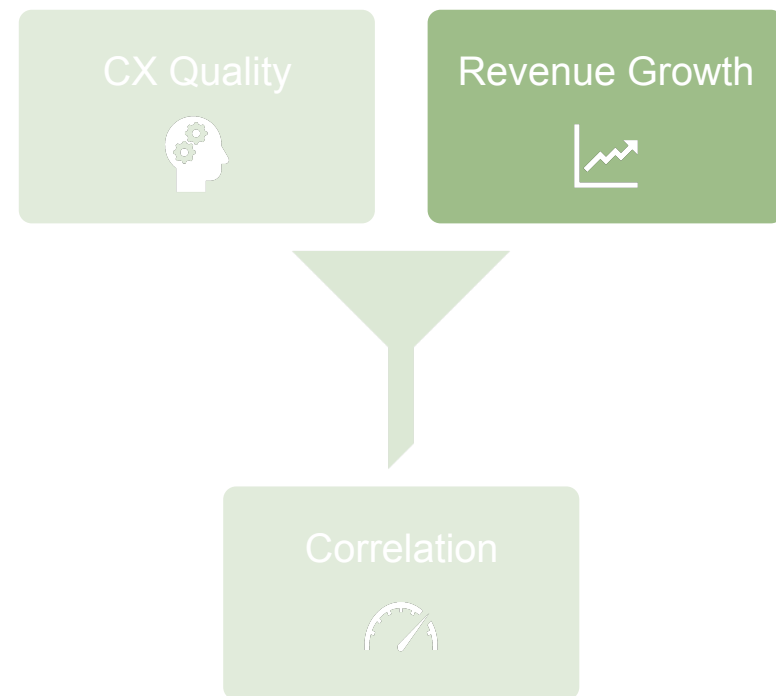
Forrester surveys:

- **200,000+** customers about . . .
- **600+** brands across . . .
- **16** industries . . .
- Globally: Australia, Canada, France, India, Singapore, UK, US



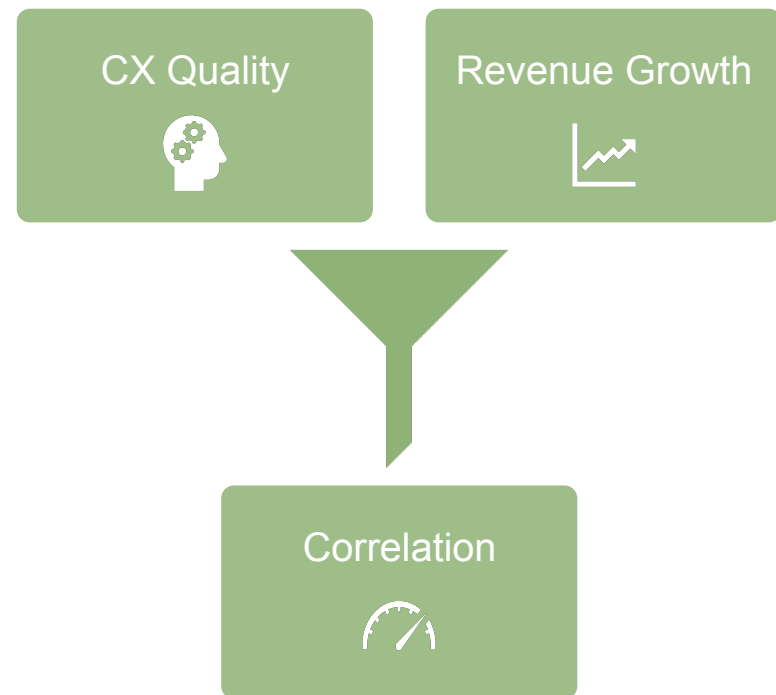
How we gauge revenue growth

- **Identify** direct competitors with significant differences in CX quality: leaders and laggards.
- **Analyze** their financials over several years, eliminating extraneous factors like acquisitions or separate business units.
- **Compare** the growth of leaders and laggards over time.



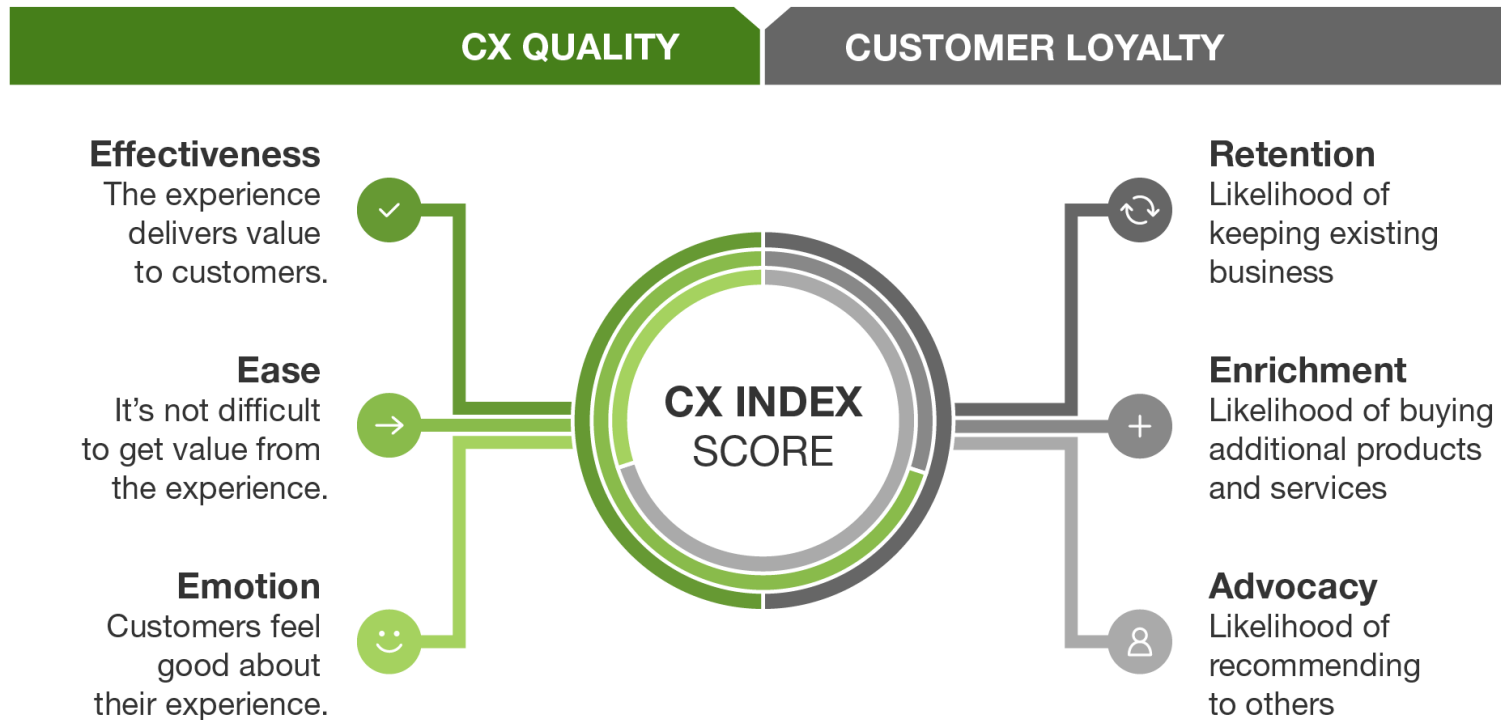
Are they correlated? Yes.

The **correlation is high** between CX quality and revenue growth.



Why?
Statement or question

CX Index revisited: what we ask customers

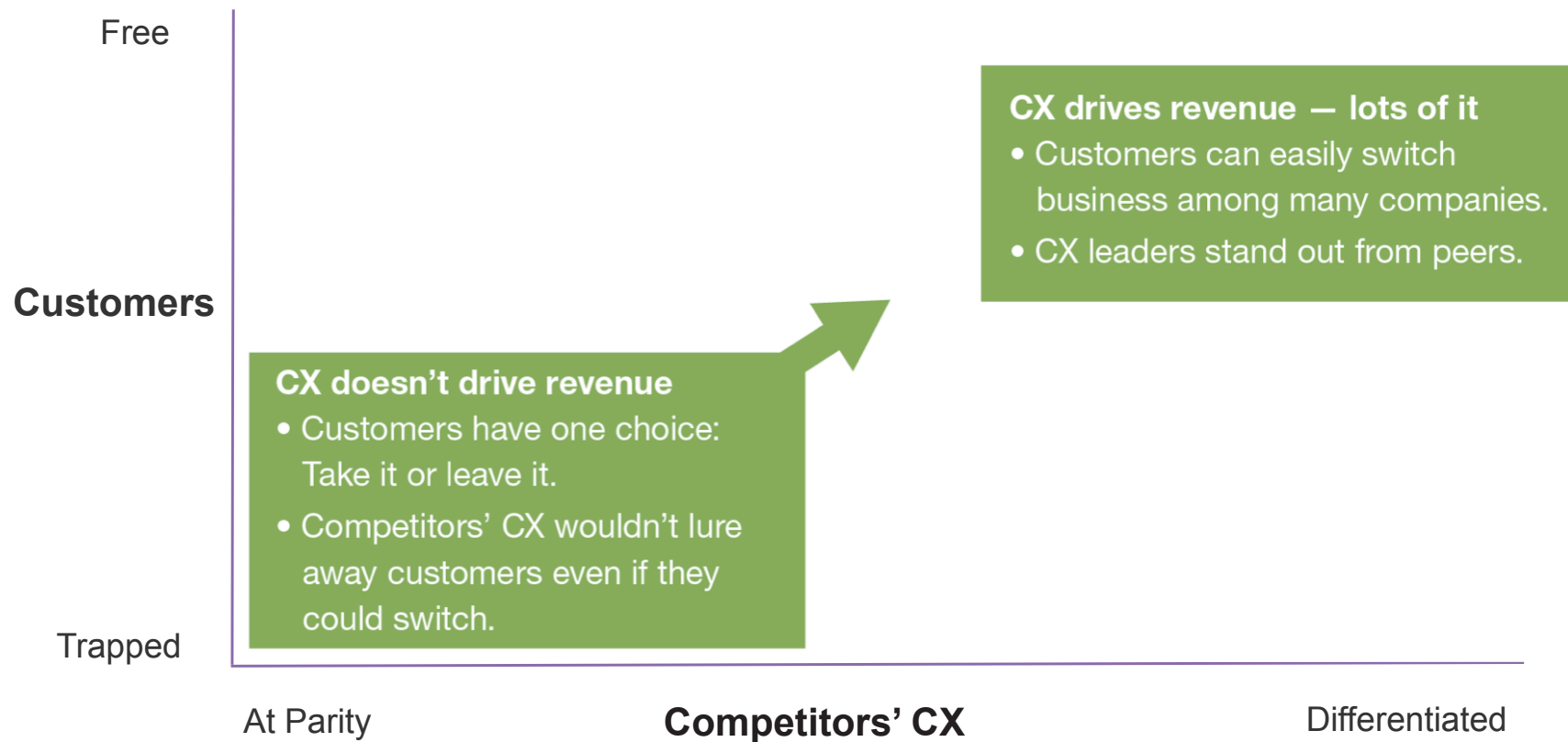


Correlation between CX and loyalty indicates . . .

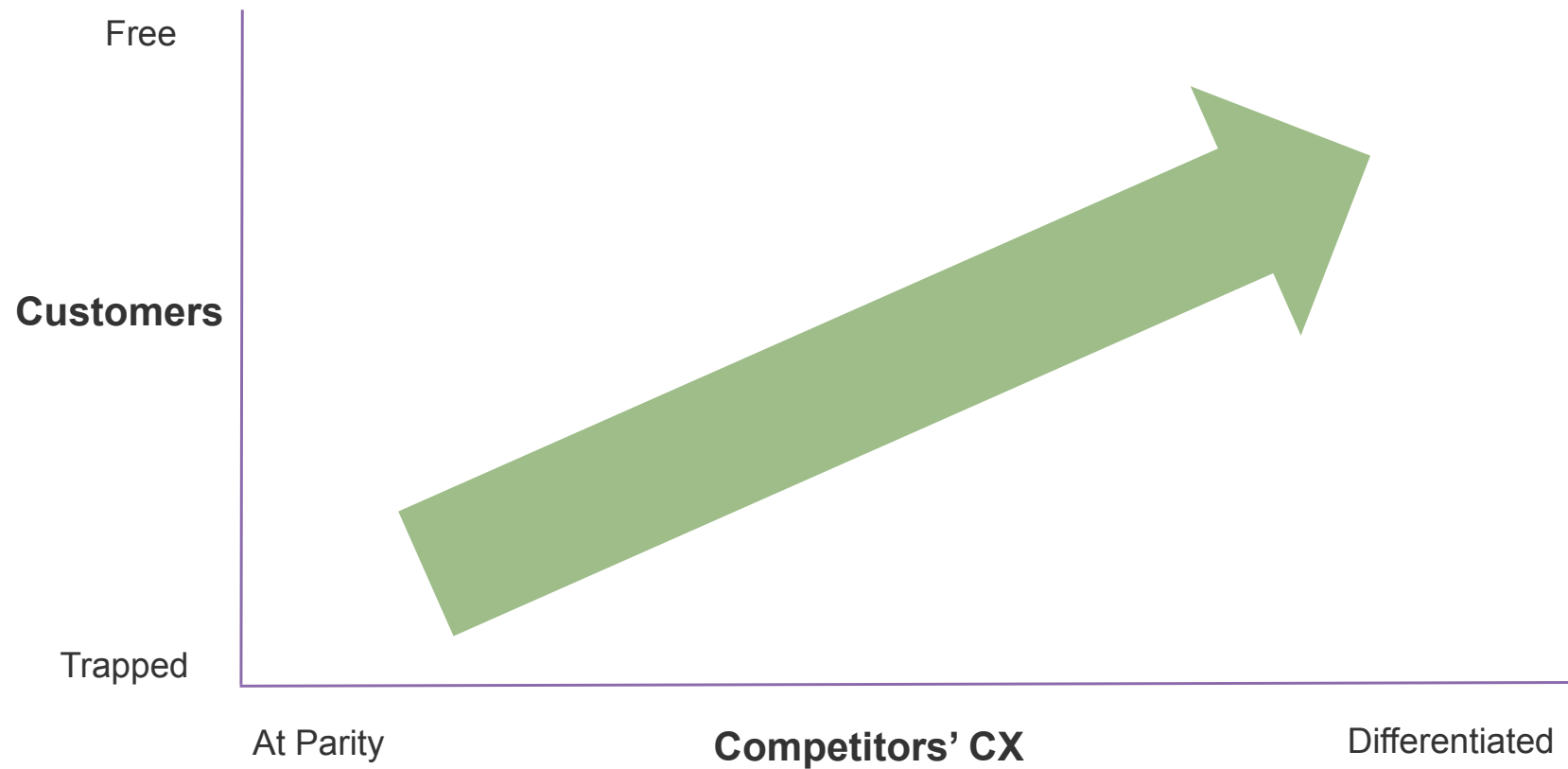
CX quality drives revenue **when customer loyalty drives revenue:**

- **When customers are free to shift business** among competitors...
- **...and some competitors have significantly better CX** than others.

From trapped to free, from parity to differentiation



The reality: It's about when — not if






*The revenue impact of CX quality
improvement is quantifiable*



The revenue impact of a 1-point improvement in CX Index™ score results in:

		Annual incremental revenue per customer*	x	Average number of customers per company†	=	Total revenue
	Auto manufacturers (mass market)	\$48.82	x	18 million	=	\$879 million
	Hotels (upscale)	\$7.49	x	44 million	=	\$330 million
	Wireless service providers	\$3.48	x	82 million	=	\$285 million
	Retailers (big box)	\$2.44	x	100 million	=	\$244 million
	Auto/home insurers	\$14.29	x	15 million	=	\$214 million
	Hotels (midscale)	\$5.67	x	30 million	=	\$170 million
	Airlines	\$3.48	x	48 million	=	\$167 million
	Banks (multichannel)	\$8.19	x	15 million	=	\$123 million
	TV service providers	\$6.11	x	17 million	=	\$104 million
	Internet service providers	\$5.26	x	16 million	=	\$84 million
	Rental cars	\$1.67	x	40 million	=	\$67 million
	OTT providers	\$0.37	x	100 million	=	\$37 million


The revenue impact of a 1-point improvement in CX Index™ score results in:

	Annual incremental revenue per customer*	x	Average number of customers per company†	=	Total revenue
 Auto manufacturers (luxury)	\$104.54	x	350,000	=	\$37 million
 Banks (direct)	\$9.82	x	3 million	=	\$29 million
 Credit card issuers	\$0.08	x	61 million	=	\$5 million

The assets under management impact of a 1-point improvement in CX Index score results in:

	Annual incremental assets under management‡	x	Average number of customers per company†	=	Total assets under management
 Brokerages (multichannel)	\$622.24	x	31 million	=	\$19 billion
 Brokerages (direct)	\$400.00	x	15 million	=	\$6 billion

The customer base impact of a 1-point improvement in CX Index score results in:

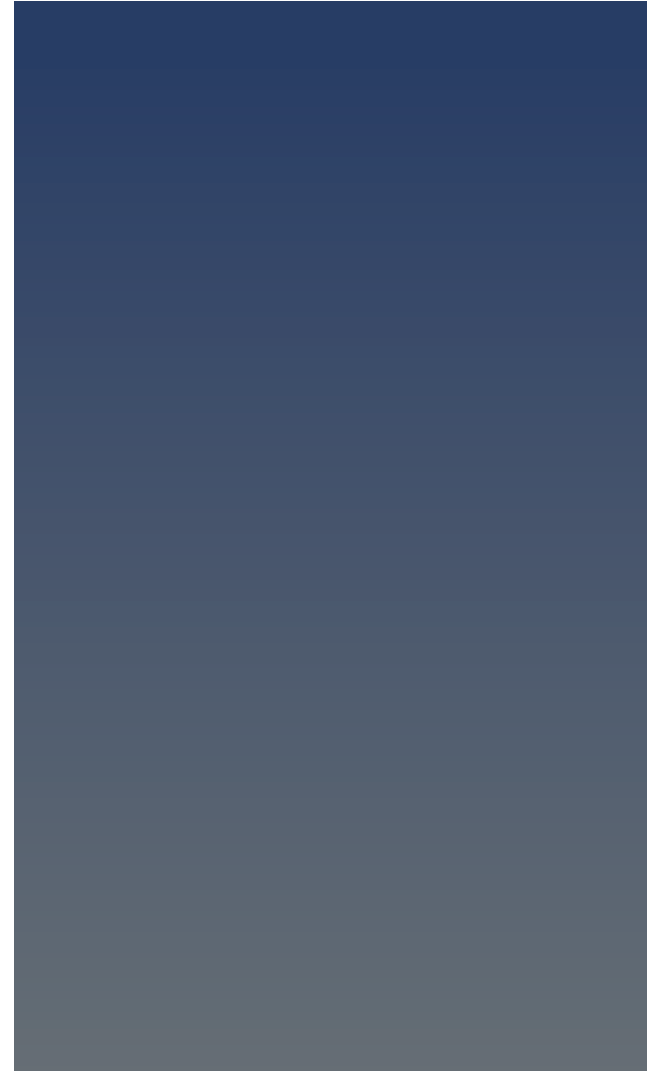
	Annual customer base growth per customer‡	x	Average number of customers per company†	=	Total growth in customers
 Health insurers	0.007	x	20 million	=	150K customers

Improving CX improves financial results.

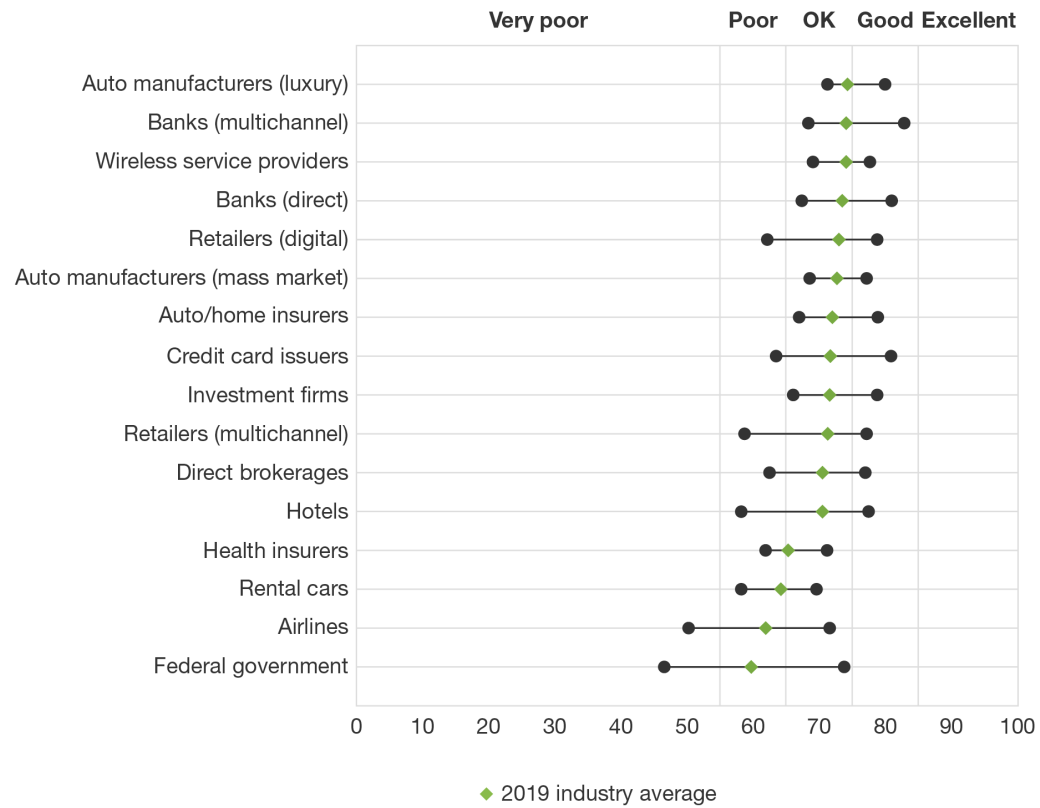
This is more pronounced in some industries but is the trend in all.

The revenue impact of CX improvement is quantifiable.

The State Of CX



Distribution of brands



Source: Forrester report "The US Customer Experience Index, 2019"
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Top 5% of brands overall

Overall rank	Brands	Score	Industry
1	Navy Federal Credit Union	82.9	Banks (multichannel)
2	USAA	81.0	Banks (direct)
3	USAA	80.9	Credit card issuers
4	Lexus	80.0	Auto manufacturers (luxury)
5	USAA	78.9	Auto/home insurers
6	Edward Jones	78.8	Investment firms
7	TD Bank	78.8	Banks (multichannel)
8	QVC	78.8	Retailers (digital)
9	Zappos.com	78.7	Retailers (digital)
10	Boost Mobile	77.7	Wireless service providers
11	Regions Bank	77.6	Banks (multichannel)
12	Residence Inn by Marriott	77.5	Hotels
13	Homewood Suites by Hilton	77.5	Hotels

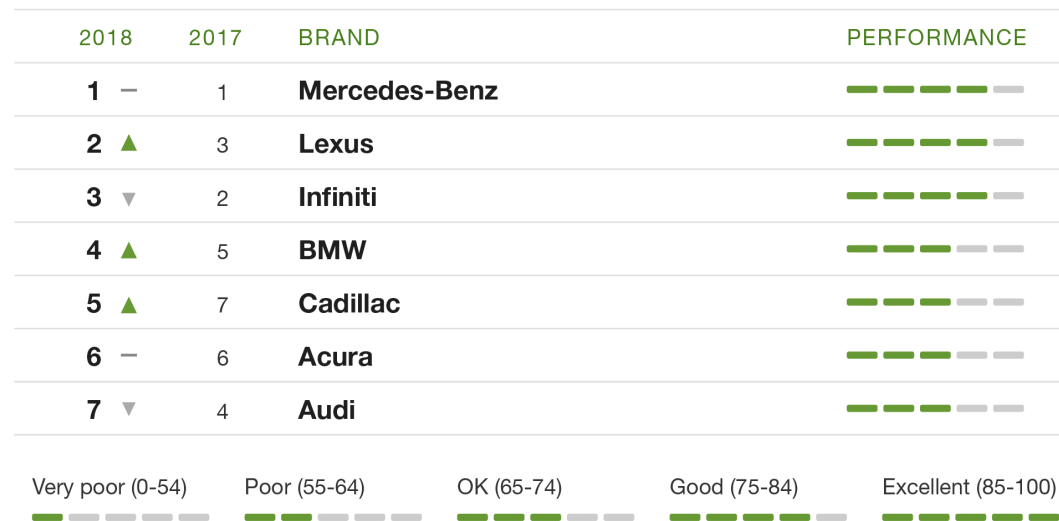
Top luxury auto brands overall

	2019	2018	BRAND	PERFORMANCE	
				2019	2018
1	—	1	Lexus	80.0	78.5
2	—	2	Mercedes-Benz	76.6	77.9
3	▲	5	Audi	75.0*	71.1
Industry average				74.3	73.6
4	—		Lincoln	74.3	
5	—		Volvo	73.8	
6	▼	4	Cadillac	73.1	71.8
7	—	7	Acura	73.0*	69.5
8	▼	3	Infiniti	72.0*	75.3
9	▼	6	BMW	71.3	71.0

Very poor (0-54) Poor (55-64) OK (65-74) Good (75-84) Excellent (85-100)

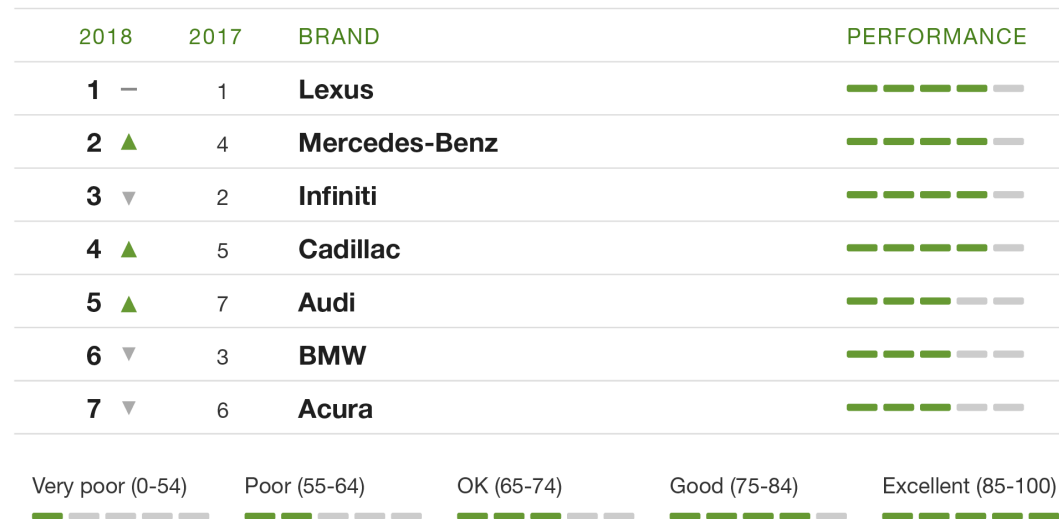
*Statistically significant difference

Top luxury auto brands for purchase experience



Source: Forrester report "The US Luxury Auto Manufacturers Customer Experience Index, 2018"
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Top luxury auto brands for service experience



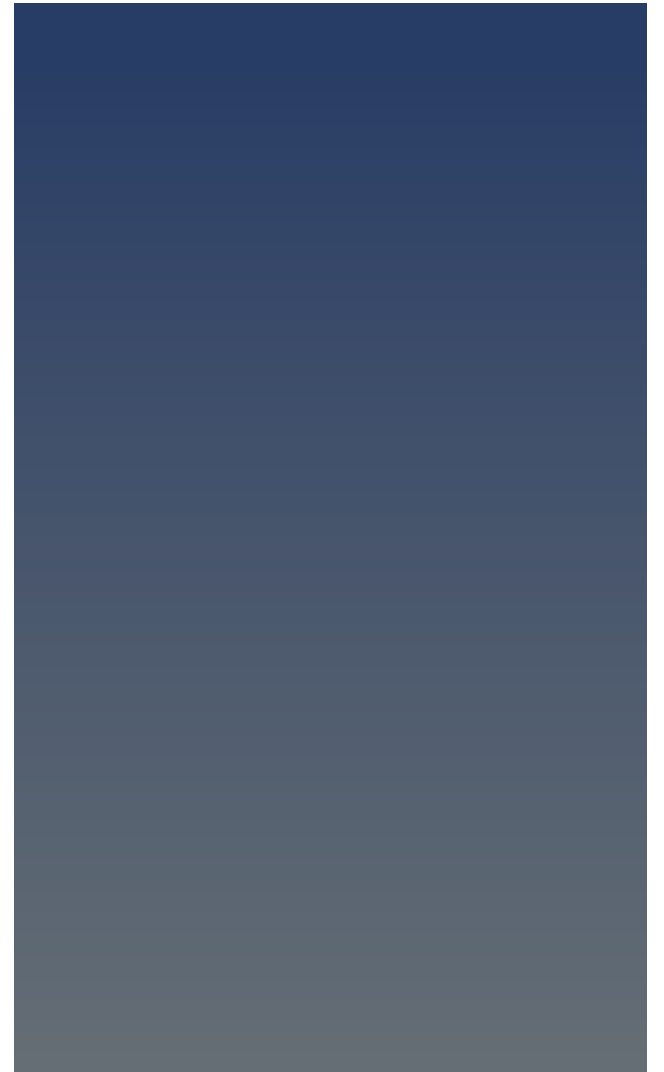
Source: Forrester report "The US Luxury Auto Manufacturers Customer Experience Index, 2018"
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Overall, customers find their experiences with brands just OK.

Brands aligned with their customers' best interests tend to do best.

Statement or question
Various parts of the journey differentiate individual brands.

Designing Emotion Into Experiences



Emotions in Forrester's CX Index[®]

Statement of question

Emotion is the key to CX differentiation



Positive emotions

Appreciated

Happy

Valued



Negative emotions

Annoyed

Disappointed

Frustrated

Top emotions affecting loyalty in luxury auto

PURCHASE EXPERIENCE



Positive emotions

Appreciated
Confident
Valued



Negative emotions

Annoyed
Disappointed
Unappreciated

Top emotions affecting loyalty in luxury auto

SERVICE EXPERIENCE



Positive emotions

Appreciated

Happy

Valued



Negative emotions

Annoyed

Disappointed


Frustrated

Emotions in Forrester's Consumer Technographics®

data-labs.forrester.com/consumer-journey/app/welcome

Consumer Buyer Journey

[< Return to Technographics](#)



FORRESTER ANALYTICS

Consumer Buyer Journey

The Consumer Buyer Journey app provides marketers with a holistic understanding of consumer behaviors and needs across the purchase journey. Get started by selecting your country, industry and product type of interest.

Country

Industry

Product type

[Explore purchase journey](#)

[Feedback](#)

data-labs.forrester.com/consumer-journey/app/content/summary

Consumer Buyer Journey

FORRESTER ANALYTICS

Refine Data

Country: US Industry: Retail

Product type: Luxury products

Filter description: 592 respondents (100% of total) Clear all

Subcategory: Watches

Search

- Demographics
- Psychographics
- Purchase-specific attitudes
- Product or service: 1
 - Subcategory: 1
 - Watches
 - Apparel
 - Cosmetics/beauty products
 - Existing relationship with brand
 - Research sources used prior to purchase
 - Methods used to research prior to purchase
 - Purchase method
- Forrester Analytics Frameworks

Apply

Consumer Buyer Journey

Summary Journey

Buyer journey summary

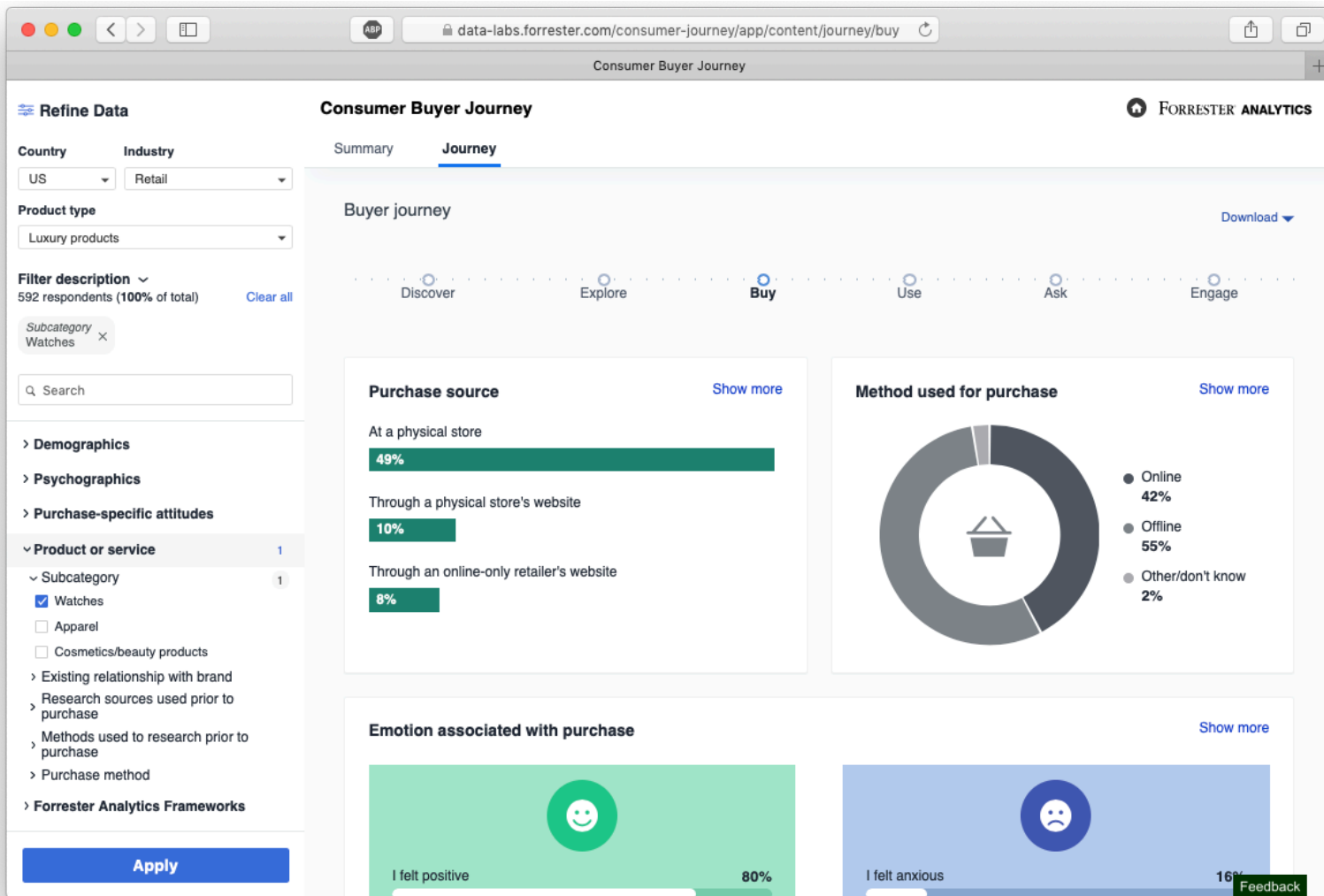
Download

BUY
View journey stage >

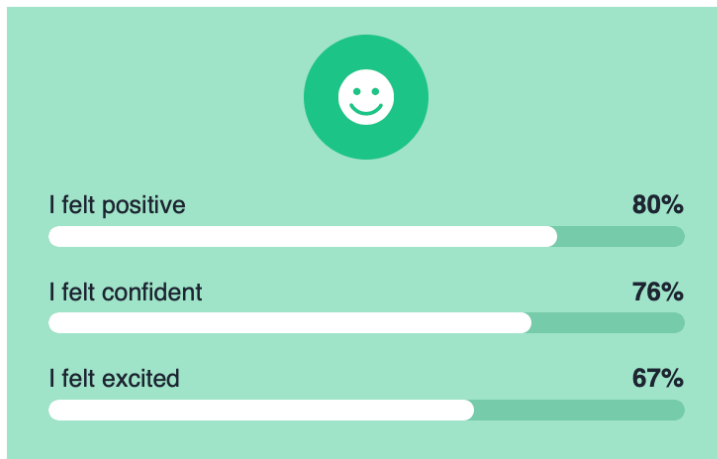
- 49%**
Bought the product in a physical store
- 17%**
Found the purchase more difficult than expected
- 80%**
Felt positive about the purchase

Respondents: Online adults who have purchased luxury products in the past 24 months
Source: Forrester's Consumer Technographics® Retail & Travel Consumer Buyer Journey, 2019

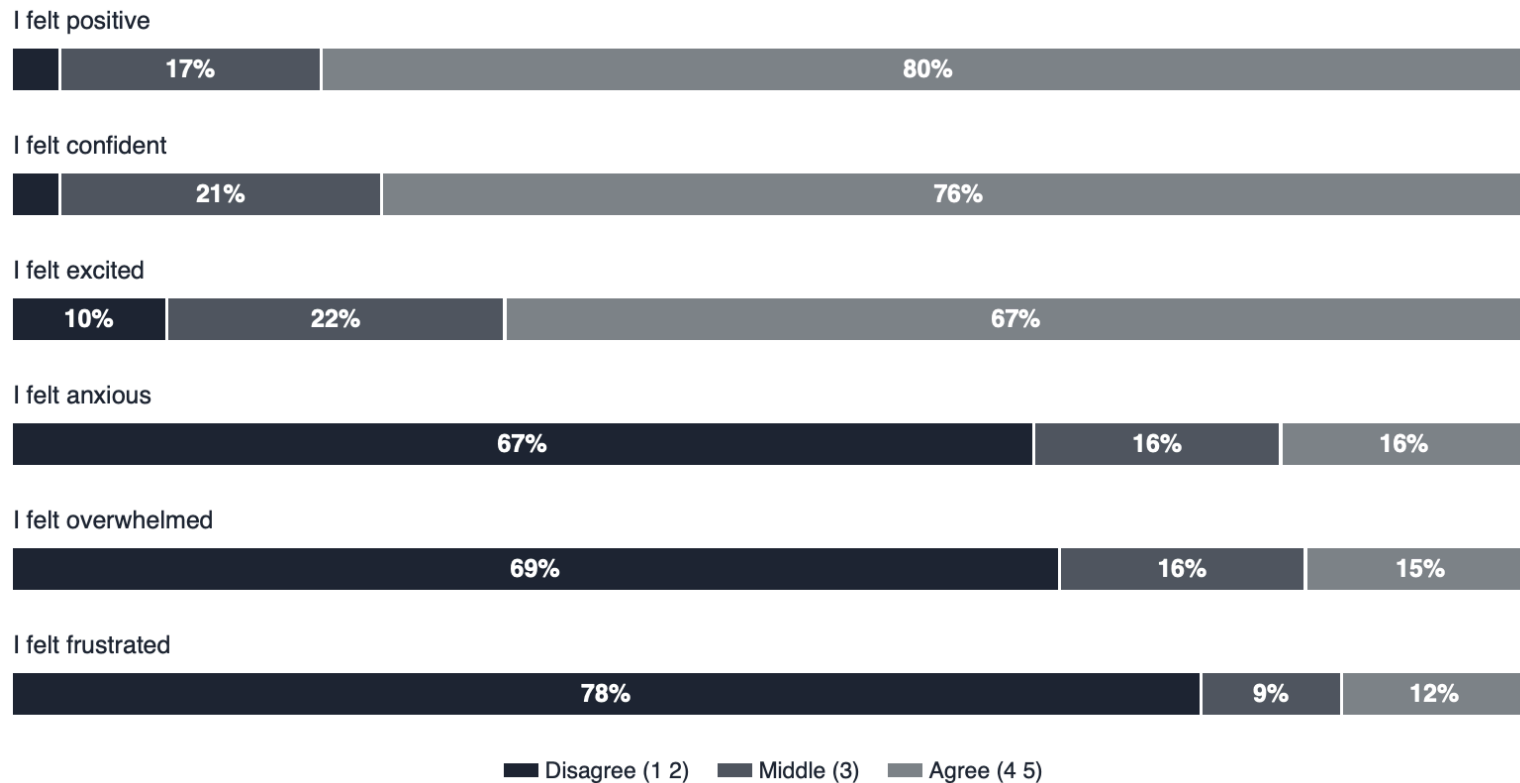
Feedback



Emotions associated with luxury watch purchases

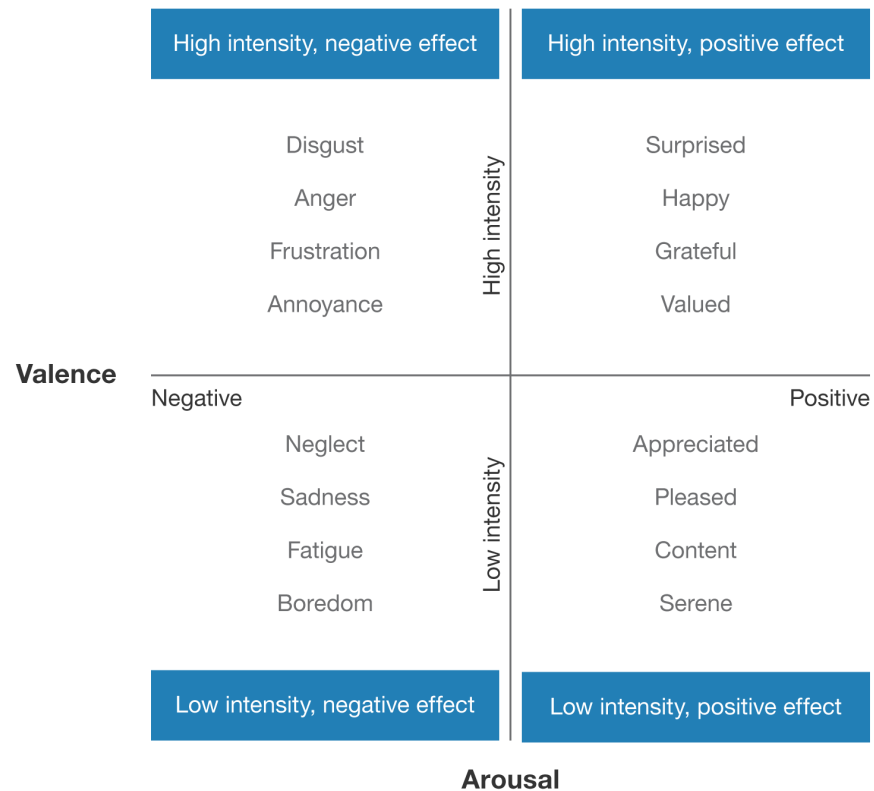


Emotions associated with luxury watch purchases

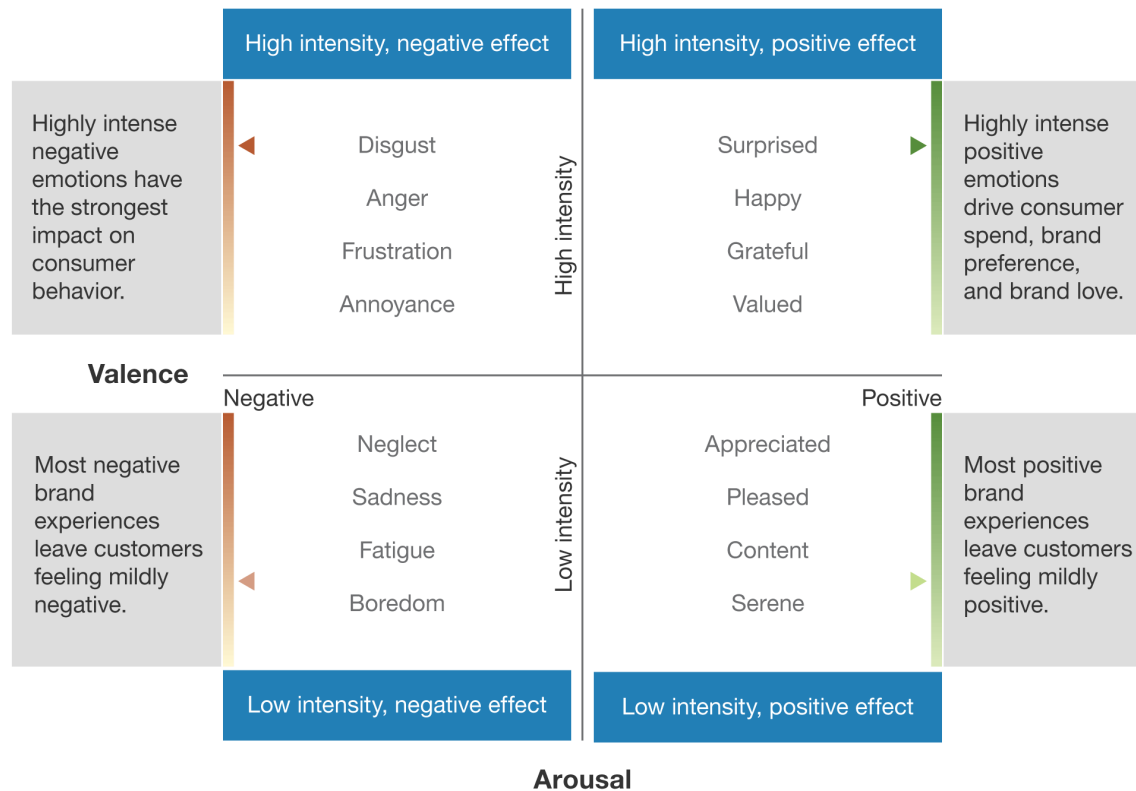


What about subtle emotional variations?
Statement or question

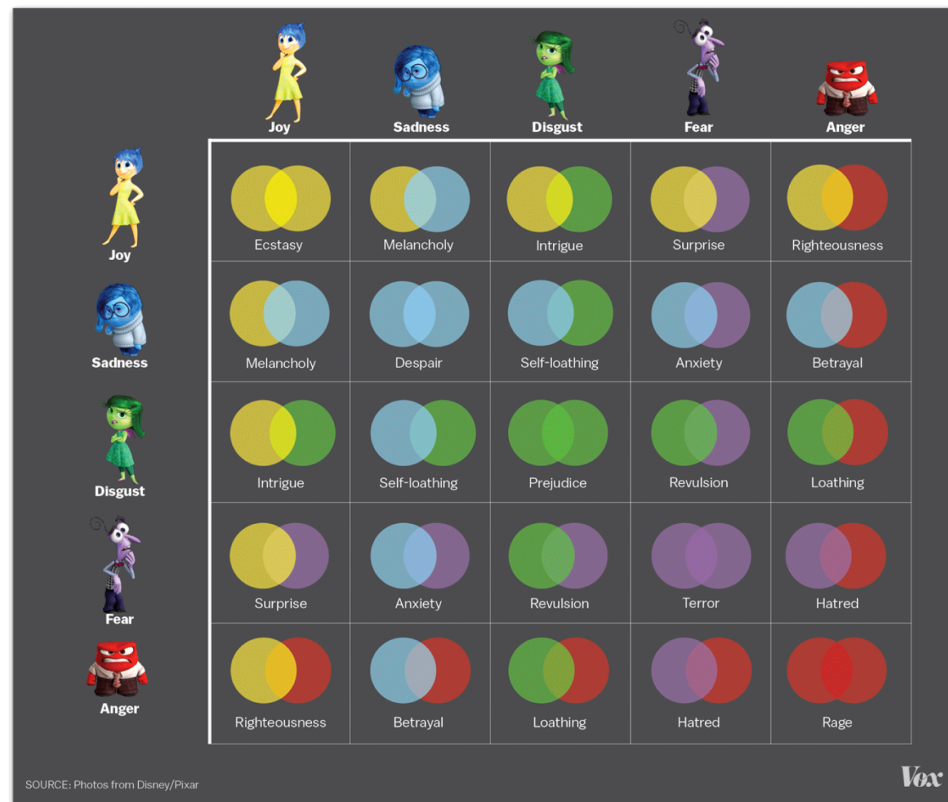
Emotional intensity ebbs and flows



The quality of emotions drives the relationship

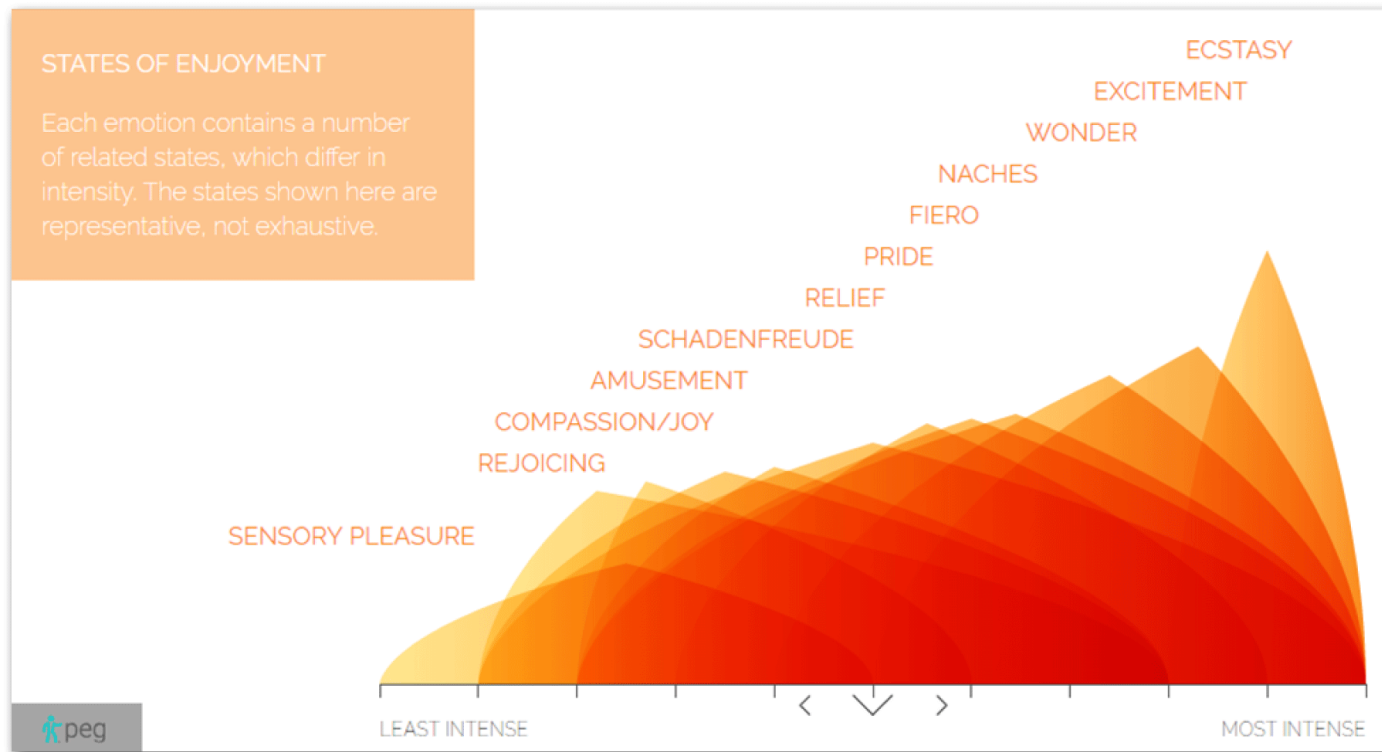


Emotions combined create nuanced feelings

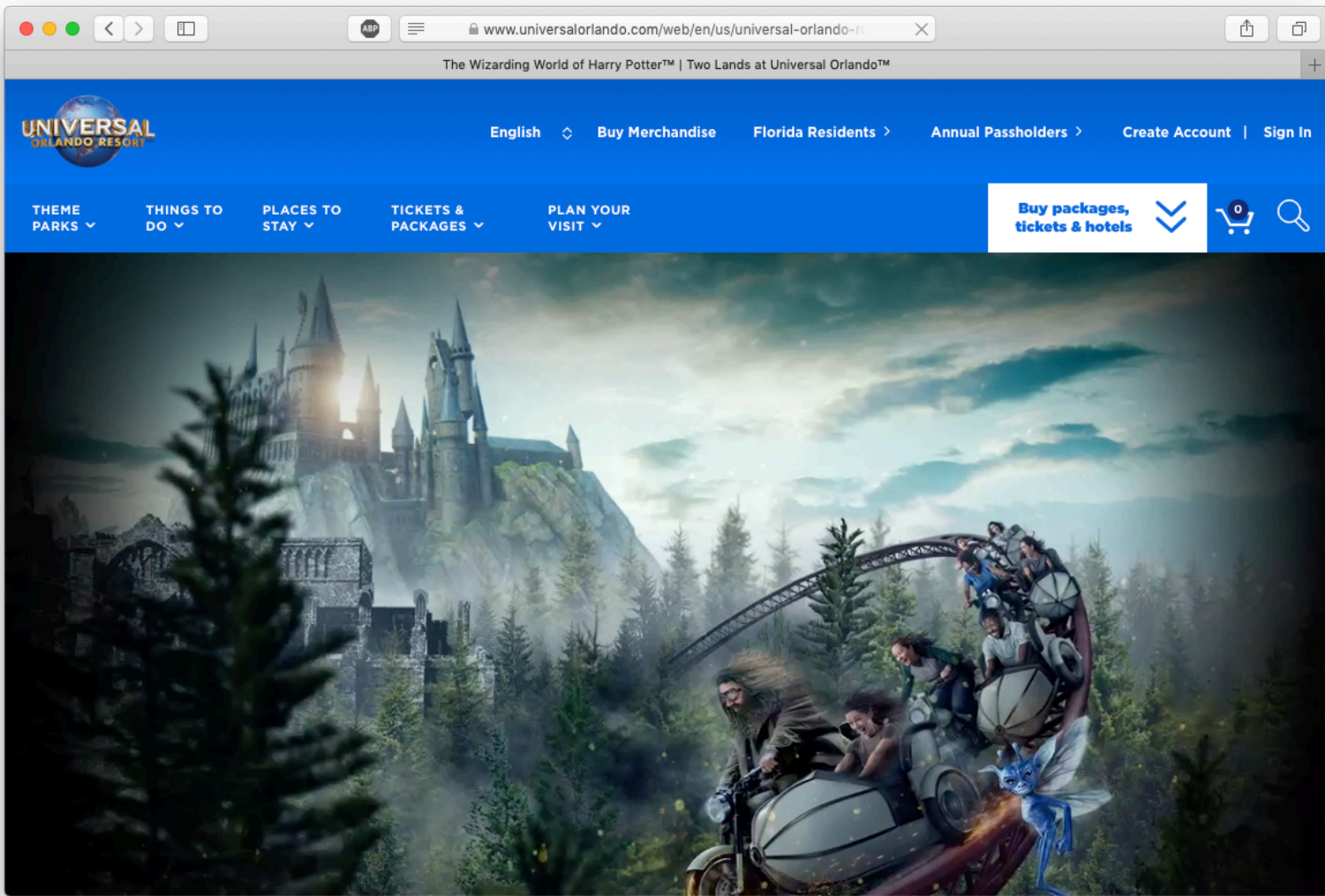


Source: Vox, in the Forrester report "Designing For Emotion"
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Emotional states contain subtle variations



Source: Ekman's Atlas of Emotions in the Forrester report "Designing For Emotion"
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disneyworld.disney.go.com/destinations/magic-kingdom/


Magic Kingdom Theme Park | Walt Disney World Resort

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Magic Kingdom Park



[View Gallery](#)

Park Hopper Ticket Option
Visit multiple Theme Parks on the same day and enjoy more magic

[Select Tickets](#)

<p>Location</p> <p>Walt Disney World® Resort</p> <p>Guest Services Magic Kingdom Guide Map</p>	<p>Hours</p> <p>Sunday September 15, 2019 📅</p> <p>8:00 AM to 6:00 PM</p> <p>Extra Magic Hours 7:00 AM to 8:00 AM</p>
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För dig som är



Avdelningar och mottagningar



Patientinformation



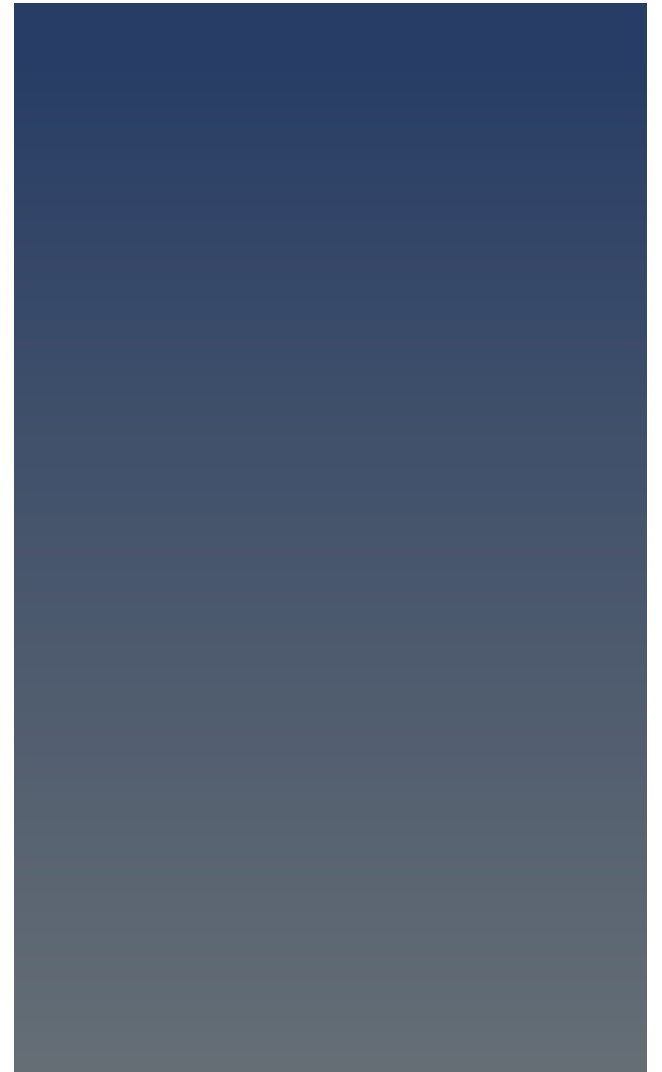
Forskning

Emotion is the key to CX differentiation.

Emotion is complex and nuanced.

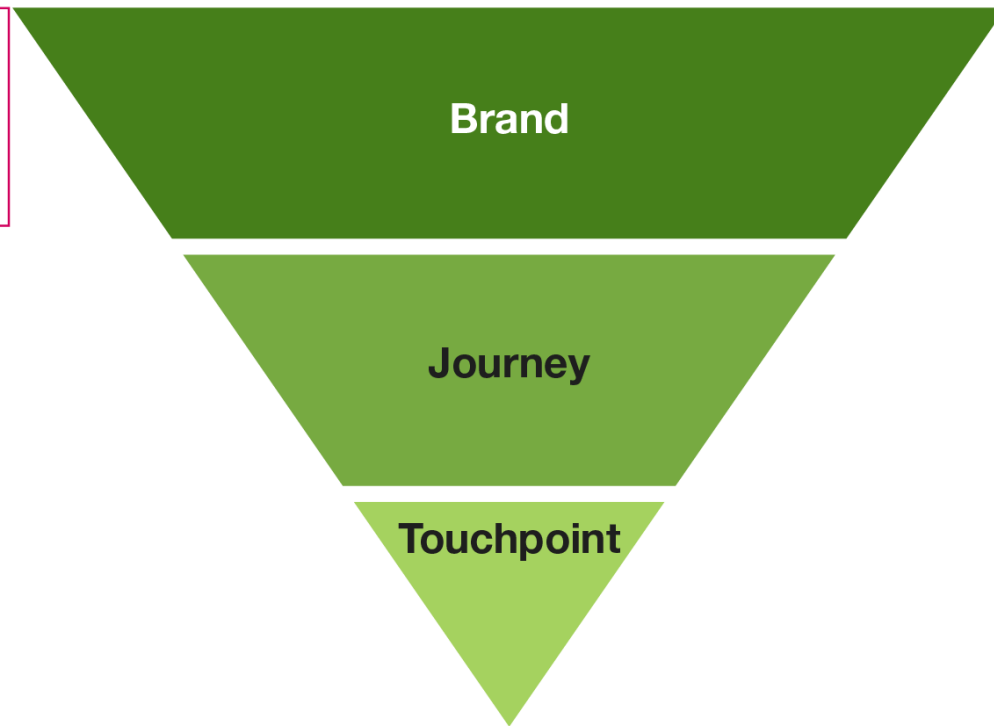
The emotional arc extends beyond the core of the journey.

Designing Stories Into Experiences



Storytelling extends from brand to touchpoints

Storytelling extends from **brand** through **journey** to the individual **touchpoint** experience.



Use a storytelling toolkit

Logline	A central idea with inherent tension, expressed as a short sentence with four parts.
Story spline	A high-level structure based on a classic formula.
Moments	The interactions that move the experience along.

Define your central idea using a logline
Statement or question

A logline contains four elements

Protagonist	The hero of the story — the customer you intend to serve
Antagonist	The tension or problem that the protagonist is struggling to resolve
Goal	What the protagonist wants to achieve — from macro-aspirations to tactical ones
Means	What needs to happen for the protagonist to overcome the antagonist and achieve the goal

www.sephora.com/community

Beauty Forum | Sephora Community

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Reorder Track Order Find a Store

Search

SEPHORA

Hi, Beautiful Sign In or Register

SHOP NEW BRANDS GIFTS QUIZZES COMMUNITY HAPPENING IN STORE

Home Groups Conversations Gallery

*Beauty*INSIDER
COMMUNITY

Real people. Real time. Real talk. Find beauty inspiration, ask questions, and get recommendations from members like you. You ready?

COMPLETE YOUR PROFILE ▶

A logline example: Sephora

Protagonist Teenage girls of all ages . . .

Antagonist . . . overcome feelings of intimidation . . .

Goal . . . to feel beautiful and empowered . . .

Means . . . through a sense of control and play.

*Design the structure of the experience
based on a story spline*

Pixar's Story Spline Format






Story spline	What it means
Once upon a time . . .	Introduces the characters
And every day . . .	Defines the normal state or context
Until one day . . .	An inciting incident takes place
And because of this . . .	The pursuit of some goal is initiated
And then because of this . . .	There's a reaction to some event that happens along the way
Until finally . . .	The moment of truth
And ever since that day . . .	The future, changed state

A hypothetical Sephora story spline

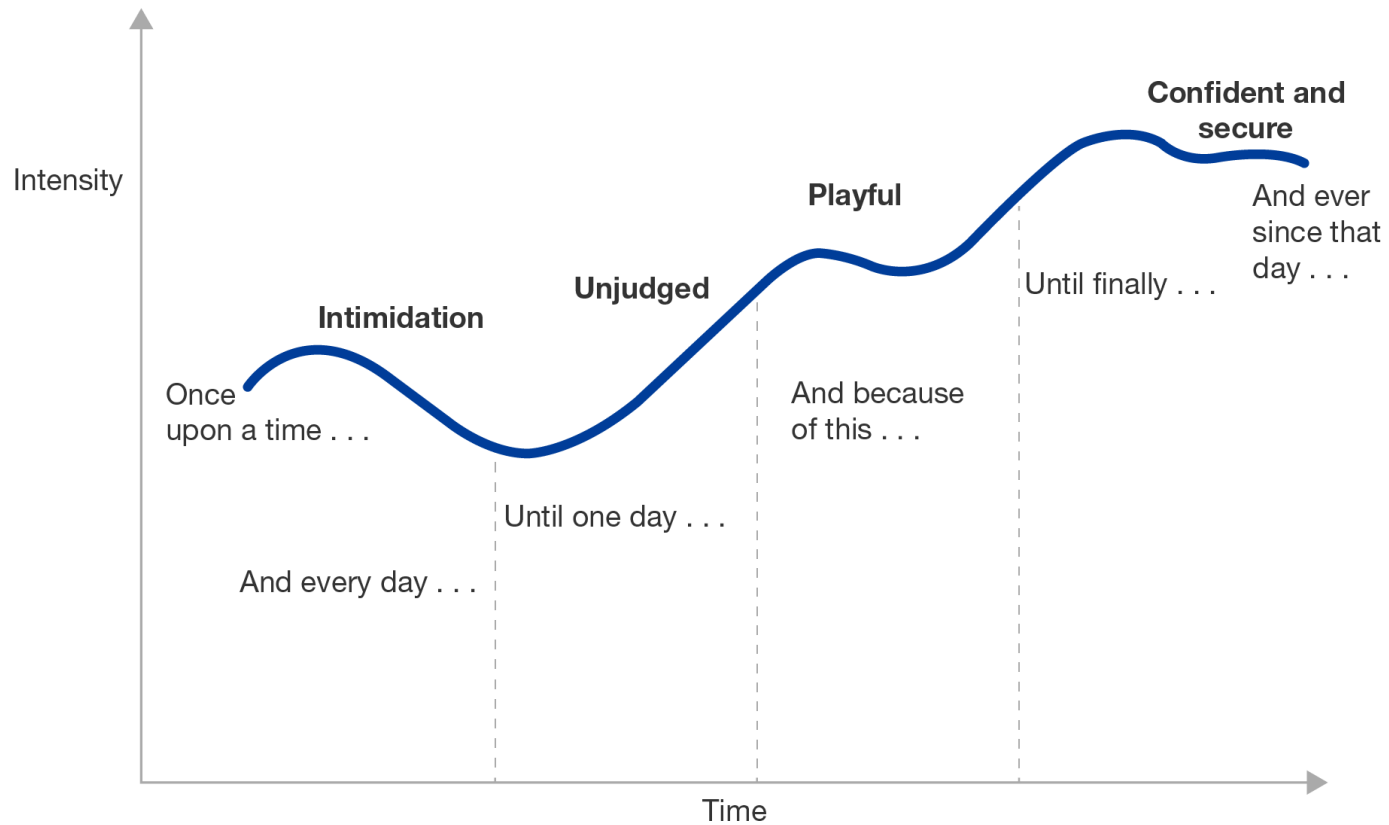
Story spline	Identifying the white space	Designing Sephora's happy path
Once upon a time . . .	There was a teenage girl searching for ways to express her identity.	There was a teenage girl searching for ways to express her identity.
And every day . . .	She felt intimidated when she went into a department store to look at makeup.	She felt intimidated when she went into a department store to look at makeup.
Until one day . . .	She went into a department store and encountered a sales associate who made her feel particularly uncomfortable.	She went into a Sephora store and felt welcome to browse and play without judgment or pressure.
And because of this . . .	She left and never returned.	She felt free to try new products.
And then because of this . . .		She kept going back to experiment with different looks.
Until finally . . .	A spline that doesn't reach a satisfactory final state reveals opportunity for improvement.	She looked in the mirror and recognized herself.
And ever since that day . . .		She goes to Sephora whenever she's feeling down or just wants to have fun.

Align moments with the story arc
Statement or question

The six archetypal story arcs

Story arcs with positive endings	Story arcs with negative endings
 Rise Rags to riches	 Fall Tragedy/riches to rags
 Fall-rise Man in a hole	 Rise-fall Icarus
 Rise-fall-rise Cinderella	 Fall-rise-fall Oedipus

Sephora's story spline translated into a story arc





KITCHEN INSPIRATION
Find your dream kitchen



[View gallery](#)

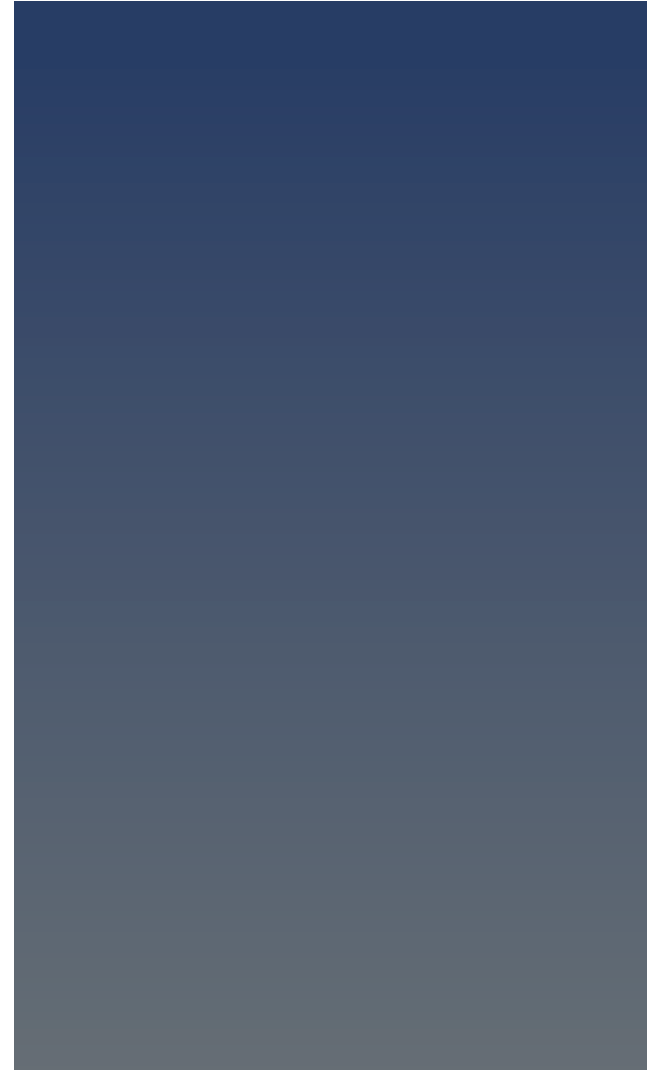


Stories happen at multiple levels, from brand to touchpoint.

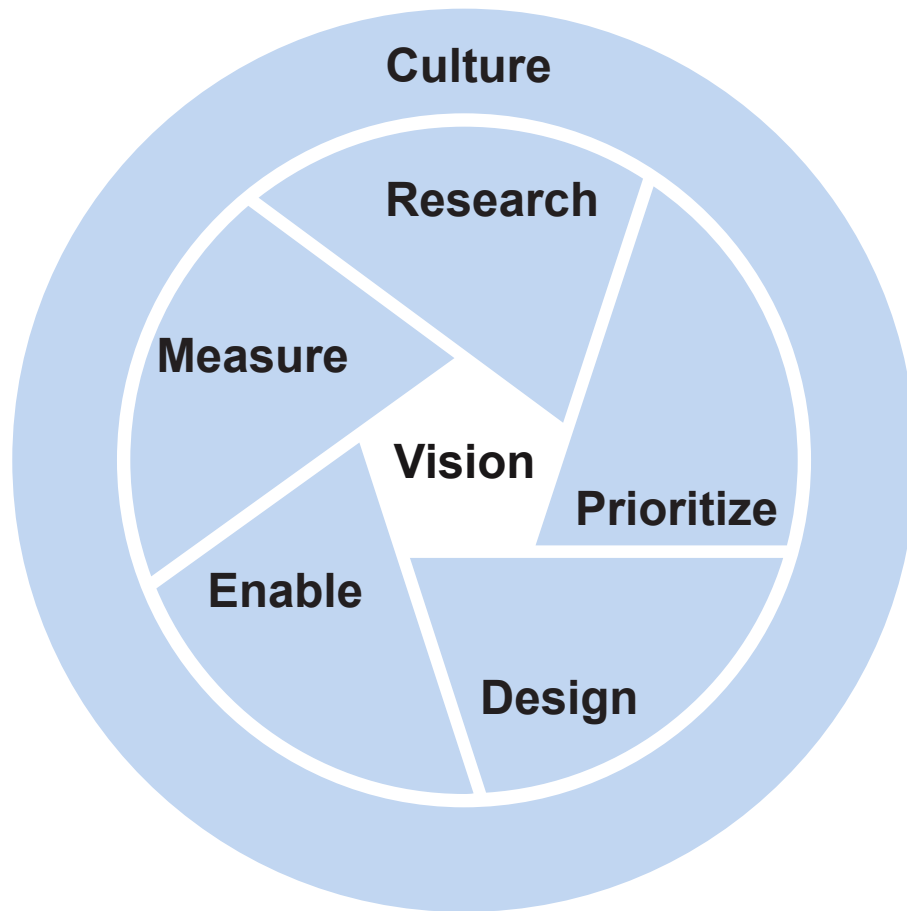
Your customer wants to resolve a tension and achieve a goal.


Your brand can be the means to resolution and achievement.

How To Achieve The Right CX Reliably



CX management
Statement or question





“Culture is what people do when no one is looking.”

— Herb Kelleher (former CEO, Southwest Airlines)



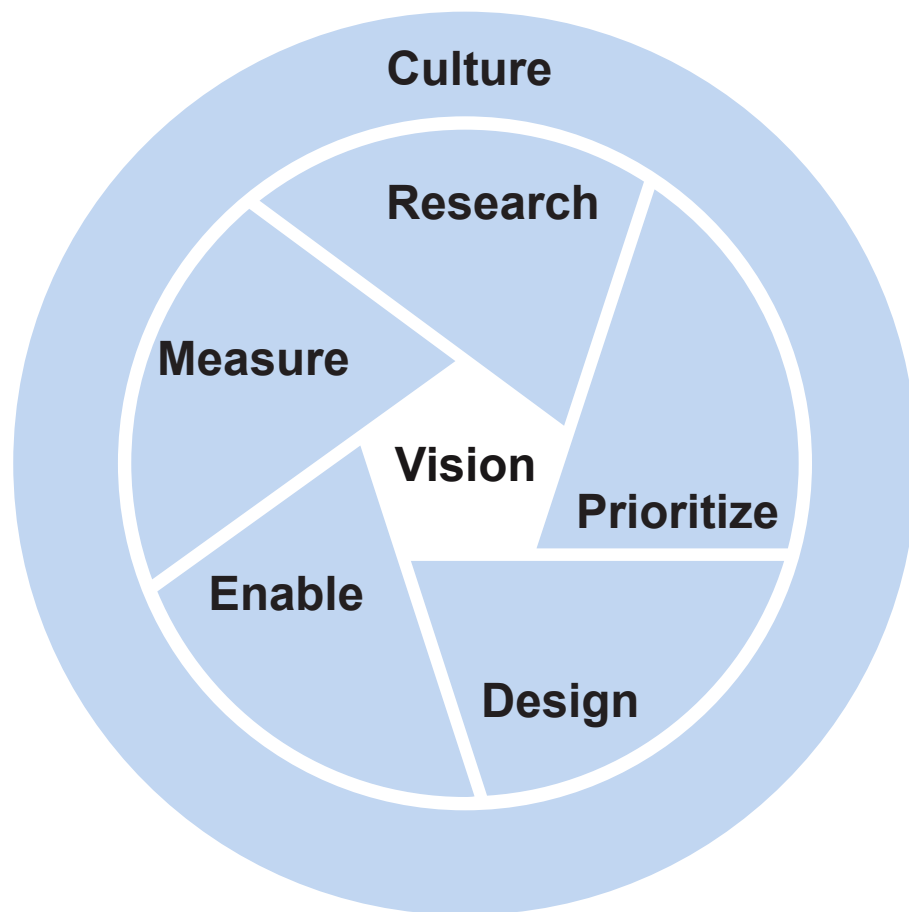
“Culture eats strategy for breakfast.”

— Peter Drucker

*CX management is to CX quality
as lifestyle is to well-being.*



*CX management requires rigor, cadence,
coordination, and accountability.*



For great CX, brands must master six essential CX competencies.

Reliably great CX requires disciplined practice of competencies.

Disciplined practice of the CX competencies is CX management.

“We are what we repeatedly do.
Excellence, then, is not an act,
but a habit.”

—Will Durant
(explicating Aristotle’s *Nicomachean Ethics*)

“We are what we repeatedly do.
Experience excellence, then, is
not an act, but a habit.”

Thank You

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