


MIT SMR CONNECTIONS

CX SURVEY REPORT



Delivering Experiences That Win
Business and Build Loyalty:
CX Champions Share Their Strategies

ON BEHALF OF:



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Introduction

Organizations are increasing their investments in technologies that can boost customer experience (CX). However, achieving a payoff from these technology investments — in terms of both customer experience and financial returns — remains a work in progress. MIT SMR Connections, with sponsorship from SAS, conducted a global study across several industries and geographies to identify today's top CX trends and best practices. We surveyed 2,670 managers; of these, more than 20% report that their organization plans to boost customer experience-related investments between 50% and 100% over the next two years. Only 5% plan no increase over the same time period.

Overall, businesses around the world are bullish about the return on their investments: 72% of all respondents say that they expect that the resources their organizations put into CX technology will yield large or moderate positive returns within two years. Even so, only 15% of respondents currently report that their organizations are significantly or dramatically outperforming the competition on CX quality and return on investment (ROI). These CX Champions, as we are calling them, have a distinct set of characteristics that offer useful lessons for other organizations as they invest in CX-related technologies.

CX Champions are found in enterprises of all sizes and in many regions. The secret superpower of these Champion organizations is the combination of governance, strategy, and the technology savvy that they bring to the table. Specifically, the survey found that:

- **CX Champions elevate CX strategy to the level of digital transformation strategy**, which ensures that CX is front and center and an integral, measurable component of overall corporate strategy.
- **CX Champions use sophisticated analytics and push toward mastery of artificial intelligence (AI)** to create outstanding customer experiences and maximize ROI on CX technology investments.
- **CX Champions make CX a mainstay of organizational operations** through highly cross-functional and decentralized teams, finely tuned systems, and collaborative platforms that fuel speed and innovation.

To help business leaders become competitive with their CX offerings and confident about the returns on their CX technology investments, this report delves into the specifics of what distinguishes CX Champions from the rest of the pack.

Who Are the CX Champions?

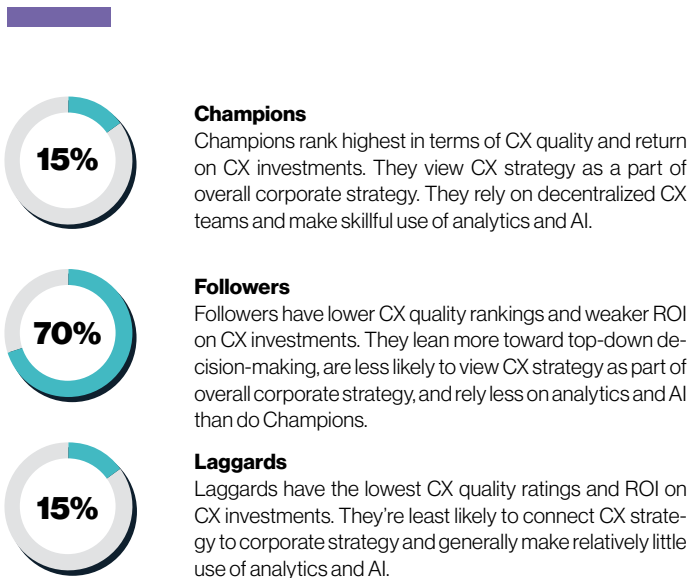
A major goal of the study was to identify CX Champions and discover what makes them tick. To that end, we developed a CX maturity curve based on the quality of a company’s CX and the ROI on its CX technology investments.

Specifically, the survey asked respondents to rate the following for their organizations:

- **The level of ROI in CX technology investments** (using a 5-point scale ranging from “large negative return” to “large positive return”).
- **The quality of the organization’s overall CX** compared to that of its competitors (using a 5-point scale from “significantly inferior” to “much better”).
- **The quality of each of the three main dimensions of CX** – product/service research and discovery; product/service choice and adoption; and ongoing engagement – compared to those of competitors, again using a 5-point scale.

We then developed a composite score based on respondents’ choices for each of the above. The analysis yielded three distinct segments: Champions, Followers, and Laggards (see Fig. 1).

Figure 1:
Three Segments Based on CX Maturity

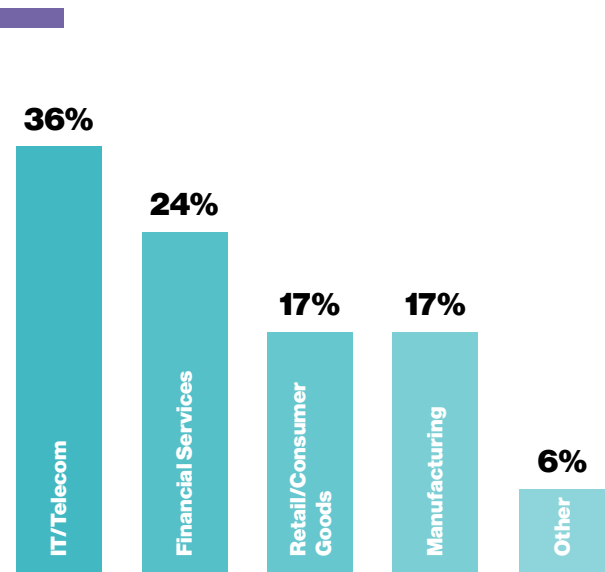


Customer data platforms are one emerging marketing technology that can help companies achieve real-time insights and personalized marketing. These applications create comprehensive customer profiles that merge online and offline data, update digital identities, and activate advanced analytics to drive real-time contextual communications.

The lion’s share of the CX Champions (36%) are IT/telecom companies, followed by financial services with 24%, indicating that these industries are somewhat ahead overall in providing superior CX (see Fig. 2).

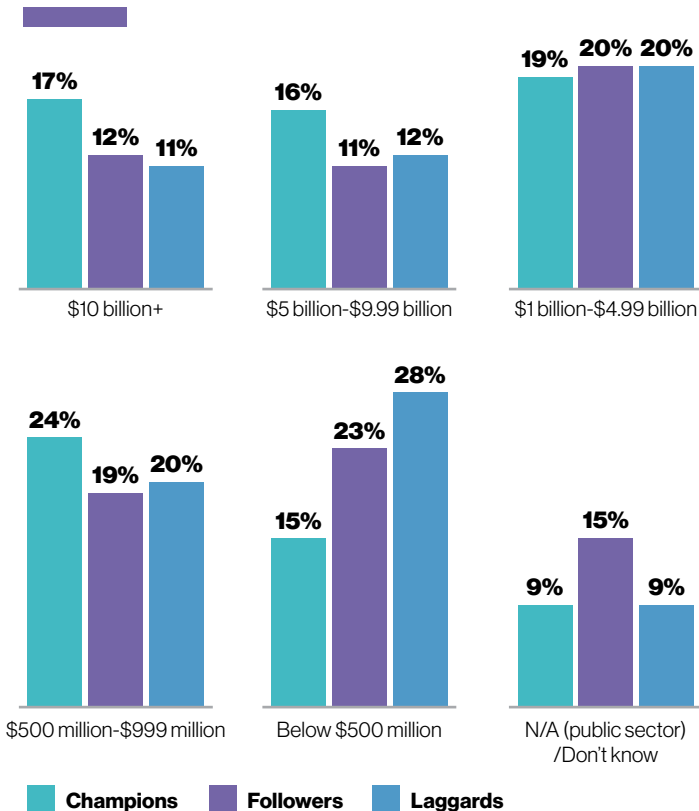
Company size doesn’t seem to confer significant advantage when it comes to CX quality and ROI on CX investments, underscoring the importance of what Champions do, as opposed to the size of their bank accounts. CX Champions have substantial representation across revenue levels, although they tend to be somewhat larger than those of other respondents. For example, 17% of Champions have annual revenues of \$10 billion or more, compared with 12% of Followers and

Figure 2:
CX Champions by Industry



11% of Laggards. At revenue levels between \$1 billion and \$5 billion, however, the three groups are pretty evenly split: 19% Champions, 20% Followers, 20% Laggards (see Fig. 3).

Figure 3:
CX Champions, Followers, and Laggards by Annual Revenue



Tall Waves of CX Technology Growth

What You Need to Know

Organizations across industries are investing heavily in CX technologies.

- Nearly 50% of organizations overall plan to increase their CX technology investments by 11% to 50% in the next two years.
- More than 20% overall plan to boost investments by 50% to more than 100% during the same period.
- Only about 5% of organizations overall plan no increases at all.

CX has grown dramatically from where it was five years ago, says Dwane Morgan, who was director of global consumer insights at sports apparel company Under Armour at the time of this survey. “CX

The Changing CX Mindset

CX experts have often said that businesses should avoid thinking about customer *experience* simply as customer *service*. CX, so the argument goes, has a much broader ambit that stretches from product development to payment processing.

The MIT SMR Connections global survey found, however, that 67% of respondents overall — and 61% of CX Champions — “agree” or “strongly agree” with this statement: “Many in our organization believe that customer experience and customer service are the same thing.”

That view doesn’t surprise Can Kekevi of Accenture. “Customer service is where customer experience started,” he says. “It was at a touch point, and customer service was that touch point, whether it was a physical presence or a remote presence, like a contact center or a call center, or a digital or online presence.”

Of course, that’s changed, he adds: “These days, you need to think about customer experience as way beyond customer service. And the definition needs to be more expansive.” In fact, he and his team prefer to refer to the concept as “the *business of experience*.”

Considering the success that Champions are achieving, it’s quite likely that the scope of CX is broadening what people understand as customer service, rather than the other way around. As an example, Dwane Morgan, formerly of Under Armour, points out that both customer service and CX factor into brand reputation. Organizations are focusing heavily on brand to ensure that customers engage with the company when they are researching products and services. If a brand has a strong reputation for quality, customers will be more likely to forgive a poor service experience and see it as a one-off event.

At DBS Bank, corporate purpose defines the CX framework, says Mark Englehart Evans, the bank’s head of experience strategy. For example, as part of responsible banking, DBS caters to people’s need to feel secure about their financial decisions. The bank’s CX offerings include online tutorials on buying and selling stocks to increase people’s confidence, which, in turn, helps strengthen the bank’s brand.

However, even the broadened conceptualization of customer service may soon reach its sell-by date. Environmental, social, and governance issues are becoming increasingly important — especially to members of the millennial generation (generally, those born between 1980 and 1995). Organizations need to protect their reputations in all those areas to prevent damaging their brands. That, in turn, ensures that consumers will see them as worthy of their trust — and their business.

today is receiving much more focus and resources than it did in the past, especially in the CPG [consumer packaged goods] and footwear and apparel category sectors,” says Morgan, now a senior research executive with MarketCast, a research and analytics company.

Morgan’s observation is borne out by the survey results. Overall, nearly 50% of organizations surveyed expect to bump up their CX technology investments by 11% to 50% in the next two years. More than 20% plan to expand investments by 50% to more than 100% during the same period. Only about 5% expect to make no increases at all (see Fig. 4).

The call for higher levels of CX investments also exists, to varying degrees, across industries. Nearly 50% of businesses in the financial services, retail/consumer goods, and IT/telecom sectors plan to up their CX technology investments by more than 25% over the next two years. About 10% of businesses in these industries plan to increase their investments by more than 75%. Some even plan on doubling their CX technology investments.

Businesses in these industries recognize that customer experience requires significant investment, at levels substantially beyond what they currently deploy. Even among respondents in industries that trail, such as manufacturing, they too see a need to increase their CX technology investments, albeit at lower levels.

Financial services and retail/consumer goods entities face particularly strong challenges that require loosening the purse strings. For example, banks and insurance companies face stiff competition from financial technology companies, says Shiva Kommareddi, managing director and global lead for cloud analytics at Accenture Applied Intelligence. In addition, they’ve tackled omnichannel CX – that is, serving customers seamlessly across a range of channels – but have accomplished little in the way of “omni-product” experiences. While these organizations have made great progress on CX for a particular line of business, Kommareddi says, they’re often unable to connect the dots across different products and other lines of business to maximize opportunities for cross-selling as part of a meaningful customer experience.

Figure 4:
CX Investments by Industry*

Approximate increase in percentage of spending on CX technology over next two years (by industry):

	Overall	Financial Services	Retail/CPG	IT/Telecom	Manufacturing	Other
More than 100%	3%	4%	3%	1%	2%	1%
76-100%	7%	7%	10%	10%	5%	5%
51-75%	13%	18%	14%	17%	15%	7%
26-50%	21%	20%	21%	22%	21%	16%
11-25%	26%	30%	24%	25%	26%	20%
Up to 10%	16%	12%	16%	13%	18%	21%
No increase expected	5%	4%	4%	4%	7%	14%
Don't know/NA	8%	5%	7%	8%	5%	16%

*Numbers reflect rounding.

Part of the issue that banks face when competing with financial technology companies (fintechs) is that many such organizations are built around technologies such as machine learning, AI, and automation. Fintechs already have the technology foundations in place to react to changing consumer expectations such as omni-product digital engagement with agility and at scale for large numbers of customers.

Many banks, on the other hand, still struggle with legacy infrastructure, making agility and automation more difficult. For banks that don't want to find themselves on the outside looking in, it's essential to invest in key CX and digital technology infrastructures such as consumer data platforms (CDPs) that capture customer activity across all interaction channels regardless of product, marketing systems that enable embedded analytics and facilitate real-time contextual communications, and automated decisioning engines that extend across the entire CX spectrum.

Retail companies need to address three factors to excel in the use of CX technologies, says Marty Weintraub, national retail leader for Deloitte Canada. The first is tying CX technology investments to strategic aims. To obtain strong ROI, companies need to understand CX investments in the context of their overall strategies and portfolios of investments.

Next is talent and capabilities. Too often, retailers adopt a given technology, only to find themselves chasing after the talent they need — even though they recognized the talent gap before adopting the new technology.

Finally, Weintraub says, retailers need to understand the human experience of the technology solutions they're creating to ensure that people will adopt them. In other words: Retailers should focus less on the technologies themselves than on the customers and associates who will actually be using them.

Same Tools, Vastly Different Results

What You Need to Know

- Organizations have high expectations for return on CX technology investments, but technology by itself does not create value. Tools need to be deployed as part of an overall CX strategy and integrated with the existing technology stack.
- In fact, organizations reporting the poorest levels of CX quality are often just as likely to be using many of the same tools as organizations reporting top-quality CX.

Businesses worldwide have aggressive goals for the returns they expect from their CX technology investments. Nearly 60% of organizations surveyed currently report moderate or large positive returns (4 and 5 on a 5-point scale). Far fewer, however, have the top-rated customer experiences that Champions do. Thus the number of respondents expecting that their companies will achieve moderate or large returns in the next two years — 72% — comes with a cautionary tale.

“It's great that companies are making all these investments,” says Weintraub. “They are going in the right direction. “But they should be very thoughtful about their speed so that they can head off risks along the way.”

Underscoring Weintraub's advice, the survey found that committing “random acts of technology” — that is, implementing technology tools absent a clear strategy and measurable goals — doesn't create value. In fact, the quality of customer experiences varies widely among organizations that are using some of the same tools to nearly identical degrees.

The use of live chat is a case in point. The percentage of companies with the worst- and best-rated CX use it to the same degree — 61% of

The survey found that committing “random acts of technology” — that is, implementing technology tools absent a clear strategy and measurable goals — doesn't create value. In fact, the quality of customer experiences varies widely among organizations that are using some of the same tools to nearly identical degrees.

each. The use of personalization technology follows a similar pattern. About 50% of organizations at both ends of the CX quality spectrum use personalization technologies.

But Champions score the highest level of returns on these and other CX technology investments, even higher than those who report much better customer experiences than do their competitors. Our survey findings highlight that CX Champions are far more likely to gain better returns from the same tools because of their distinctive approach to managing CX across the enterprise. These companies are the most likely to make customer experience strategy a part of their overall digital strategies. They're also the most likely to make extensive use of analytics and AI. They pull it all together through leadership, decentralized or cross-functional teams, and clearly defined CX workflows across the enterprise.

Competing on AI and Analytics

What You Need to Know

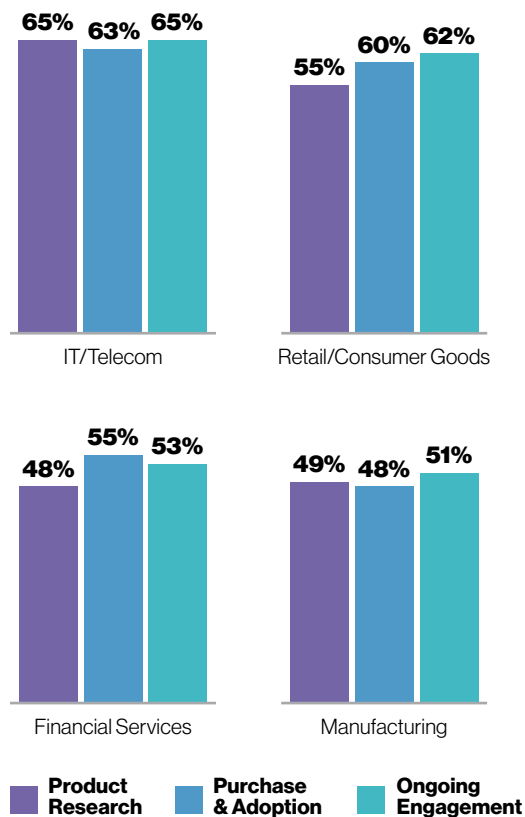
- CX Champions are significantly more likely to use analytics to manage all dimensions of the CX process: product/service research and discovery, purchase/adoption, and ongoing engagement.
- Champions have made dramatically greater progress than other organizations toward AI mastery.
- Champions will pull ahead with CX tools that require advanced analytics and AI capabilities, including AI-powered chatbots, edge computing, smart technologies in phones and tablets, and smart assistants embedded in products and services.
- Governments are starting to provide investment support for funding in AI.

Industry Snapshot

- IT/telecom companies lead industries in analytics use across all three CX dimensions.
- Retail/consumer goods companies are also strong, especially in the purchase/adoption and ongoing engagement dimensions.
- Financial services organizations lag a bit at the research dimension but show similar levels of strength in the other two dimensions.
- Manufacturing often lags in all three dimensions.
- Most organizations in the industries surveyed are still at the very early stages of AI use. Financial services and retail/consumer goods lag significantly in this area (see Fig. 5).

Figure 5:
IT/Telecom and Retail/Consumer Goods Lead in Analytics Use

Percentage of respondents overall reporting that their organizations use analytics to a "great" or "considerable" extent in each of the following three dimensions of the CX journey:



As we have already highlighted, the findings regarding CX technologies illustrate that specific tools don't, by themselves, guarantee high-quality CX or solid ROI. One way CX Champions distinguish their CX technology use is through significantly greater use of analytics and a strong drive toward AI mastery.

As CX becomes a primary source of strategic benefit, top-flight technology capabilities are a must-have, says Antonio Grasso, founder and CEO of the digital transformation consultancy Digital Business Innovation.

"We have the technology to achieve real-time insights, which are essential to adapt to a changing customer landscape," Grasso says. "Our world is accelerating so much that companies also need to rely on real-time insight to manage and improve CX."

Writing in *Harvard Business Review*, McKinsey & Co. researchers re-inforce the critical need for top-flight technology, pointing out that with the right technology and capabilities, ROI on personalized marketing can leap eightfold.¹

CDPs are one emerging marketing technology that can help companies achieve the real-time insights and personalized marketing that Grasso and McKinsey highlight. These applications create comprehensive customer profiles that merge online and offline data, update digital identities, and activate advanced analytics to drive real-time contextual communications.

CX Champions are heeding that advice. According to our survey results, these entities are about three times more likely than other organizations to use analytics to a “great extent” (5 on a 5-point scale) to manage each dimension of CX, from product/service discovery through post-purchase engagement. For example:

- **63%** of Champions use analytics to a “great extent” (5 on a 5-point scale) to manage the research and discovery dimension of a customer journey. Only 16% of Followers and 18% of Laggards do the same.
- **52%** of Champions leverage analytics to a “great extent” in the adoption dimension, where customers choose or adopt a product or service. Only 15% of Followers and 16% of Laggards apply analytics at this point in the customer journey.
- **52%** of Champions rely on analytics to a “great extent” for engaging customers in ongoing ways after purchase or adoption. Only 17% of Followers and 17% of Laggards say they do the same.

“The tools and the technologies for AI have been growing over the past two years, especially in retail. It’s a little bit of an arms race to see who’s going to come out of this in a leading position.”

MARTY WEINTRAUB
NATIONAL RETAIL LEADER
DELOITTE CANADA

Organizations can apply advanced analytics to forecasting demand and sharing that information between factories, distribution centers, stores, and e-commerce distribution hubs. “Having products available is a key element of high-quality CX,” says Angie King, principal at End-to-End Analytics (now part of Accenture). “Smart inventory technologies are playing a larger role.” These technologies allow companies to implement approaches such as dynamic inventory, which defines specific assortments and products at definite locales and times (see “Meeting Customers Where They Are”).

CVS Health regularly processes millions of pieces of data that measure its customers’ feedback during “moments that matter,” says Michelle Peluso, chief customer officer at CVS Health and co-president of CVS Pharmacy.

For example: “We were looking at data from a particular business at CVS and found that, in the aggregate, customers looked quite happy,” Peluso says. “But when we started to break down the feedback, we discovered that it can be hard to onboard new customers with certain products. We realized that we needed to get it right. If we didn’t, the downside was significant.” Using the information gained from the data deep dive, the company developed ways to help customers get past that initial hesitation. “Once customers get over the hump, they’re satisfied,” she says.

Data from partners can provide strong value by revealing very different consumer behaviors about the same product. Morgan, the former Under Armour CX leader, cites running shoes as an example. Individual customers who are competing in the same marathon may purchase new shoes at different times before the event. “Instead of promoting new shoes to everyone you know is running in a particular marathon at the same time, it can be more powerful to solicit them close to the time that the data shows a specific individual would typically purchase new shoes,” he says. “That data can come from partnerships with running events or even third-party sources.”

Financial institutions, including banks and insurance companies, are often remiss in acting on data, says Kommareddi, of Accenture Applied Intelligence. “Banks can easily find out a lot about customers such as credit scores, net worth, and bank balances,” he says. “But they rarely use this information to its full potential.”

Most respondents across industries in the study are still at the nascent stages of AI (see Fig. 6). But organizations have great expectations for it. “The tools and the technologies for AI have been growing over the

past two years, especially in retail,” says Weintraub, of Deloitte. “It’s a little bit of an arms race to see who’s going to come out of this in a leading position. We’ve even seen government lean in heavily with significant offers to support investment funding in this space.”

Champions recognize the power of AI tools for CX and embrace them at a much higher rate than other organizations.

For instance, Champions are significantly more likely to leverage “smart” approaches to improve CX, including AI-powered chatbots and “smart” assistants embedded in goods and services. They also expect to outpace the competition in their use of edge computing, leveraging its ability to boost real-time analytics (see Fig. 6).

AI will also play a role beyond customer-facing technologies as it becomes integral to a multitude of decisions that must be made in real- or near-real time across the CX process, says Matt Jeffers, a

managing director of the digital and growth practice for Accenture’s Retail Strategy and Consulting Group.

“Businesses will want their talent to focus on major challenges and initiatives,” Jeffers says. “We will need technology to do much of the work and highlight exceptions so they can be addressed. Ultimately, AI is probably the right way to think about it.”

If organizations continue to fall behind in developing AI capabilities, they will likely struggle to catch up. AI places significant intellectual demands on an organization, including developing a cadre of managers and employees who understand it and the potential pitfalls it presents, including bias and “black box” challenges. In addition, AI still confronts resistance in organizations among those fearful of job disruptions and even job losses. That fear places a premium on carefully developing experiments, pilots, and change management skills in order to build and sustain momentum.

Figure 6:
Champions Are Outpacing the Market With Key CX Tools

Percentage overall and among Champions using the following tools over the next two years:

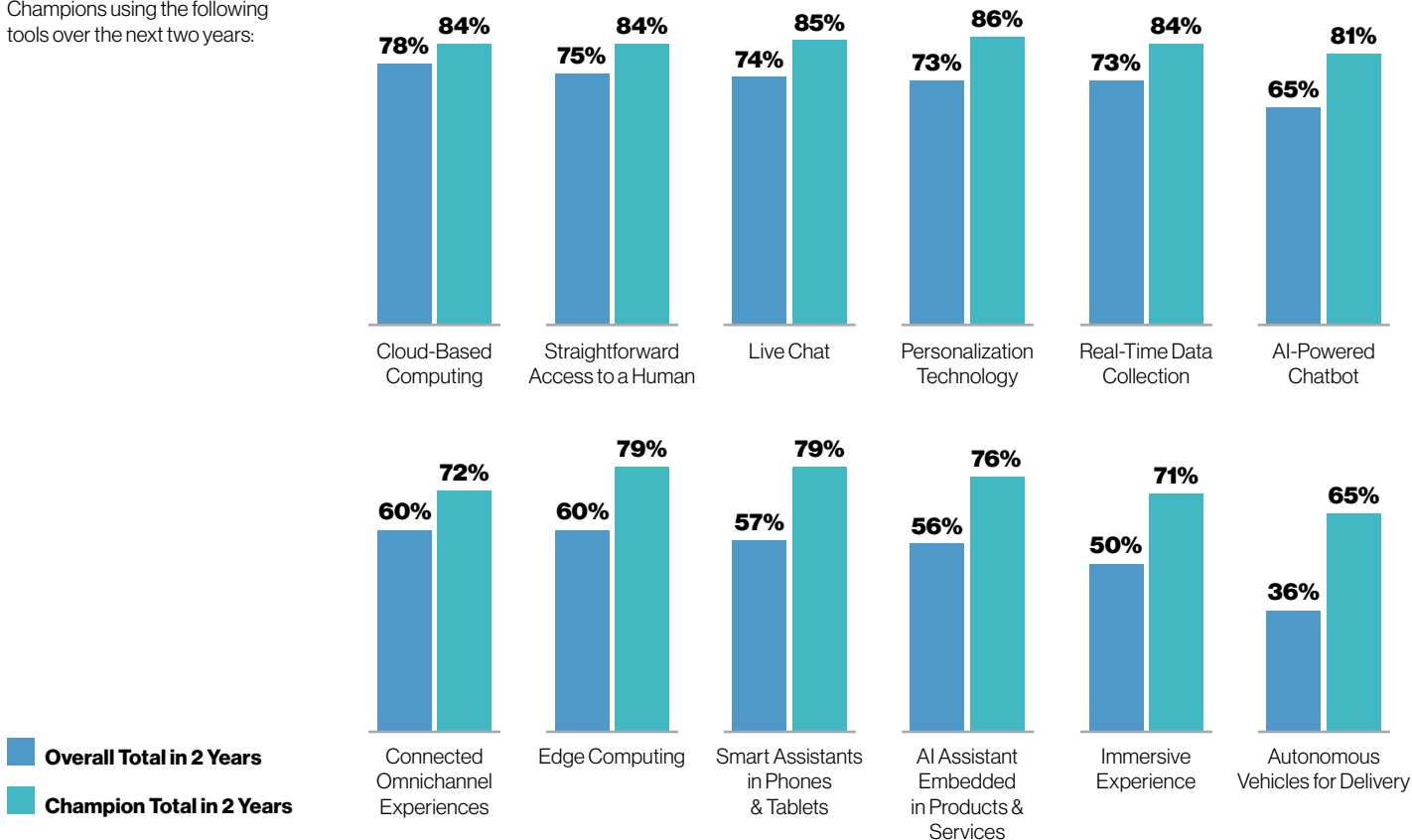


Figure 7:
Industry Use of CX Tools

Percentage of respondents by industry saying their organizations are currently using each of the following tools:

	All Industries	Financial Services	Retail/CPG	IT/Telecom	Manufacturing
Straightforward Access to a Human	62%	58%	63%	64%	61%
Live Chat	58%	55%	60%	68%	52%
Cloud-Based Computing	54%	48%	51%	63%	52%
Personalization Technology	47%	43%	49%	51%	43%
Real-Time Data Collection	47%	42%	48%	56%	54%
Connected Omnichannel Experiences	47%	33%	33%	40%	24%
AI-Powered Chatbot	37%	36%	40%	53%	28%
Edge Computing	33%	30%	39%	39%	36%
Smart Assistants in Phones & Tablets	31%	34%	44%	39%	46%
Autonomous Vehicles for Delivery	28%	25%	30%	36%	27%
AI Assistant Embedded in Products & Services	27%	22%	34%	39%	25%
Immersive Experience	25%	23%	28%	31%	26%

Five CX tools will be nearly ubiquitous at organizations across all industries within two years: direct access to a human, live chat, cloud-based computing, real-time data collection and analysis, and personalization tools (see Fig. 7). Overall, CX tools that link to a human in real time top the list of tools being used now and in two years, underscoring the value customers place in live operators.

The IT/telecom sector is the most aggressive user of most CX technology tools. Despite aggressive plans for CX technology investments, financial services entities have yet to move ahead of industries at large. Retail and consumer goods companies, on the other hand, are significantly ahead of industries overall in use of smart assistants

embedded in phones and tablets, and slightly ahead in use of live chat, personalization technology, use of AI chatbots, and providing immersive experiences. But they are still behind other industries in developing interconnected omnichannel experiences — a must-have in the minds of most consumers.

Positioning CX as an Enterprise-Level Strategy

What You Need to Know

- Having a single executive in charge of CX is uncommon — 40% of organizations overall don't have one, and neither do 30% of Champions.
- In fact, strong CX performance isn't predicated on having a single executive in charge of the activity. Instead, tying CX strategy to a company's digital strategy makes the biggest performance difference because doing so ensures the creation of enterprise-wide CX goals and key performance indicators (KPIs) that cascade through the organization.
- Champions are more than three times as likely as Laggards to have linked their CX and digital strategies. On the whole, however, fewer than 40% of organizations are heavily focused on making this connection.

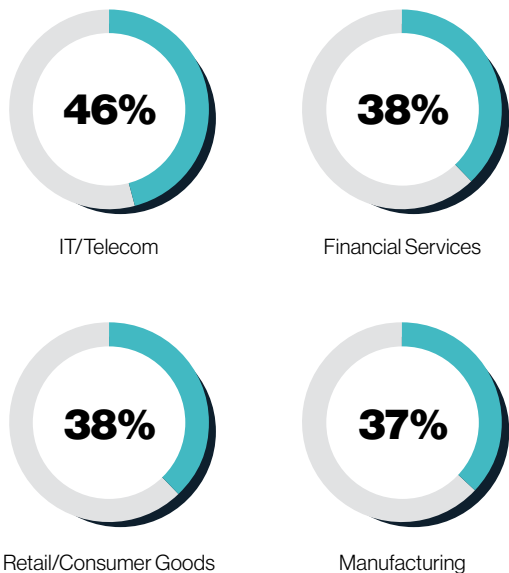
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Industry Snapshot

Fewer than 50% of organizations in any single industry strongly agree that their CX strategies are tightly connected to digital strategy (5 on a 5-point scale; see Fig. 8).

Figure 8:
Connecting CX and Digital Strategies by Industry

Percentage of respondents who “strongly agree” that CX strategy is tightly connected to their organizations’ digital strategies:



What lies at the heart of CX Champions’ ability to achieve great CX quality and generate strong returns on their CX technology investments? First, the ROI for CX technology investments doesn’t appear to be a function of which executive is in charge of it – or even whether a single executive is in charge at all.

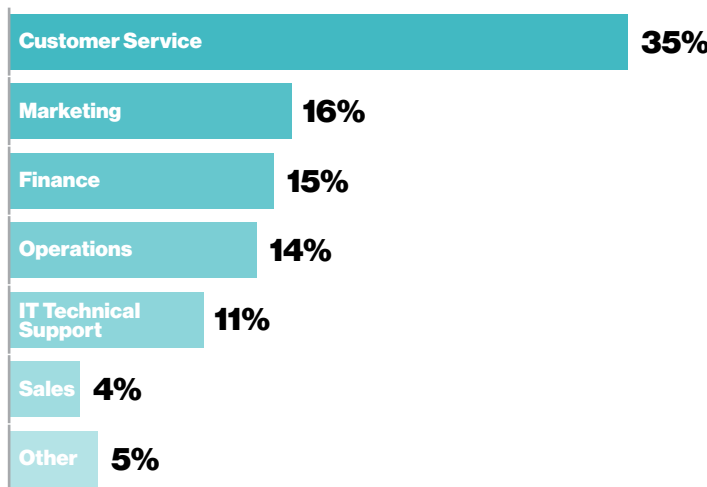
For instance, despite some admonitions to charge a single C-suite executive with the entire effort, these executives don’t account for a majority of those placed at the helm. Only 22% of Champions have a C-suite member in charge. More than 75% rely on someone below the C-suite, such as a senior, supervisory, or middle manager. Lag-guards have a similar profile, suggesting that the level of the executive isn’t a driving factor of return on CX technology investments.

Nor is the executive’s functional area an apparent factor. Historically, some organizations debated whether the CIO, CTO, CMO, or a chief customer officer should oversee CX. But the survey results indicate that responsibility for CX doesn’t fit neatly into any of those job descriptions today.

Customer service leaders are most frequently charged with CX – but only in 35% of organizations overall, according to the survey. Marketing comes in a distant second at 16%, followed by finance with 15% (see Fig. 9).

Figure 9:
Who’s in Charge of CX?

Percentage of respondents with specific functions charged with overseeing CX:



Understandably, some organizations may worry that if responsibility for CX is too widely distributed, no one will really be in charge. But Kommareddi points out that organizations typically don’t have individual executives in charge of such fundamental issues as competition, revenue, and profit, and he argues that CX is similarly too important to be managed by a single person or function. Instead, he says, it should involve enterprise-wide management (see “The Changing CX Mindset”).

According to our survey and interviews, tightly connecting CX strategy to a company’s overall digital strategy is the crux. Almost 75% of Champions “strongly agree” that their CX strategy and technologies are an integral part of their organizations’ digital transformation. Overall, approximately 35% make the same claim. On the part of Lag-guards, the number drops to 23%.

Grasso says that when CX is managed at the same level as digital transformation, its objectives are set at high levels and are assigned corporate-level KPIs, which then spread throughout the organization and translate into specific objectives and projects.

At DBS Bank, a leading financial services group in Asia, corporate strategy is driven by purpose and brand promise. The organization creates specific CX objectives that deliver on those two factors to provide banking products and services that are seamlessly embedded in customer journeys, says Mark Englehart Evans, executive director and head of experience strategy for the Singapore-based organization’s Transformation Group.

Cross-Functional Teams, Collaboration, and KPIs

What You Need to Know

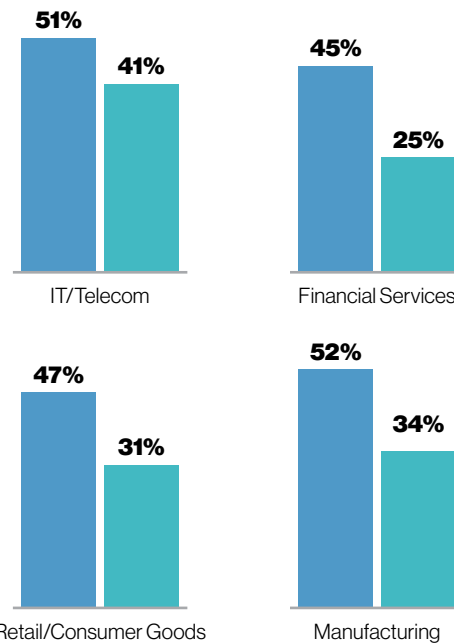
- By elevating CX strategy to the level of corporate and digital strategy, Champions can leverage highly empowered cross-functional or decentralized teams that can harness talent and move quickly. To keep everyone on the same page, Champions also have documented workflows of the CX process.
- A majority of Champions coordinate CX activity through collaborative software and platforms that allow everyone in the process to work from a single point.

Industry Snapshot

While 45% of organizations across industries are focusing on cross-functional or decentralized teams, most have yet to connect them through collaborative software and platforms (see Fig. 10).

Figure 10:
Connecting Teams Across the Enterprise

Percentage of respondents by industry whose organizations are currently empowering cross-functional or decentralized teams, followed by percentage who say their organizations provide the collaborative technology needed to manage CX from a single point:



CX Cross-Functional Teams **Collaborative Platforms for CX**

Making CX integral to the highest level of corporate strategy allows organizations to build the kinds of cross-functional and decentralized teams that are the backbone of CX initiatives.

Meeting Customers Where They Are

Several experts interviewed for this report observe that consumers now control the customer experience. At any point in the journey, consumers may be interacting with businesses via multiple devices, at different times and from different locales.

That means businesses that are serious about stellar CX must give customers exactly what they want, how and when they want it. As Marty Weintraub of Deloitte puts it: “Power is now squarely on the shoulders of the customer.”

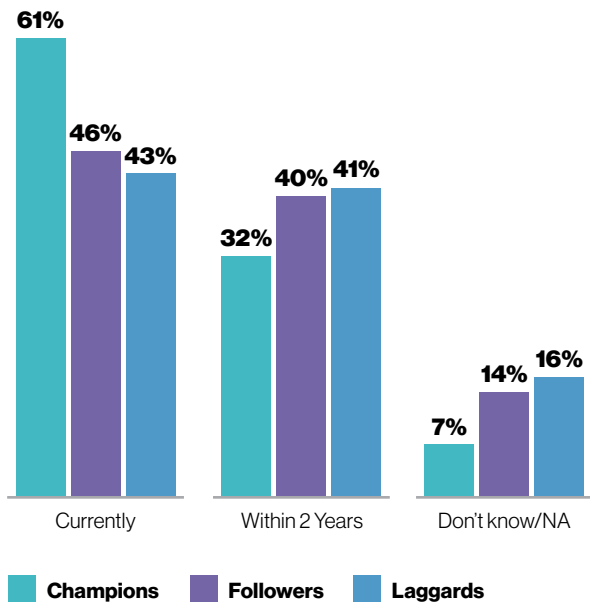
To meet customers where they are, most organizations need to up their analytics game, says Angie King of End-to-End Analytics. That’s especially the case for retailers and consumer goods companies, which must be able to monitor all operations that could affect CX quality, including the supply chain.

“Analytics can provide critical insights that impact the customer experience from inventory to last-mile delivery,” King says. “Typically, businesses confine themselves to product interactions. But firms now need to think much farther back.”

More than 60% of Champions are currently focused on giving such teams more authority, versus only 43% of Laggards. In two years' time, more than 95% of Champions will be relying on these teams, our survey found. But many Followers and Laggards have their sights set on closing that gap.

Figure 11:
Empowering Cross-Functional and Decentralized Teams

Percentage of organizations saying they are giving more power to cross-functional and decentralized teams currently and within two years:



At American Express, CX objectives are also translated into KPIs, which then cascade throughout the organization. Then the company assembles teams to tackle specific design and implementation projects, says Raffaella Breaks, senior vice president of product and design. “We form squads based on strategic priorities and what we know about our digital experiences,” she says. “It is really a collaboration based on what we know collectively and what we are trying to achieve.”

DBS Bank bakes CX into all business teams across the enterprise. “Most CX teams are part of the COO functions across the organization,” Evans says. “What their roles are and how they function varies based on what part of the organization they’re in. My job is to link all these people together and make sure we’re all using the same playbook and speaking the same language.”

CX Champions are steering clear of one of the biggest obstacles to cross-functional and decentralized teams – perverse incentives. In many cases, organizational leaders encourage team behavior but evaluate employees individually.

Champions are keenly aware of KPIs and compensation programs that work at cross-purposes. Currently, according to the survey, 57% of these organizations are revising compensation schemes to address the challenge. More than 90% expect to have new programs in place within two years.

Even Laggards understand the importance of team-based compensation. Although only 27% of them are currently revising team-based compensation, another 43% expect to do so within two years.

Kommareddi, of Accenture, cites Kroger as an example of a company with cross-functional teams whose roles, responsibilities, and KPIs are tied together with CX.

Senior executives at the giant grocery retailer have responsibilities for different areas of the company, such as merchandising, logistics, and store operations. At the same time, each leader is charged with managing the growth of a particular consumer segment, such as retirees or young married couples.

As a group, Kroger senior leaders are responsible for companywide performance both within their respective domains and in terms of reaching specific segment growth goals. For that reason, they have a strong incentive to assure that all aspects of the business meet the needs of all the customer segments the grocer is pursuing.

Many banks still struggle with legacy infrastructure, making agility and automation more difficult. For banks that don't want to find themselves on the outside looking in, it's essential to invest in key CX and digital technology infrastructures.

CX Champions also emphasize the importance of ensuring that all employees involved in CX understand their roles and how they fit into the enterprise-wide CX operation. For instance, 70% of Champions “strongly agree” that their organizations have documented workflows between departments and functions involved in the CX process. Only 32% of Followers and 28% of Laggards make the same claim.

Moreover, Champions are the most likely to arm their talent with collaborative software and platforms that allow everyone to manage CX from a single point: 59% of Champions provide them to a “great extent,” as opposed to 25% of Followers and 24% of Laggards.

Leadership and Culture Mesh the Gears

What You Need to Know

- Champions are the most likely to value the leadership skills needed for successful distributed authority, such as the ability to communicate.
- Followers lean toward tougher skills, such as decisiveness.
- Laggards place high value on hands-on skills, such as experience with data and analytics.
- Regardless of the leadership skills they say they value most, performance at Follower and Laggard organizations on those skills is quite low.

Based on their responses to two survey questions, we found that the three maturity groups have very different opinions about what skills CX leaders should have — and how their own leadership measures up. First, we asked them to select the skills (or traits) that they consider most important for CX leaders to have. Then we asked them to rate the performance of their organizations’ leaders on the skills they selected.

Organizations at the top of the CX maturity curve say leadership skills that are essential for successful distributed authority, such as the ability to communicate, are the most important. Followers and Laggards, on the other hand, tend to value tougher skills, such as decisiveness.

Based on the skills they deemed most important, Champions seem to have the most empowered environments, and their leaders tend to focus on soft skills, such as the ability to inspire. These organizations also don’t appear to have hierarchical decision-making structures, which likely accounts for the premium placed on the ability to

delegate and communicate, including articulating boundaries and implementing guardrails.

Followers, on the other hand, don’t value the ability to delegate as much as Champions but do value decisiveness. This suggests a certain value placed on hierarchical decision-making. Although that approach can work in corporate cultures if the process is streamlined, this practice doesn’t correlate to the highest levels of CX quality or the strongest ROI on CX technology investments, according to our survey.

Interestingly, Laggards say that listening and empathy are among the most important skills, suggesting that leaders may be in the process of making change and listening to people to help guide it. But Laggards also place the highest value on data and analytics skills, suggesting that top leaders in these organizations still play a large role in problem-solving and digital change.

Regardless of which top skills organizations deem most important, leadership performance on these skills varies widely. Among Champions, performance is “very strong” for the skills they say are the most important (5 on a 5-point scale). On the part of the Followers and Laggards, performance is remarkably low for the leadership skills respondents say are the most important.

No question: Corporate culture can play a definitive role in imbuing CX with energy. At American Express, top-notch CX has been engrained in the company’s culture since its founding in the 1850s, says Breaks, the company’s senior vice president for product and design. Today, “that heritage is reflected in our digital products and experiences with the customer at the forefront,” she says.

Under Armour similarly relies on culture. Morgan, the company’s former director of global consumer insights, says the organization tends to attract sports enthusiasts who have a very clear idea of the importance of teamwork. Sports such as soccer, football, and basketball are fast-moving games that require team members to understand how handoffs work and their own roles in every play. The company relies on this spirit to connect the CX dots. “People [at Under Armour] frequently think about what handoffs would be valuable,” Morgan says. “They think this way in everything from data to new product ideas.”

CVS Health’s Peluso argues that it isn’t necessary to change corporate culture to improve CX. She relies on the existing culture and has added several hacks to keep the CX energy flowing. For example, she created a coalition of 20 to 30 CX champions from across the

organization who tackle the same CX issues and engage in friendly competition about their progress.

Peluso also regularly adds an empty chair, representing a customer, in CX meetings. That way, she says, the customer always has a seat at the table.

Meeting the Data Ethics Mandate

What You Need to Know

- Securing permission to use personal data is becoming increasingly important, and customers increasingly demand to know how companies are using their information.
- Champions are keenly aware of the challenge, and the vast majority (88%) either have data ethics plans in place or expect to implement them soon.
- Data ethics is more than a document. Organizations need to embed it into their culture and processes.

Industry Snapshot

Nearly 70% of organizations overall have a data ethics plan or expect to add one soon, but the percentages vary from industry to industry (see Fig. 12).

Security breaches aren't the only data threat that organizations need to worry about. Customers are also increasingly concerned about what businesses know about them and how they use and protect personal data.

To keep customer confidence high, organizations are paying close attention to the ethical standards they apply when collecting and using customer data. Data ethics standards are becoming ubiquitous among organizations with advanced CX capabilities.

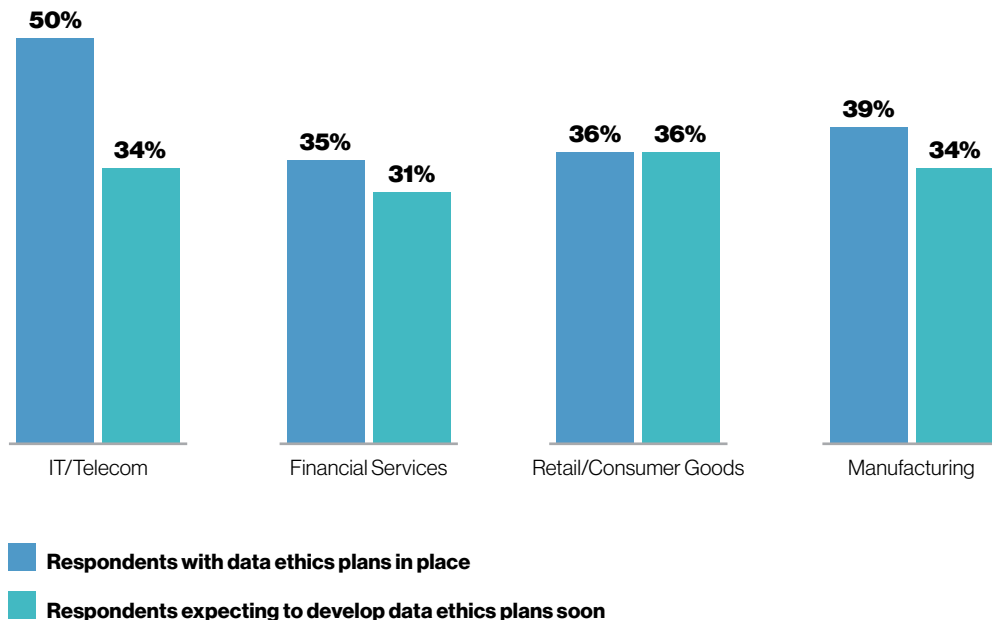
Our survey found that, overall, 38% of organizations surveyed currently have data ethics plans in place. Another 31% plan to create such plans. On the part of CX Champions, however, the number of organizations with data ethics plans in place leaps to 59%, with another 29% saying they anticipate such plans.

Data ethics plans are becoming increasingly critical as consumers become progressively more protective of their personal data and restrictions on the use of third-party data and cookies mount.

The EU's General Data Protection Regulation (GDPR), enacted in 2018, was a watershed moment for data privacy; similar regulations have been adopted in jurisdictions around the world. Although U.S. federal government and regulatory agencies have been slower in the uptake, individual states, including California, are passing their own data privacy laws.

Figure 12:
Data Ethics Plans by Industry

Percentage of respondents in specific industries who have plans in place or expect to soon:



Mozilla Firefox and Apple Safari have already banned the use of third-party cookies on their site, and Google announced its intention to place a similar ban on its Chrome browser.^{2,3} In January 2022, the EU adopted its Digital Services Act that, among other things, stipulates that organizations must provide all consumers in the 27-nation bloc with a simple means to opt out of tracking.⁴

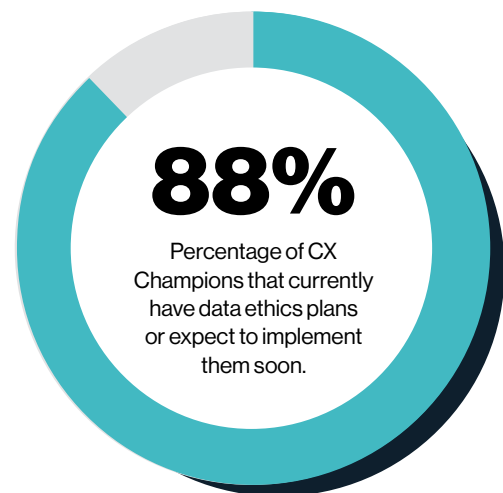
These trends place a premium on the company's own data (first-party data) and the first-party data of organizations that they partner with. To meet these needs and increase customer trust, Grasso, of Digital Business Innovation, believes that organizations should collect only the data they actually need. That approach will be more powerful if, at the same time, businesses offer advantages and benefits to customers in exchange for trusting them with that personal information. If CX is a specific part of overall corporate strategy, the data that the company needs to collect should be clear, he says.

A data ethics plan is more than a document. Ethical considerations become increasingly urgent as risks mount, meaning that organizations need to deeply embed data ethics across the enterprise.

Financial services companies face even larger challenges. Unlike consumer-oriented companies, such as Facebook, Netflix, and Amazon, financial services organizations can't in good conscience try out new data-collection efforts that could negatively impact customers' lives or put their finances at risk. For instance, a bank's experiments with alternate paths for loan or mortgage applications could inadvertently lead to unnecessary denials. The same holds true for online brokerages, which must, for instance, ensure that a new trading option being tested won't cause a customer to lose money.

A data ethics plan is more than a document. Ethical considerations become increasingly urgent as risks mount, meaning that organizations need to deeply embed data ethics across the enterprise. To help organizations implement successful data ethics programs, McKinsey researchers have outlined four specific steps organizations should take:⁵

- **Ensure that data ethics reflects a company's core value and mission.** Being clear about what an organization stands for and offers the community can provide powerful guardrails for evaluating what data uses are acceptable — and which are not.
- **Define roles and responsibilities for the ethical data use, including collection and processing.** As the risks of data usage increase, organizations should have clear processes and accountabilities for resolving any issues, such as detecting and responding to fraudulent use of personal data.
- **Embed data ethics in organizational culture — at every level.** Data ethics should be a pillar of C-suite agendas. Businesses should also train all employees in data ethics policies and processes, including data access management and security.
- **Establish a data ethics board to handle difficult issues and oversee compliance.** Organizations should establish cross-functional teams to resolve thorny data ethics challenges in ways that capture the views and needs of all constituencies. The board can also monitor compliance throughout the enterprise.



Conclusion: Putting the Pieces Together

Our global CX study found that just 15% of organizations are creating top-flight experiences and garnering handsome ROI as a result. Typically, these organizations have revamped their CX operations and are applying AI and analytics savvy to their use of CX technology. Those efforts are driving strong returns on CX technology investments, contributing to CX success, and creating powerful competitive advantage. To keep pace with the CX Champions, we believe that business leaders should take the following steps to drive their organization's CX endeavors:

1. Make CX an integral part of overall digital and corporate strategy.

New corporate initiatives are often left as stand-alone efforts. Even with strong senior executive support, such initiatives must fight for attention and prove how and where they add value. To avoid this pitfall, CX Champions elevate CX strategy to the level of overall digital – and organizational – strategy. Doing so ensures that CX will operate using clear objectives and KPIs that cascade through the company.

2. Empower teams to achieve speed and harness creativity.

Companies need to move quickly. By establishing clear CX objectives and measures, they can rely on distributed authority through highly empowered, cross-functional and decentralized teams. As our research indicates, CX Champions make heavy use of these teams and are fiercely dedicated to broadening their impact. They also focus on rewards and recognition to make sure they are in sync with team results, as opposed to individual performance.

3. Improve the analytics and AI game. Organizations must be keenly aware of how effective their CX efforts are now – and what they should do next. CX Champions are analytics power users and leverage analytics throughout the CX process. They also stand apart from the pack in terms of the progress they are making toward ongoing mastery of AI.

4. Avoid “random acts of technology.” The temptation to deploy every latest technology and not fall behind can be strong. However, absent a solid CX strategy, organizations can easily end up with disappointing results. As the survey indicated, organizations with the poorest levels of CX are just as likely – sometimes more so – to be using the latest technologies, as are their more successful peers. True CX Champions take a more thoughtful and coordinated approach to adopting and implementing technology. ●

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Jennifer Chase leads SAS's data-driven marketing strategy for global brand awareness, demand generation, and customer engagement. She is responsible for brand strategy and activation, product and industry marketing, go-to-market teams, analyst relations, communications, creative, paid media, digital marketing, events, and customer-contact and executive-briefing centers. Her 20-year SAS career includes R&D as well as marketing. Her hands-on experience using SAS technology shaped her belief that carefully curated data, intelligently applied analytics, and curious minds drive stellar customer experience (CX).



SPONSOR'S VIEWPOINT

A Q&A With Jennifer Chase

In this Q&A, Jennifer Chase, executive vice president and chief marketing officer for SAS, discusses CX trends, technologies, talent needs, and other issues, and offers insights on findings from the recent MIT SMR Connections/SAS CX survey.

This conversation has been edited for clarity, length, and editorial style.

Q: What do you see as today's key CX trends and issues?

Jennifer Chase: We're seeing the largest shift in consumer behavior in a generation. People are living digital-driven lives and creating an increasingly dynamic and data-rich world. We have more insights into our customers than ever before.

Customer expectations for the brands they buy from have evolved. Consumers want to have an emotional connection with the brands they invest in. Now, for the first time, what you stand for as a brand will drive buying decisions as much as your products do.

Finally, a solid first-party data strategy is now essential for every brand. In the past, many brands set this initiative on the back burner in favor of a third-party data strategy. However, with increasing regulation, the demise of third-party cookies, and accelerating technology adoption, having a first-party data strategy is no longer optional.

Q: What technologies, in general, are most important to CX today?

Chase: With so many emerging technologies, it can be difficult to know where to start. I've found three non-negotiable technologies that brands need to adopt.

First are artificial intelligence [(AI)] and automation technologies, which allow you to accelerate and scale without losing personalization. Without that ability, you'll slow your growth significantly or lose loyal customers along the way.

“Cross-functional teams contribute to great CX by preventing a customer from having to decipher your organizational structure. When your team works cross-functionally, it allows customers to have a seamless experience, no matter who they contact first.”

Second is customer identity and recognition technology. Options such as loyalty programs, unique shopper profiles, and customer data platforms are essential to providing quality CX. Using this kind of technology to create personalized experiences for your customers will help you develop an emotional connection with each person while continuing to scale.

Third, every business needs quality software for governing data and ensuring consumer privacy. Protecting the data your customers share with you is both ethical and critical for maintaining customers' trust. It's important to know your local data regulations and verify that your software is helping you stay compliant.

Q: What kind of talent do companies need to deliver high-quality CX?

Chase: During the “Great Reshuffle,” talent is top of mind for many businesses. At SAS, our cofounder and CEO, Jim Goodnight, has long said that “95% of my assets drive out of the front gate every night, and it’s my job to make sure they come back the next day.” For companies looking to create teams to deliver incredible CX experiences, it’s essential to focus on finding curious, innovative, and skilled talent.

SAS recently released its [2021 Curiosity@Work Report](#), which revealed that curiosity is a key attribute of successful employees.¹ Our research found that curious employees profoundly enhance innovation, productivity, and problem-solving. We’ve also found that employees who love innovation and lifelong learning bring the types of skill sets needed to deliver top-notch CX for customers worldwide.

Q: Sixty-seven percent of survey respondents said their organization views CX and customer service as interchangeable. Your thoughts on this?

Chase: Immersive CX is a relatively new consumer expectation, and in the past, customer service may have been the extent of a brand’s CX plan. The key difference between the two is that customer *service* is reactive, and customer *experience* is proactive.

While they are certainly interconnected, it’s important to understand the nuanced differences to create a comprehensive CX plan. For example, a brand might implement its CX plan within its customer service department by adding predictive analytics to address negative sentiment or using AI-generated personalization to reduce churn. These are proactive ways to address the experience of the customer, so they’d fall under the umbrella of CX.

Q: Fully 93% of the survey’s “CX Champions” — companies that excel at CX — use or plan to create cross-functional teams.

What’s the connection between such teams and effective CX?

Chase: Cross-functional teams contribute to great CX by preventing a customer from having to decipher your organizational structure. When your team works cross-functionally, it allows customers to have a seamless experience, no matter who they contact first. Creating that environment begins with leadership. When your organization’s leaders establish a culture that values and rewards multidisciplinary teams, it enhances agility and creates engaging experiences for your customers.

Marketing can play a valuable role here. Collaboration is among modern marketers’ superpowers. Their work is necessarily interconnected across the company, and they can be catalysts for promoting cross-functional collaboration.

Q: Eighty-eight percent of CX Champions have or expect to develop data ethics policies. What are your thoughts about, or experiences with, such policies?

Chase: Responsible data ethics is not a “nice to have;” it’s a global business imperative. In a prediction extending through 2022, Gartner has estimated that 85% of all algorithms will give flawed outcomes due to bias in the data, the models, or the human teams managing them.²

At SAS, we’ve established a Data Ethics Practice [(DEP)] with a charter to provide strategies that empower and inspire both SAS employees and customers to deploy data-driven systems that promote human well-being, agency, and equity. With a particular focus on minimizing harm to vulnerable populations, our DEP will institutionalize principles and ensure that SAS’s approach to data ethics is consistent and coordinated globally.

Digital guardianship is a core principle at SAS, and we have mechanisms in place to meet rising data-privacy expectations. Model governance, data governance, and data security protocols are established and rigorously maintained to protect the data entrusted to SAS.

Q: How has SAS’s own approach to CX changed?

Chase: Recently, we’ve changed our approach internally from “we’re a B2B company” to “we’re a B2H [business-to-human] company.” We’ve shifted our brand voice to be more conversational and positioned ourselves to create deeper emotional connections

with customers. We also invested in a brand-awareness campaign to engage potential customers in a fresh way.

As we continue our software-as-a-service journey, we're adopting the LAER — Land, Adopt, Expand, Renew — model. This model recognizes that customers are going to drive their own journeys, and our role is to make the experience as frictionless as possible. It allows us to better support customers and prospective customers as they make their purchasing decisions.

Q: Have you incorporated data, analytics, and AI into your CX efforts? If so, how, and what were the results?

Chase: A world-class customer experience starts with knowing our customers. By doing so, we can anticipate their needs and provide our services rapidly to help them get insights out of their data and achieve desired business outcomes. At SAS, we have an internal app called OneView that provides a central hub for customer information.

Externally, the SAS chatbot capabilities have helped us improve our customer experience by helping us direct tech support questions more efficiently, improve customer service capacity, and enable quicker resolution times.

We've also modernized our tech stack and adopted our own SAS Customer Intelligence 360 marketing platform, which extends the capabilities of a traditional customer data platform (CDP). You can see our full tech stack among the winners of the [2021 Martech Stackie Awards](#).³

Q: Where do you see CX overall heading in the next few years?

Chase: I expect that we'll see massive shifts in CX technology. Companies will develop deep and detailed understandings of their customers' digital behaviors and identities regardless of their business model. I think this will be just as important for B2B and brick-and-mortar businesses as it is for D2C [direct-to-consumer] e-commerce businesses.

I think we'll see businesses normalizing the use of extreme automation powered by AI and machine learning. This automation will be used to reduce complexity and accelerate decision-making in marketing.

The most jarring shift will be how brands choose to adapt their CX strategies for immersive augmented reality. With the metaverse preparing to launch to consumers, and other virtual reality experiences popping up everywhere, this will soon be a top concern for businesses and brands — and another data source for CX.

ABOUT SAS

SAS is the leader in analytics. Through innovative software and services, SAS empowers and inspires customers around the world to transform data into intelligence. To learn more about SAS solutions for marketing and customer data platform (CDP) capabilities, visit sas.com/ci.

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About the Research

MIT SMR Connections conducted a global online survey that drew responses from 2,670 respondents involved in or familiar with CX activities in their organizations. The survey, conducted in August and September 2021, drew participants from a broad range of industries, with the strongest representation from financial services, IT/telecom, retail/consumer goods, education, and manufacturing sectors. To provide a rich context for discussion of the quantitative research results, we interviewed several leading CX practitioners and consultants. These individuals provided insight into current trends and future priorities for organizational CX activities.

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