

Customer Experience Analytics

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OPTIMIZING CUSTOMER INTERACTIONS™

Abstract

This paper will describe a method of quantifying customer experiences across customer segments in order to identify both opportunities for increasing revenue from customers and risks of customer defection. This paper will also focus on the application of an emerging area of segmentation, personality-based segmentation, to customer experience analytics. This area promises to provide deeper insight into customer behavior and enhanced communication with an organization's customers.

This paper is for business executives exploring ways to extract the greatest impact from their investments by optimizing the customer's experience with their organization.

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Introduction

Every time your customers encounter a marketing campaign, view an advertisement, navigate your Web site, interact with your company in a face-to-face meeting, contact your call center, move through your IVR system, or read an e-mail or letter from your organization, they have an experience. This experience distinguishes your organization from all of the others that do business with these customers. Most organizations neglect the intangibles of the customer experience, and yet these aspects of the experience have the power to impact the future relationship customers will have with the organization.

One reason why organizations fail to factor in the customer experience when adding enhancements to their customer interactions is that the measurements they use to assess customer satisfaction focus heavily on product and service features and benefits. These measures are poor indicators of customer churn and cross-sell/up-sell opportunities. Instead, the best predictors of these outcomes are measures that define the customer experience at pivotal points of customer interactions, but at present receive almost no attention in customer satisfaction surveys. Monitoring and managing these experiences to provide consistently positive customer experiences can decrease customer churn, increase cross-sell/up-sell opportunities, and enhance customer wallet share.

How does your organization leverage the experiences that it provides in interactions with your customers to improve customer retention and revenue growth? This paper will define the components of the customer experience and outline a method that you can use to quantify these experiences. Once these experiences can be quantified, an organization can focus its investments on enhancing those experiences that are most important to the customer from the customer's perspective, not the organization's perspective. You will then be guided through the process of using the understanding of what customers are experiencing during interactions with your organization to help you create the kinds of experiences that will increase your value to these customers and the value you receive back from them. A case study will be presented to illustrate how a company has leveraged this methodology.

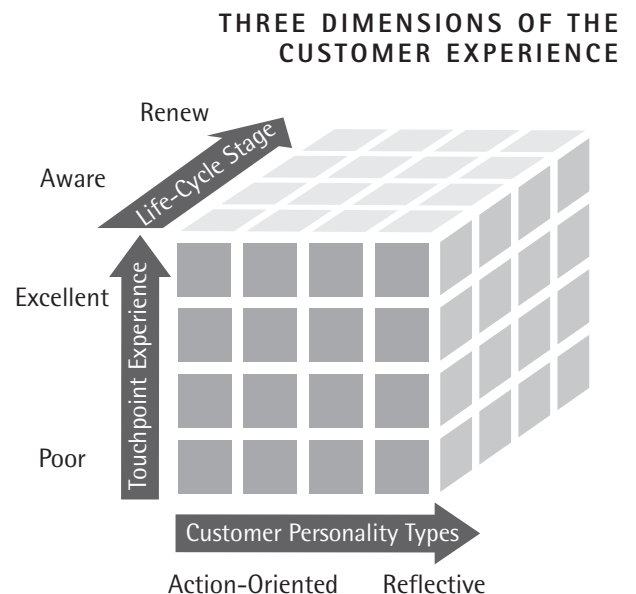
The Customer Experience

When an interaction has been a poor experience for a customer, it is usually because that interaction has fallen short of the customer's expectations. This "disconnect" between the customer's expectations and the actual experience will occur when an organization treats all customers as if they are the same. This "one size fits all" mentality assumes that every customer has the same experience expectation, regardless of the customer's personality type, the customer's stage in the product life-cycle, or the channel the customer prefers for the interaction. The reality is that customers expect to have a distinct experience that reaches them personally, because this kind of experience acknowledges who they are and reflects their value to the organization.

Three Dimensions of the Customer Experience

Many organizations strive to create the best interactions for their customers, but often do not address whether the experience they have created is suitable for the particular customer targeted. This occurs because customers with different personality types at different stages of the customer life-cycle are impacted differently by distinct experiences at preferred points of interaction with an organization. With this mismatch, a promotion may yield a disappointing response because customers simply are not getting the message that was intended. To prevent this mismatch, and to improve the opportunities for favorable outcomes, the organization needs to have an understanding of the three dimensions of the customer experience.

The first dimension of the customer experience is the customer's **Life-Cycle Stage**. Where is the customer in the life-cycle stage of her relationship with the organization? Has the customer just become aware of the organization's products and services or is he renewing his relationship with it? With this in mind, consider the second dimension of the customer experience, interaction **Touchpoint Experiences**. Where is the customer interacting with the organization? What is this customer's experience at each of these touchpoints? Was it wonderful or awful? Did it make her feel like coming back or did she want to get away as quickly as possible? And finally, the third dimension examines what kind of person is interacting with the organization at a particular touchpoint, which is the **Customer Personality Type**. Is this an action-oriented individual or someone who is more reflective? Is this customer likely to respond better to a customer service representative (CSR) who dives into addressing the issue, or one who pauses to inquire as to the customer's day? Once the organization has quantified the elements of the customer experience, it can utilize this information to better market to customers at specified touchpoints, focus investment in customer service at the most crucial interactions, or leverage positive experiences to cross-sell products.



Customer Experience Analytics

Customer Experience Issues

The three dimensions of the customer experience form the framework for examining the issues your customers may be having in their interactions with your organization. This information can then be applied to select the most appropriate actions to take to resolve these issues and improve the customer experiences, producing the desired outcomes. Customer experiences can be quantified by answering the following questions:

- What are the critical interaction events across all stages of the life-cycle?
- What are the experiences during those events at the specified touchpoints?
- What are the drivers of those experiences?
- What are the initiatives that would affect the drivers?
- What is the connection between the experience and the customer personality type?
- What is the appropriate investment in the touchpoint to enhance efficiencies, decrease churn, or increase revenue?

These questions can be answered by applying the Customer Experience Analytics model to your customer interaction data.

Customer Experience Analytics Funnel

The Customer Experience Analytics model allows an organization to analyze its customer interaction data in a detailed and comprehensive manner. This methodology uses a funnel approach that begins with the identification of the drivers of customers' experiences and the proactive actions needed to influence them. From this point, the initiatives to enhance the customer experiences are identified and prioritized to ensure that a balance is provided between Value to the Customer (VTC) and Value from the Customer (VFC).

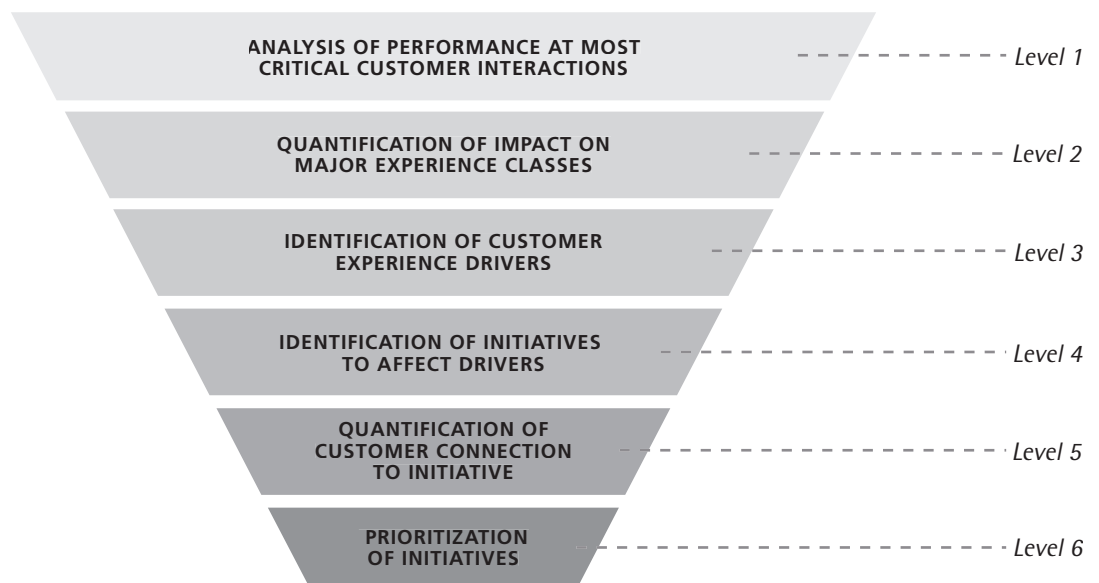
The Customer Experience Analytics Funnel examines the customer experience at each of six levels to define the customer experience issues at each life-cycle stage, across all interaction touchpoints, and for every customer personality type. This information will focus the initiatives on what the organization needs to do to enhance the customer experience or to leverage the value of the positive experiences customers are already having.

The Customer Experience Analytics model consists of multiple phases that will allow for:

- Analysis of your organization's performance at the most critical interactions
- Quantification of the impact of touchpoints on major experience classes
- Identification of customer experience drivers
- Identification of initiatives to affect drivers
- Quantification of enhanced or decreased customer connection to the organization as a result of the initiative
- Prioritization of initiatives

CUSTOMER EXPERIENCE ANALYTICS FUNNEL

Customer Experience Analytics follows a funnel approach to identify the drivers of customers' experiences and proactive actions.



Using the Customer Experience Analytics Funnel

Each level of the Customer Experience Analytics Funnel provides information about the customer experience that can be leveraged to create positive outcomes from your customer interactions.

LEVEL 1: ANALYSIS OF PERFORMANCE AT THE MOST CRITICAL INTERACTIONS

At the initial level of analysis, the critical customer interaction events are identified at the touchpoints during each life-cycle stage where the interaction is highly important to the customer. The experiences are classified on a scale ranging from excellent to poor. These “moments of truth” interactions are the decision points where a customer is retained or is lost, or where an opportunity to increase revenue through selling a customer an additional product or service is either captured or lost. Moments of truth arise from processes within the organization that, for the most part, have been framed around the organization’s perspective of an interaction, with some or a limited understanding of the customer’s perspective. While the organization may be focused on targeting, inquiring, welcoming, handling, and retaining customers, the customer is focused on learning about a product or service, searching for information, submitting an order, paying a bill, setting up an account, or upgrading a product or service. Once the moments of truth are identified, the organization’s performance at those critical events can be identified.

For each moment of truth identified, the customer’s perspective of the interaction is quantified by the importance of the interaction and the stage of the experience. The Customer Experience Process Map is a plot of the customer experience at every touchpoint across each life-cycle stage by its importance to the customer. The critical events are located at the touchpoints during each life-cycle stage where the interaction is considered highly important to the customer, but the experience was either extremely good or extremely poor. When the experience for a high importance interaction is extremely good, then the organization is performing at an exemplary level at those critical points. When the experience for a high importance interaction is extremely poor, then the organization is performing poorly at those critical points and probably losing customers at those interaction points.

SUMMARY OF LEVEL ONE ANALYTICS:

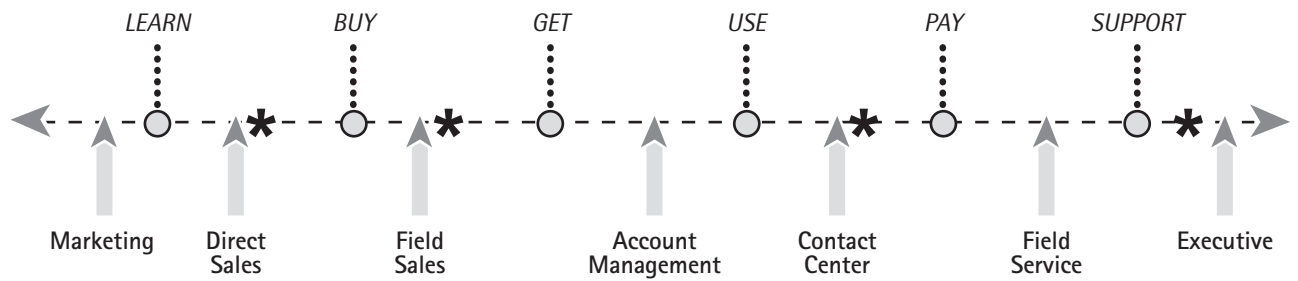
1. Quantify the customer experience by measuring the stage of the customer experience and its importance (high, medium, low) to the customer and map by life-cycle stage for each touchpoint. This plot generates the Customer Experience Process Map.
2. Identify areas of high importance to the customer where the stage of experience has been at either the high or low end. These are the areas where the organization’s performance has been either exemplary or poor.

RESULTS FROM LEVEL ONE:

The particular touchpoints at each life-cycle stage that are highly important to customers, but where the customer experience has been either poor or excellent.

CUSTOMER EXPERIENCE PROCESS MAP

CUSTOMER PERSPECTIVE



COMPANY PERSPECTIVE

* Moments of Truth

LEVEL 2: QUANTIFICATION OF THE IMPACT ON MAJOR EXPERIENCE CLASSES

Once you have the information on the critical interaction points, you can begin to examine what experiences are provided at those touchpoints. The answer to this question requires an understanding of the types of experiences encountered at the interaction points. The Level Two analysis will help you figure out the experiences your customers are having at each of the critical interaction events. Then you can drill down to the areas of highest importance to your customers and identify the experience classes that are affecting their opinions.

Customer experiences fall into one of these five major classes:

1. **Physical.** These experiences occur when the interactions are heightened by sensory perceptions, e.g., sight, sound, taste, feel, and smell. *Was the Web site clearly laid out with images appealing to the user?*
2. **Emotional.** These experiences result when the interaction impacts feelings, e.g., anger, discontent, worry, fear, excitement. *Did the customer become frustrated because they had to wait so long before speaking with a CSR?*
3. **Intellectual.** These experiences are the response to interactions that make one think, e.g., *What is it? How does it work? What was and what will be? Did the advertising campaign make one think about a product's possible applications?*
4. **Behavioral.** These experiences occur when the interactions entice one to change one's actions, e.g., move locations, change channels, or alter routine. *Was there an effort to move the customer to a different channel?*
5. **Relational.** These experiences result when interactions connect one to a group, e.g., loyalty programs, group membership, social categorization, or brand communities. *Is there a special 1-800 number for high value customers?*

For each of the critical interaction points identified at Level One, the type and importance of the experience are determined for each class. The interaction touchpoints are then grouped by experience class for identifying the critical churn and cross-sell touchpoints, where opportunities for improvement exist. At Level Two, the experiences driving the critical interactions are revealed, but the drivers of these experiences will not be known until after completing the analysis at Level Three.

SUMMARY OF LEVEL TWO ANALYTICS:

1. Map the customer experience stage and importance of the five experience classes for each of the interaction touchpoints identified at Level One.
2. Identify the critical churn/cross-sell touchpoints by locating the experience classes for each of the interaction touchpoints.
3. Group the critical churn/cross-sell opportunities by experience class to determine areas where improvements may be made.

RESULTS FROM LEVEL TWO:

The type of experience at each critical interaction touchpoint where the churn/cross-sell opportunities can be improved.

LEVEL 3: WHAT ARE THE DRIVERS OF THOSE EXPERIENCES?

Once the experience classes driving the critical interaction touchpoints are revealed, the drivers that make up those classes can be identified. The analysis at Level Three will help to identify the actual people, process, or technology issues that need to be resolved to improve the customer experiences at the critical interaction points. With this information, new initiatives can be developed to enhance or leverage existing experiences. The drivers of the critical experience classes identified at Level Two are defined by mapping the customer experience type and importance for each experience class by critical interaction point. The critical drivers are found in the class at the touchpoint where the best and worst experiences for the customer are highly important.

SUMMARY OF LEVEL THREE ANALYTICS:

1. Map interaction experiences by experience class at each life-cycle stage/touchpoint.
2. Identify critical drivers where the high importance experiences are ranked as either the best or worst.

RESULTS FROM LEVEL THREE:

The critical drivers of the critical experience classes at critical interaction touchpoints.

LEVEL 4: WHAT INITIATIVES WOULD AFFECT THE DRIVERS?

When the drivers of the experiences that impact the critical interaction points are known, the initiatives to affect these drivers can be developed at Level Four. These initiatives might focus on experience enhancements for the poor experiences to reduce churn or focus on ways to capitalize on positive experiences for cross-sell/up-sell purposes. To define the appropriate initiatives for your churn and cross-sell/up-sell opportunities, categorize each opportunity with the combination of driver, experience class, touchpoint, and life-cycle stage identified from the analyses at Levels One through Three. This matrix will provide information for development of the appropriate initiatives/solutions to affect the drivers of customer experiences for your organization.

SUMMARY OF LEVEL FOUR ANALYTICS:

1. Categorize churn and cross-sell/up-sell opportunities with the combination of driver, experience class, touchpoint, and life-cycle stage identified from Levels One through Three analyses.
2. Define initiatives/solutions that affect the drivers of the customer experiences.

RESULTS FROM LEVEL FOUR:

Specific initiatives to impact the drivers of your customer experiences.

LEVEL 5: WHAT IS THE CONNECTION BETWEEN THE EXPERIENCE AND THE CUSTOMER PERSONALITY TYPE?

At Level Five, the value of each initiative developed at Level Four can be ascertained by quantifying the strength of the connection between the experience you want to provide and the customer personality type you want to impact. The connection between the initiative and the customer is quantified by determining the correlation between the experience provided at the critical interaction touchpoints and the personality types of the customers interacting at those touchpoints. Level Five will guide the application of specific initiatives to different customer personality types to ensure that the most successful outcomes are achieved.

The analysis conducted at Level Five uses a core personality model consisting of an inventory of various personality traits to assess the customer personality type. The kind of person who interacts with an organization at various touchpoints can be identified through focus groups, e-mails, or Web surveys, and matched to the inventory of traits in the core personality model. Customer personality types can also be assessed by customer life-cycle traits using applications specific to customer service, marketing and advertising campaigns, telesales, and collections, or by language traits using speech-mining methodology. Once the kind of person who interacts at various touchpoints has been identified, a correlation can be made between this personality type and the experience provided. The correlation will provide the measure of value to the customer at each touchpoint. With these correlations in hand, you are now ready to ask the last question.

SUMMARY OF LEVEL FIVE ANALYTICS:

1. Identify the kind of personality who interacts at each touchpoint.
2. Determine the correlation between the personality type and the experience provided at each touchpoint.

RESULTS FROM LEVEL FIVE:

Value to the customer of the experience provided at the critical interaction points.

LEVEL 6: WHAT IS THE APPROPRIATE INVESTMENT IN THE TOUCHPOINT TO ENHANCE EFFICIENCIES, DECREASE CHURN, OR INCREASE REVENUE?

Invariably, not all desired initiatives can or should be undertaken. Deciding how best to spend limited capital requires a balance in the Value from the Customer (VFC) and Value to the Customer (VTC) principle. Level Six analysis is a process that evaluates the balance between these two drivers and helps you make choices about investment in the initiatives you have identified in Level Five based on what is right for the organization and your customers.

The prioritization of initiatives is based upon the economic return back to organization (VFC) as a result of the investment in the touchpoint and information about how the initiative at the targeted touchpoint resonates with the identified customer personality type determined at Level Five (VTC). To quantify the balance between VFC and VTC, each element is scored along a continuum and the scores are plotted on separate axes. Initiatives with high VTC and VFC scores are given the highest priority for investment.

SUMMARY OF LEVEL SIX ANALYTICS:

1. Generate a matrix with scores for VFC by ROI and NPV, and for VTC for each initiative.
2. Prioritize initiatives based on scores for VFC and VTC. Initiatives with the highest scores are given the highest priority.

RESULTS FROM LEVEL SIX:

Prioritization of initiatives to guide investment in those that will generate the highest returns.

Customer Experience Analytics Applications

The Customer Experience Analytics model can be used to gain insight from existing customers and to target customers in your market space who are not yet doing business with your organization. The data generated from this methodology can be applied to:

- **Innovation.** For developing products that connect with customers at various touchpoints
- **Branding.** For the organization by focusing on the right customers at the right time
- **Positioning.** For the organization relative to customer needs based on specific personality types
- **Segmentation and Targeting.** For identifying the customer focus at each touchpoint
- **Service.** For providing differentiated service by identifying the type of customer who wants a particular type of service at a specific touchpoint

Case Study – Copy Services

Our client, a market leader in the \$7 billion global copy services business, focuses on three business segments: retail, small business, and commercial segments. One of the copy services provider's goals is to increase revenue and profitability by focusing on the customer through enhanced experiences at various points of contact. To meet this goal, the copy services provider leveraged eLoyalty's Customer Experience Analytics model to achieve the following:

- Measure customer experiences, relative to expectations, at each major customer interaction point
- Identify drivers and criticality of customer experiences
- Identify areas where the copy services provider exceeds customer expectations and make recommendations to leverage positive experiences into additional revenue
- Quantify customer experience trouble spots and make recommendations for proactive resolution to reduce likelihood of defection or reduced wallet share
- Prioritize potential customer experience initiatives for increasing revenue and reducing defection

The eLoyalty project team utilized multiple internal and external sources to gather the data and information needed for the analysis, including stakeholder interviews, workshops and focus groups, benchmarks and external studies, and previously collected customer response data. Utilizing the Customer Experience Analytics model, this information was leveraged to assess the company's performance at the targeted points of interaction with customers. From a customer experience perspective, strongest assets and touchpoints were identified and quantified. The analysis uncovered areas of greatest concern to customers, quantified the impact of ongoing initiatives on touchpoints, and resulted in recommendations for additional improvements at pivotal points of interaction. According to the Director of Consumer Marketing at the copy services provider, "The project helped us ground the customer experience in analytics." Prior to the Customer Experience Analytics project, the company lacked an objective, comprehensive view of the customer experience across the copy services provider's various touchpoints. "The project allowed us to get our arms around the customer experience," noted the Director of Consumer Marketing, "and identify actionable next steps."

Conclusion

With the Customer Experience Analytics model, companies have been able to increase revenue by 50% with targeted cross-sell efforts, new product offers, and focused campaigns, as well as decrease customer churn by 25% at certain customer touchpoints. In utilizing the model, organizations have been able to identify and quantify customer experience trouble spots and act proactively in resolving customer issues. In addition, companies have been able to enhance the effectiveness of their brand promotions and marketing campaigns by quantifying the impact of these promotions and campaigns on the customer experiences. As a result, the marketing, sales, and service functions of organizations have increased their effectiveness and efficiency by optimizing the customer experience for targeted customer personality types at identified customer touchpoints.

About eLoyalty's Marketing Solutions Service Line

Derived to optimize interaction effectiveness, eLoyalty's Marketing Solutions Service Line leverages analytical modeling techniques to enhance the effectiveness and efficiency of inbound and outbound marketing. The company has utilized these models to assist over two-dozen clients in improving their data acquisition, data analysis, offer targeting, and campaign execution.

eLoyalty's marketing process redesign recommendations and marketing application integration projects have enabled its clients to achieve the following benefits:

- Increase cross-sell revenues across inbound and outbound channels
- Reduce churn by identifying optimal retention offers
- Transform inbound channels such as contact centers to revenue-generation centers
- Reduce campaign management costs with integrated marketing processes and systems

The company's unique analytical models and its experience in marketing process redesign and marketing application integration place it in a leading position to meet its Global 2000 clients' growing need for marketing automation.



OPTIMIZING CUSTOMER INTERACTIONS™

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About eLoyalty

eLoyalty is a leading management consulting, systems integration, and managed services company focused on optimizing customer interactions. With professionals in offices throughout North America and Europe, eLoyalty's broad range of enterprise Customer Relationship Management (CRM)-related services and solutions include creating customer strategies; defining technical architectures; selecting, implementing, and integrating best-of-breed CRM software applications; and providing ongoing support for multivendor systems. The combination of eLoyalty's methodologies and technical expertise enables eLoyalty to deliver the tangible economic benefits of customer loyalty for its Global 2000 clients. For more information about eLoyalty, visit www.loyalty.com or call 877.2ELOYAL.