

# STRATIVITY

01. STRATEGY

02. CREATIVITY



## 2005 Customer Experience Management Study

**No Money, No Love**  
At most companies, it's still "show me the money"

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## Executive Summary

*Based on the study we concluded that companies remained self-centric, transaction-based and product focused.*

Overall the Global 2005 Customer Experience Management Study indicates that corporations remained consistent in their weak approach to customers. Results related to understanding the economics of relationships worsened as did the value of the customer relationship. Therefore, we decided to title the study results “No Money, No Love.” In the absence of understanding customer value, companies do not deliver the love and the relationships required to maximize this value. The result is that overall execution of customer strategies remains far from desirable. Based on the study, we concluded that companies remained self-centric, transaction-based and product-focused. They failed to capture the financial rewards associated with successful, value-based customer strategies.

- > Only 46.1% of the global respondents agreed that their company deserves the customer’s loyalty, as opposed to 40.6% in 2004.
- > 66.8% state that their company’s executives do not meet with customers frequently (another increase in 2005, from 65.4% in 2004).
- > 59.2% state that their relationship with the customer is not well defined (up from 54.1% in 2004).
- > 42% state that their company takes any customer that is willing to pay (compared to 46.1% in 2004). In B2B the number is 52.9%, up from 42.2%, and in services 35.2%, down from 39.7% in 2004.
- > Only 22.4% state that their compensation is tied to quality of service (compared to 18.8% in 2004).
- > Only 33.3% agree that they have the tools to service customers and resolve problems (up slightly from 31.4% in 2004).
- > 31.8% agree that their company invests in people more than in technology (up from 24.3% in 2004).
- > 55.6% of the respondents agree that their employer deserves their loyalty (down again in 2004 from 57.8%).

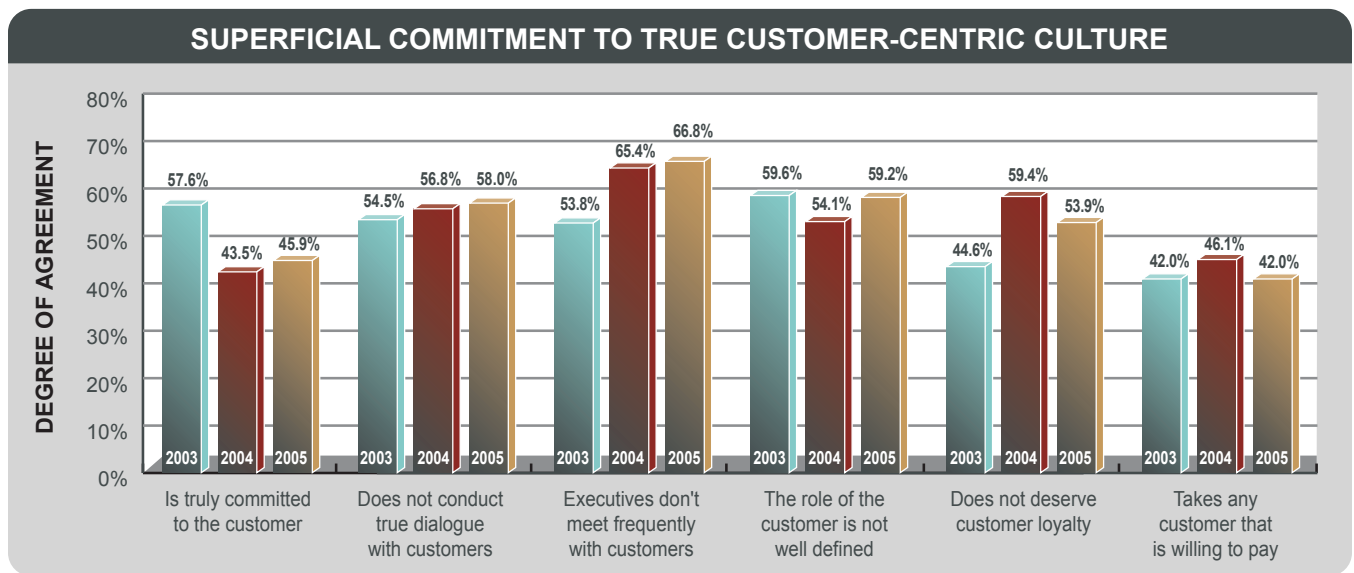


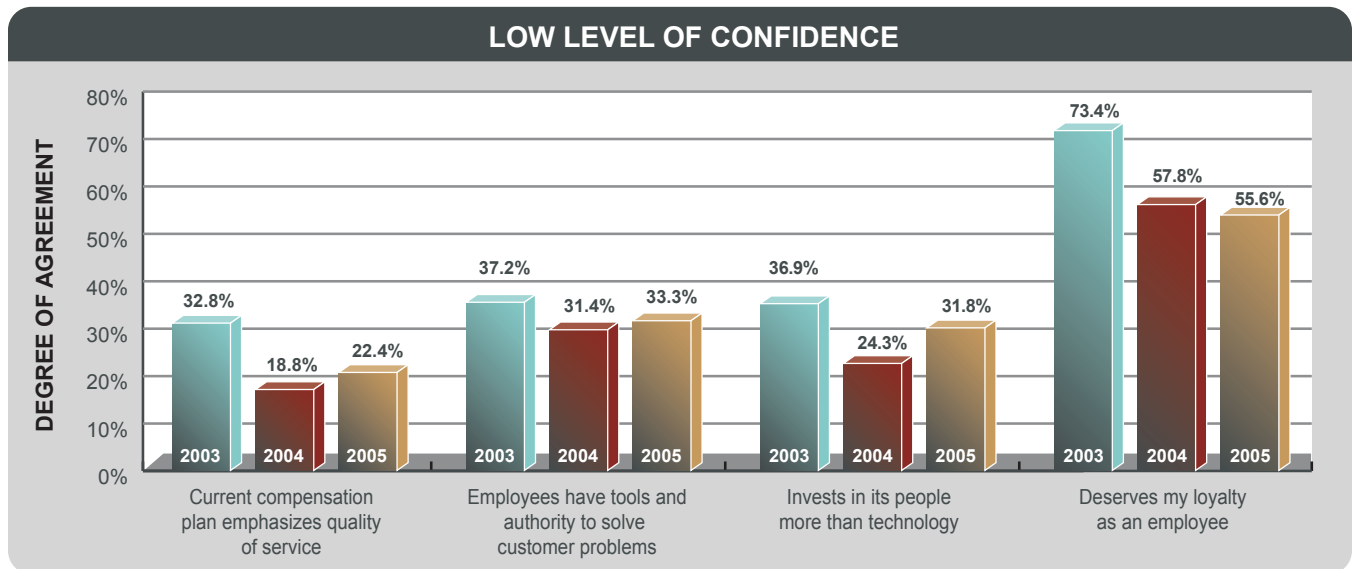
Figure 1: Data demonstrates that executives hold a superficial commitment to a true customer-centric culture.



*In the absence of... financial drivers, companies simply could not justify the investment in customer strategies.*

The 2005 Global Customer Experience Management Study, conducted throughout 2005, indicates that the company / customer relationship is deteriorating. The economic upsurge in 2005 did not translate into better customer relationships or more effective execution of customer strategies. Executives surveyed indicate that do not understand the basic financial drivers behind effective customer strategies. Over 90% of the respondents are unaware of the cost of a complaint, cost of a new customer or the annual value of a customer. As a result, it was not surprising to see that over 50% of the respondents did not consider their company committed to customers or believe that they conduct a true dialogue with customers. In the absence of these financial drivers, companies simply could not justify the investment in customer strategies. Only a minority of the executives (46.1%) believe that they actually do deserve the customer’s loyalty, based on the total value provided by the company.

The trend of companies taking any customer that is willing to pay remained static. 42% of the respondents agreed that their companies take any customer that is willing to pay. This type of mass marketing approach often leads companies to take on unqualified customers who then become unprofitable and put a strain on the company’s customer service resources, creating a negative impact on the company’s bottom line.



*Figure 2: Respondents indicate low level of confidence in tools and commitment to employees.*

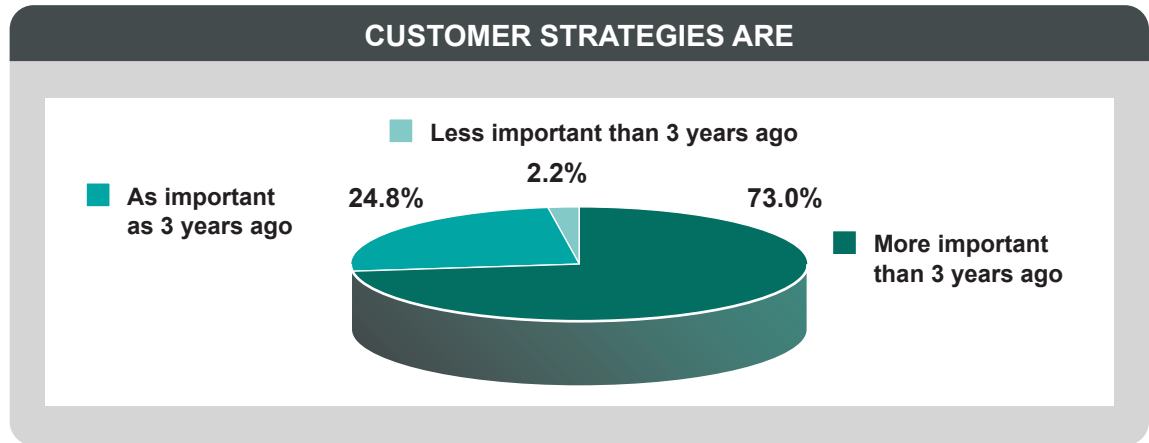
In 2005, according to the study, the employee experience remained weak. This resulted in only 55% of the respondents claiming that the company deserves their loyalty as an employee. This is the third year in a row where we see a decline in employee loyalty to their employers. Only 33% of the respondents affirmed that they have the tools and authority to actually serve their customers. This indicates that organizations are enforcing stricter procedures in lieu of empowering employees to serve customers. The lack of resources provided by companies to enable employees to deliver even adequate customer experiences is a result of the lack of understanding of the economics of customer relationships.



*Companies continue to talk about the importance of customer strategies, but fail to execute them.*

The statement: “Companies are more committed to customer strategies than 3 years ago” shows a decrease in commitment from last year (73% this year as opposed to 76% last year). This indicates that while this is still on the executives’ business agendas as critical to growth, they are struggling with what the strategies should be and how to deal with them.

Figure 3:  
Note: Results for Customer Strategy importance in Europe is very similar to those in the Americas.



The research indicated a strong correlation between perception of true commitment to customer and employee loyalty. Additionally, a strong correlation was identified between the availability of tools and authority, compensation plan linkage to quality of service, executives’ frequent visits to customers and a conviction regarding the company’s true commitment to customers. These positive correlations point towards the actions and solutions companies can take to transform their strategic intentions toward customers into reality. When companies focus on their employees and provide them with the tools and authority to serve customers, their perception of commitment and their actual commitment to customers increase. The first areas of action companies should deal with are: focus on providing adequate resources, giving employees authority to do their jobs properly and making information available to them. Companies should not conduct another customer survey to identify needs. The focus has to be on improving the overall company operation and the execution capabilities of employees.

In conclusion, companies continue to talk about the importance of customer strategies, but fail to execute them. They remain product-centric with transaction, not relationship based, business models. From customer dialogue to providing employees with the resources to deliver great experiences, the state of execution of customer strategies remains poor. The poor state of affairs can be understood better in light of the failure to understand the economics of customer relationships and the potential value associated with investing in delighting customers. The key to finding the solution is focusing efforts on strategy execution and equipping employees with the tools and authority to do their jobs and not conducting customer data gathering or another strategic planning session.