The Value (Financial) & Business link to Customer Experience & Customer Satisfaction

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The satisfaction to profit link is non-linear.

ROI

\[ \text{ROI} = \frac{\text{Customer Satisfaction}}{\text{Cost}} \]

5-20% to profit

5-10% to new

60-70% to existing

Loyal Customers = 10x more value than 1st purchase

5-20% prospect = sell to new

Probability to sell to existing

Probability to sell to new prospect

Source: Leading on the Edge of Chaos, Emmet Murphy & Mark Murphy.

Research using ACSI data demonstrates the relationship between customer satisfaction and the financial performance of individual firms. ACSI’s methodology can predict how well the firm will perform in terms of corporate revenue and earning growth. Moreover, ACSI data show that customer satisfaction is directly linked to stock market performance. Specifically, companies with high scores and/or improving scores on the American Customer Satisfaction Index produce higher stock returns than their competitors and greatly outperform market indexes.

The Financial Link between Customer Satisfaction & Financial Performance

http://www.acsi.org/national-economic-indicator/financial-indicator
Improved Staff Engagement x Customer Engagement Improve Revenue Growth by 3.4 times

http://www.g2equity.com/nav-7.php
Why invest in Engagement?

- 90% more frequent purchases
- 300% more annual spend
- 5x more likely to choose brand
- 5x more frequent purchases
- 300% more likely to purchase
Four Drivers of Brand Value

1. STRONGER LOYALTY
   - Not engaged = 19%
   - Highly engaged = 94%
   - 5X more likely to state: “only brand I would choose"
   - 2X more likely to spend extra time/effort to be customer
   - 2X more likely to upgrade or buy additional products/services
   - 6X more likely to advocate to colleagues & friends

2. REDUCED COMPETITIVE THREAT
   - Not engaged = 19%
   - Highly engaged = 94%
   - 4X more likely to state: “only brand I would choose"
   - 2X more likely to spend extra time/effort to be customer
   - 2X more likely to upgrade or buy additional products/services
   - 6X more likely to advocate to colleagues & friends

3. GREATER ADVOCACY
   - Not engaged = 19%
   - Highly engaged = 94%
   - 4X more likely to state: “only brand I would choose"
   - 2X more likely to spend extra time/effort to be customer
   - 2X more likely to upgrade or buy additional products/services
   - 6X more likely to advocate to colleagues & friends

Customer Engagement drives Revenue Growth

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36% higher growth than category average

50% higher growth than Non-engaged

50% higher growth than Non-engaged

Source: Rosetta Consulting. 2014 The Economics of Engagement

www.rosetta.com/reports/customer-engagement-rosetta-consulting-study
Americans’ attitudes toward their money have changed in recent years. As a result, businesses have had to work harder to develop and retain a profitable customer base. Often, they believe that their bottom line is suffering because customers aren’t buying like they used to. They try to attract customers with aggressive advertising campaigns, mega sales, and the latest technology. And, to a certain extent, those tactics may initially work to get people through the physical or virtual door, but they do not create the types of meaningful connections that engage customers. Customer engagement — which Gallup describes as a customer’s emotional or psychological attachment to a brand, product, or company — is the definitive predictor of business growth.

MEASURING EMOTION

Gallup’s unique customer engagement approach is based on the emerging science of behavioral economics, which theorizes that the vast majority of customer loyalty and buying decisions hinge on emotional rather than rational factors. While the prevailing classical economics mindset puts reason at the center of people’s fiscal actions, behavioral economists believe that rational considerations actually account for less than one-third of human decisions and behaviors. Metaphorically speaking, this means that the majority of a customer’s buying decisions are made from the heart rather than from the head. For customers, feelings are fact. And any metric that does not account for this aspect of human nature is fundamentally flawed. Gallup’s customer engagement instrument is a concise metric comprising actionable question items with proven links to customer behavior. The three items that produce the Gallup Customer Engagement Score (Gallup CES) are:

1. Company always delivers on what they promise.
2. I feel proud to be a Company customer.
3. Company is the perfect company for people like me.

Gallup categorizes customers into three distinct groups: fully engaged, indifferent, and actively disengaged. Fully engaged customers have a strong emotional attachment to a company. They act as brand ambassadors for this company, rallying on its behalf to friends, family, and coworkers, and going out of their way to purchase its products or services. Some might even say that they love that company. Actively disengaged customers, however, have negative, even antagonistic, feelings toward a company — some might say that they hate that company. They spread negative word of mouth and cost companies money. Indifferent customers have no strong feelings toward a company — they neither love nor hate it. They have no particular allegiance and may switch to a different company or brand if the opportunity presents itself.

LINKING CUSTOMER ENGAGEMENT TO CRITICAL BUSINESS OUTCOMES

Gallup’s analysis has found that fully engaged customers are more loyal and profitable than average customers — in good economic times and in bad. Across a variety of industries and target audiences (including both business-to-consumer and business-to-business), Gallup’s research has consistently shown a powerful link between customer engagement and key business outcomes. Our data reveal that a customer who is fully engaged represents an average 23% premium in terms of share of wallet, profitability, revenue, and relationship growth compared with the average customer. In stark contrast, an actively disengaged customer represents a 13% discount in those same measures. Simply put, when customers believe they are getting more out of a business, they give more to it.

CUSTOMER ENGAGEMENT DRIVES FINANCIAL PERFORMANCE

PERCENTAGES REFLECT DIFFERENCES IN CRITICAL BUSINESS OUTCOMES

ENGAGED

-13%

FULLY

ENGAGED

23%

ACTIVELY

DISENGAGED

AVERAGE CUSTOMER
Companies that engage directly with their customers:

- +96% Improvement in response to queries
- +55% Increase in revenue
- +30% Higher customer retention

Gallup – State of the Consumer
Banks often look at channel usage trends as a way to determine which channel, or combination of channels, they should be focusing on to best maximize customer satisfaction and engagement. They want to know which channels their engaged customers use most and how that coveted group moves from channel to channel so they can try to replicate those behaviors with their less engaged customers. But, in reality, it is nearly impossible to define one — or even a handful — of consistent usage patterns among banking customers. In a separate 2013 study of 3,100 banking customers, Gallup discovered that there were more than 750 different channel usage patterns in play. And the top three most commonly used touchpoint combinations were the same among fully engaged and actively disengaged customers.

No magic channel or combination of channels exists that engages customers more than others. Today's customers want to have multiple online and offline channels available to them to use however and whenever they choose. They demand the convenience of doing banking their way, whether it is in person, over the phone, through the Internet, via email, or by using a mobile app. Now more than ever, customers want a banking experience that puts them in the driver's seat.

But as much as banking customers want the convenience of multiple channels, they want something else even more — consistency. They want an absolutely seamless experience across all of a bank's touchpoints. And when they do not get that type of experience, their engagement suffers. In the study of 3,100 banking customers, Gallup found that engagement dropped by 30 points when these customers gave anything less than a rating of "5" (on a 5-point scale, with "5" being the highest) to any specific banking channel, even if they gave every other channel a perfect score.

Despite their customers' expectations, banks are finding it increasingly difficult to manage — let alone improve — the multichannel experience. Instead of looking holistically at channel use, banks tend to approach each channel as a silo operating independently of the next. As a result, customers often receive fragmented information and inconsistent service. Ultimately, their engagement drops off, causing the bank's bottom line to falter. A great experience — through
1. 86% of CMO's believe they will own CX by 2020.

2. Marketing Complexity is Growing.

3. Personalizing channels will rule.
4. CX Drives Brand Equity

5. Small Screens & No Screens

- Mobile: 59%
- Personalisation Tech: 45%
- Internet of Things: 39%
CMO's predicting about CX

- Two top-box importance
  - Fast/Efficient: 6%
  - Predictable CX: 17%
  - Consistent/CX: 6%
  - Engaging CX: 6%
  - Socialised/CX: 8%
  - Relevant CX: 11%
  - Personalised/CX: 11%
  - Fulfilling CX: 11%
  - Entertaining/CX: 11%
The Digital Tipping Point

Latest research across 12 countries highlights the need to get the balance right between human and digital customer service.

Customer Centricity’s human side
A return to the human touch

Maintain a human element

- 65% want direct person contact to remain part of customer service
- 74% don't like dealing with companies that don't provide a phone number on their website
- 79% feel they receive better service when speaking to a person on the phone or in-store
THANK YOU