The secret spice of

GREAT EXPERIENCES

STKI Summit 2019

Main Themes
for Customer Experience

2019

BRAND & CX CONNECT
01 Refocus on the brand and connecting CX to it

OUTCOME-DRIVEN DESIGN
02 Designing experiences around the "job to be done"

CONVENIENT CX
03 Striving to simplify experiences, reducing CES and cognitive effort

DATA-CENTRIC CX
04 A special focus on data platforms that manage a single customer identity

THE CHANNEL DIVIDE
Addressing the channels disconnect gap 05

MAKING SENSE OF EXPERIENCES
Increasing use of Experience / Journey Analytics & VOC 06

JOURNEY-CENTERED ORG.
Managing journeys as products
Organizing around CX 07

AUTOMATION & AI
Scaling CX along with the human touch 08

#BRAND IS BACK

WHAT YOU PROMISE:

WHAT YOU DELIVER:

BRAND EXPERIENCE **VS.** CUSTOMER EXPERIENCE

BRAND EXPERIENCE is the PROMISE.
CUSTOMER EXPERIENCE is the REALITY CHECK.

50% of CMOs will bring **BRAND** back as their top priority*.

In 2019, CMOs will move more budget and attention to **reshaping the brand**.

Some will take the added step of reaffirming and honing purpose as an internal engine to **re-establish the connection among their firm's purpose, brand, and experience**.

* (Forrester).

IT ALL HAS TO CONNECT:

Business model

Organizational Terroir

Customer Experience

Brand
Purpose & Meaning

Product

Employee experience

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Brand must be at the heart of your customer experience if you want to create experiences that are *meaningful to everyone.*
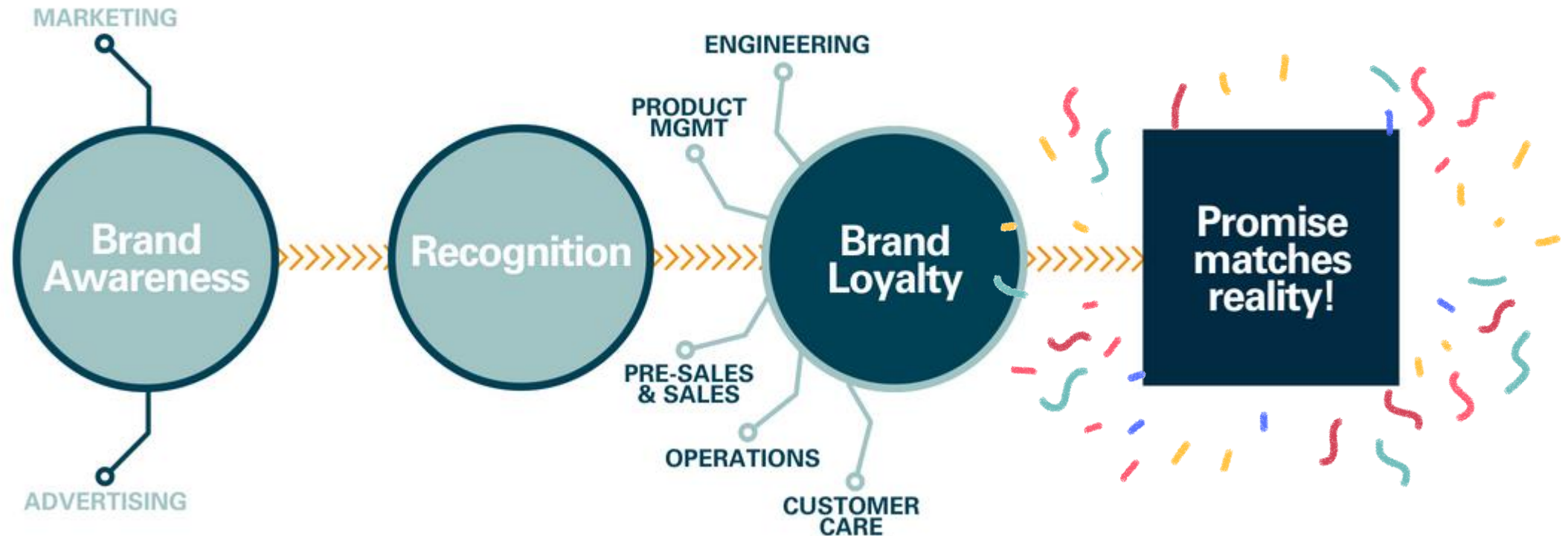
" *meaningful to everyone.* "

Management. Employees. Customers. Partners.

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People love brands that constantly deliver (**CX**) on their promises (**Brand**)

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WHICH BRANDS ARE DOING A REALLY GOOD JOB IN CONNECTING BRAND PROMISE TO CX?

3% annual growth rate advantage | 2% lower expense ratio | 80% higher customer loyalty*

*Source: McKinsey

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THE PROMISE:

"When you join USAA, you become part of a family who stands by you during every stage of your life."

"We know what it means to serve"

THE FULLFILLMENT:

- ✓ Most <u>beloved</u> financial brand on earth
- ✓ <u>NPS Score</u> x 4 times higher than other banks
- ✓ 97% <u>retention</u> rate
- ✓ 10,000 <u>employee-driven CX patents</u> (897 registered)
- ✓ 22% higher <u>empathy score</u>. All employees are also customers and attend design thinking workshops

We proudly serve **military members and their families.**
Since 1922, we have stood by our members. We are your organization for insurance, banking, investments and retirement.

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6 core values:

1. Fighting animal testing
2. Fresh
3. Ethical Buying
4. 100% vegetarian
5. Handmade
6. Naked packaging

LUSH
FRESH HANDMADE COSMETICS

THE FULLFILLMENT

All core values are transparently kept in the product, (none existing) packaging, its enthusiastic employees and award-winning customer experience

Strong community of "Lushies": brand fans

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Offer designer eyewear
at a revolutionary price
while leading the way for **socially conscious businesses**

WARBY PARKER

THE FULLFILLMENT

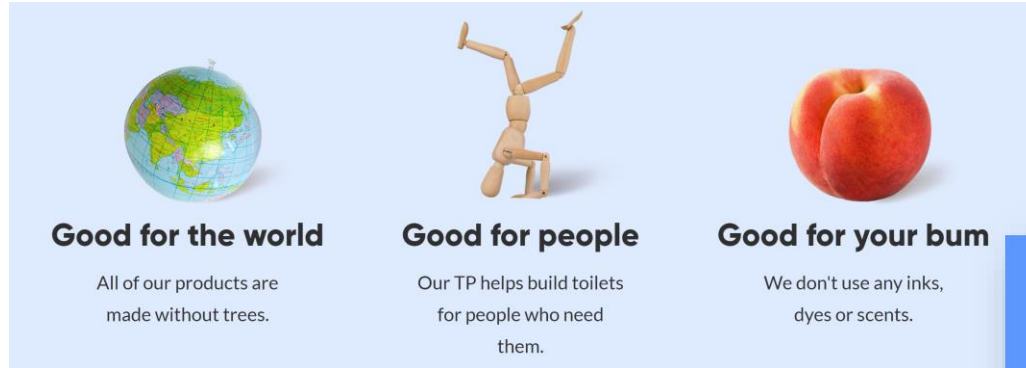Low prices due to control of supply chain & vertical integration

Buy a pair -> Give a pair (>5M pairs till now)

Actively assisting in making eye examinations more accessible worldwide, especially for school children

"**Our customers, employees, community and environment are our stakeholders. We consider them in every decision that we make.**"

THE PROMISE:

"40% of the global population don't have access to a toilet. We aim to actively change that"

Good for the world
All of our products are made without trees.

Good for people
Our TP helps build toilets for people who need them.

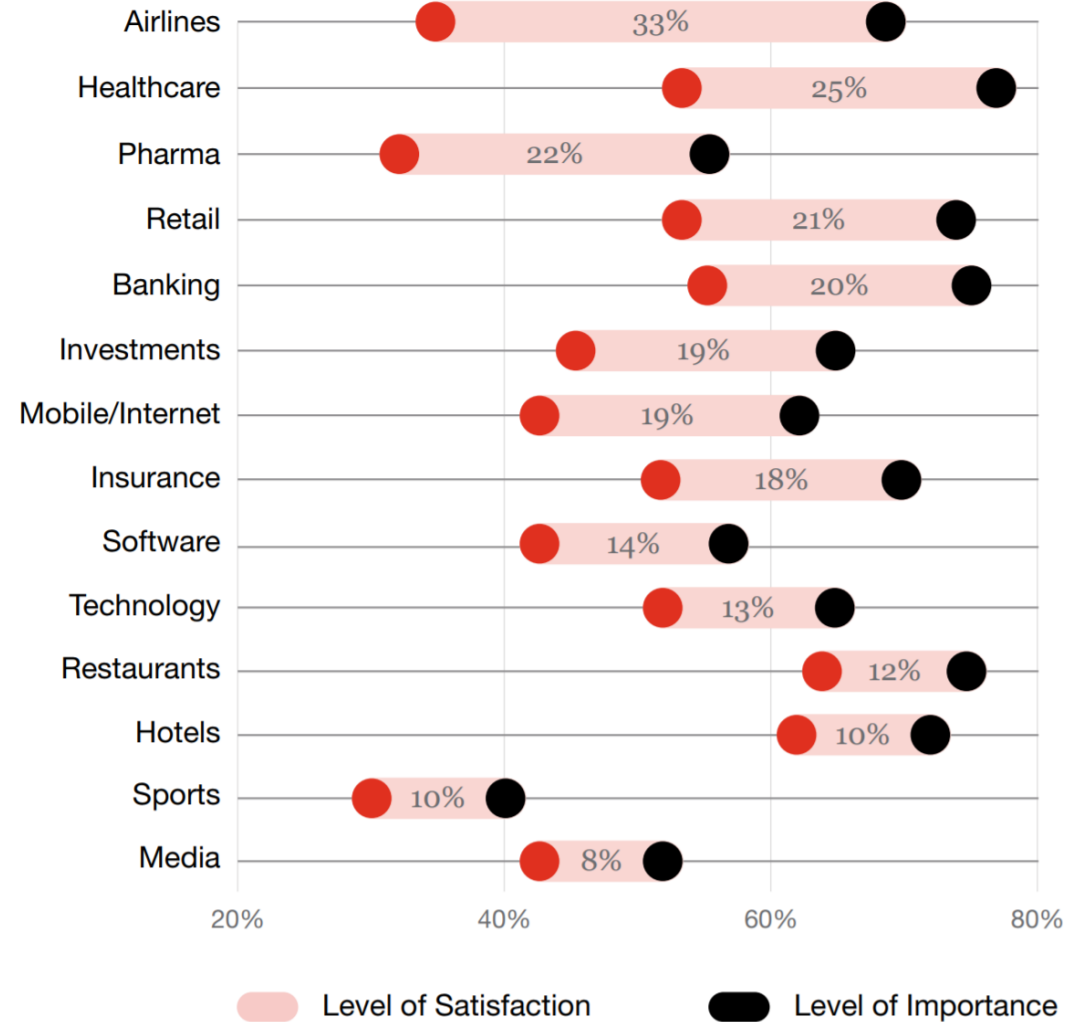**Good for your bum**
We don't use any inks, dyes or scents.

THE FULLFILLMENT:

✓ 50% of profits devoted to building accessible toilets to those in need

✓ "Impact updates" reported to the community

✓ All products are environment-friendly
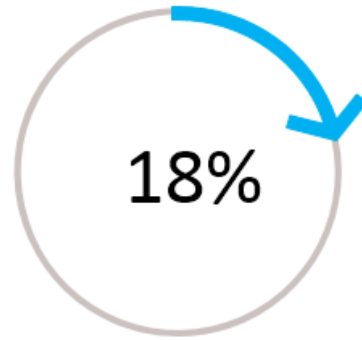
✓ Strong community and high level of engagement

THANKS TO YOUR FLUSH
We've made our latest donation!

But the reality is that most brands don't deliver what their brand promises

THE EXPERIENCE - EXPECTATIONS GAP

Industry	Gap
Airlines	33%
Healthcare	25%
Pharma	22%
Retail	21%
Banking	20%
Investments	19%
Mobile/Internet	19%
Insurance	18%
Software	14%
Technology	13%
Restaurants	12%
Hotels	10%
Sports	10%
Media	8%

Level of Satisfaction   Level of Importance
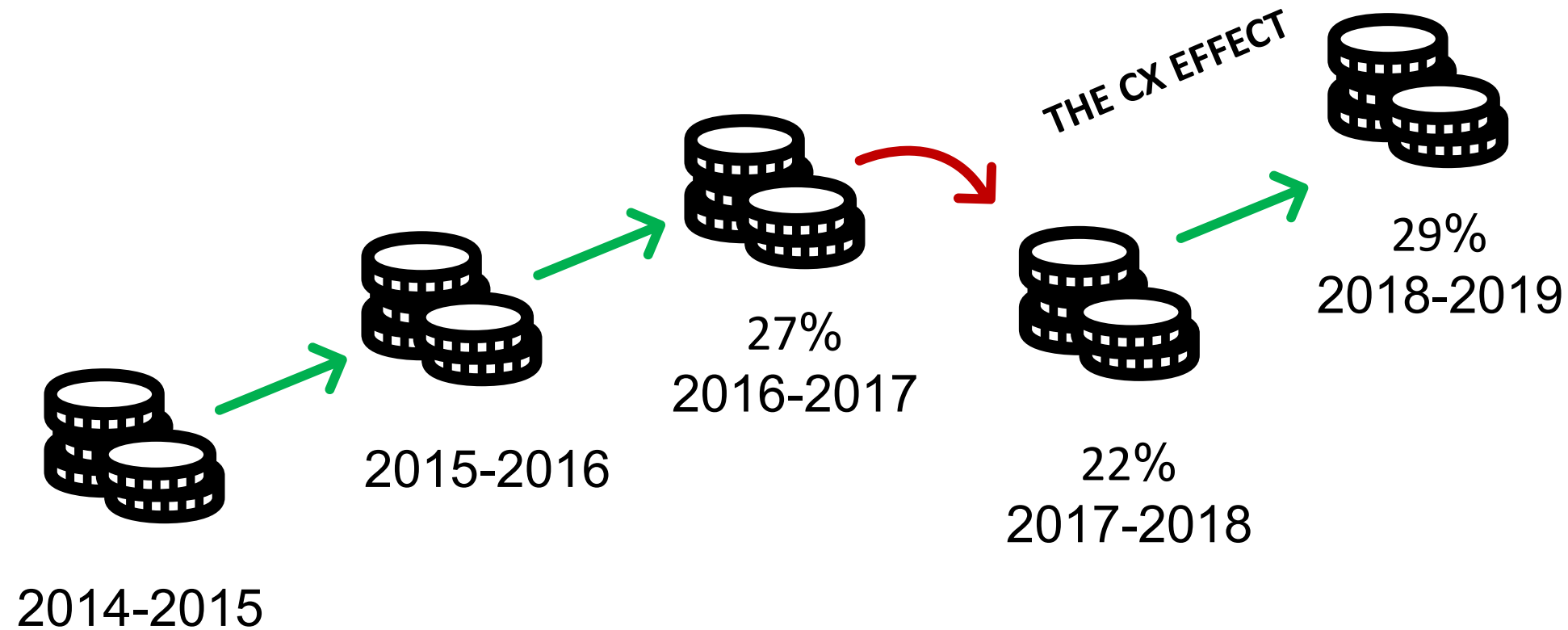
Source: PWC

BRANDS KEEP ON TRYING TO GET IT RIGHT

18%

% of marketing budgets are devoted to CX

MARKETING TECHNOLOGY BUDGET IS BACK ON THE RISE
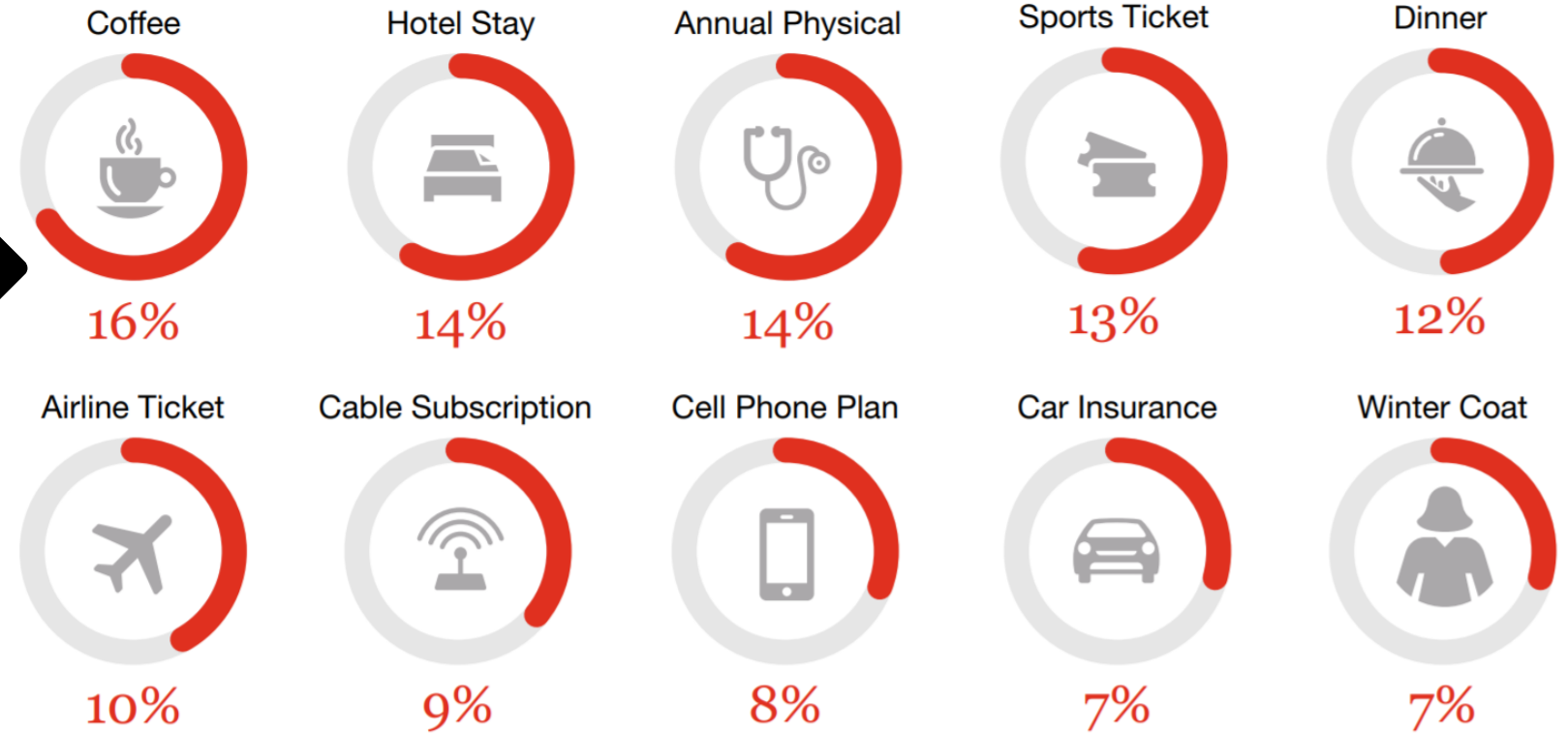## % of Marketing budget devoted to MarTech

THE CX EFFECT

2014-2015

2015-2016

27%
2016-2017

22%
2017-2018

29%
2018-2019

Source: Gartner

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What is the price premium of good customer experience?

+20%

DUNKIN' DONUTS
AMERICA RUNS ON DUNKIN'
$2.09

STARBUCKS COFFEE
$2.45
(nearly 20% more)

Figure 5: The price premium of good customer experience

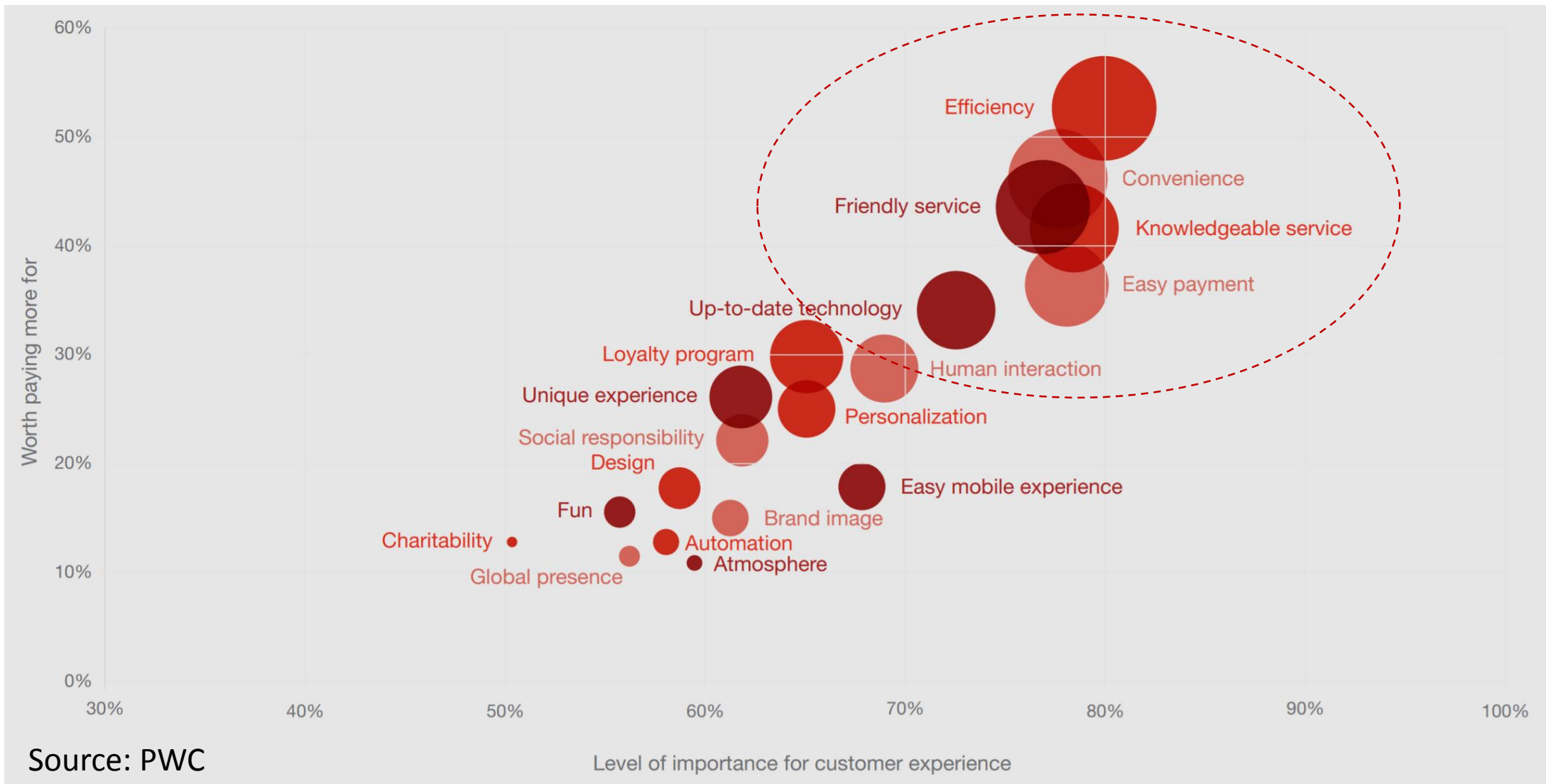|				
Coffee	Hotel Stay	Annual Physical	Sports Ticket	Dinner
16%	14%	14%	13%	12%
Airline Ticket	Cable Subscription	Cell Phone Plan	Car Insurance	Winter Coat
10%	9%	8%	7%	7%

Source: PWC

What is the cost of a bad one?

32% will walk away from a brand after just one bad experience

96% will become disloyal

CUSTOMERS WANT EASY, CONVENIENT, FRIENDLY, EFFICIENT, HUMAN

Source: PWC

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ORGANIZATIONS GET CX WRONG

Factors driving customers' willingness to try companies' digital CX initiatives

Executive ranking

1. Improved sense of control
2. Customer's digital savvy
2. Improved convenience
3. Ability to self service
4. Easier processes
5. Takes less time
6. Curiosity
7. Faster results
7. Less expensive

Consumer ranking

1. Takes less time
2. Improved convenience
3. Faster results
3. Easier processes
4. Less expensive
5. Digital savviness
6. Ability to self service
7. Improved sense of control
8. Curiosity

What executives THINK customers want:
- **Digital**
- **Self-service**
- **Control**

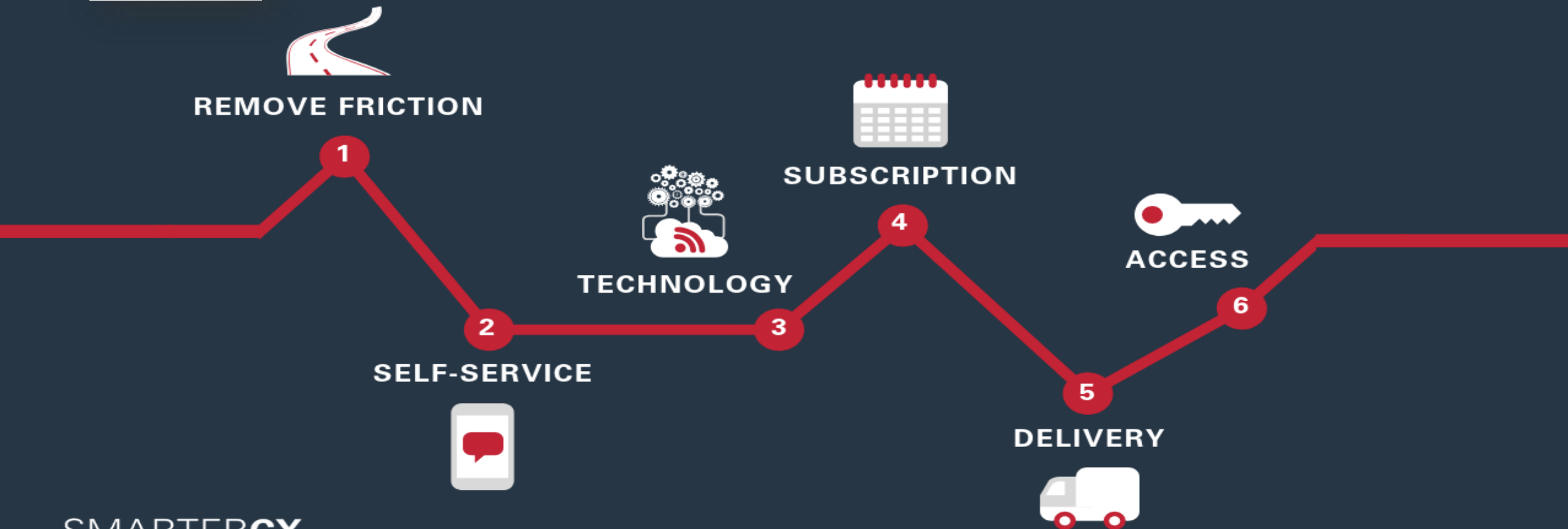What consumers REALY WANT: **Quick, convenient, affordable results**

Source: IBM Institute for Business Value, Executive survey n – 600; Consumer survey n – 5,895.
Note: Multiple instances of the same ranking number represent a tie.

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18

FOCUS ON CONVENIENCE

THE CONVENIENCE REVOLUTION

How to Deliver a Customer Service Experience
That Disrupts the Competition & Creates Fierce Loyalty

New York Times &
Wall Street Journal
Bestselling Author **SHEP HYKEN**

6 AREAS OF CONVENIENCE

REMOVE FRICTION — 1

SELF-SERVICE — 2

TECHNOLOGY — 3

SUBSCRIPTION — 4

ACCESS —

DELIVERY — 5

— 6

SMARTERCX

FOCUS ON CONVENIENCE
"They are so easy to work with!"

Mission: Trying on shoes
Friction: Locating employees and asking them for help to try on shoes

Mission: buying food/drink
Friction: Waiting in checkout line

Mission: buying tickets, waiting in lines, getting food & drinks
Friction: A lot of tension - long lines, locating facilities, knowing where to go

Mission: Dressing in style
Friction: going to physical shop, waiting in lines to try on, waiting in line to pay, don't know what fits me & what's in style

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LITERALY ZERO FRICTION:

"We have to make sure everyone at every level of our business - from IT to retail - is working towards the common goal of removing friction from customer experiences."
- Dennis Maloney, Domino's CDO

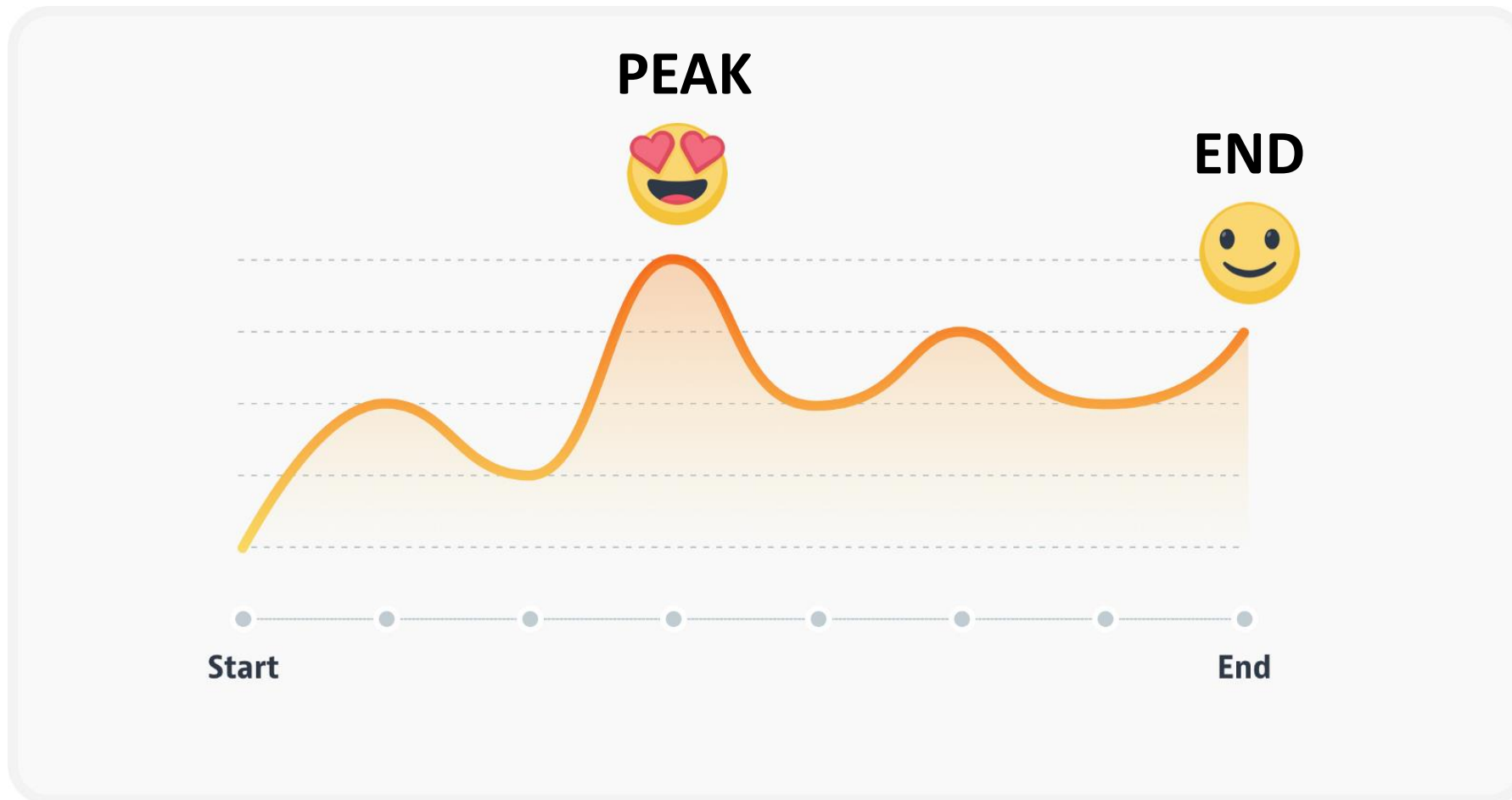**WELCOME TO ZERO CLICK ORDERING**
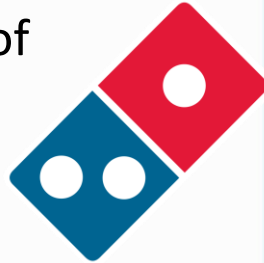
From 25 steps -> to 5 -> to zero
Customer profiles is key (DATA!)
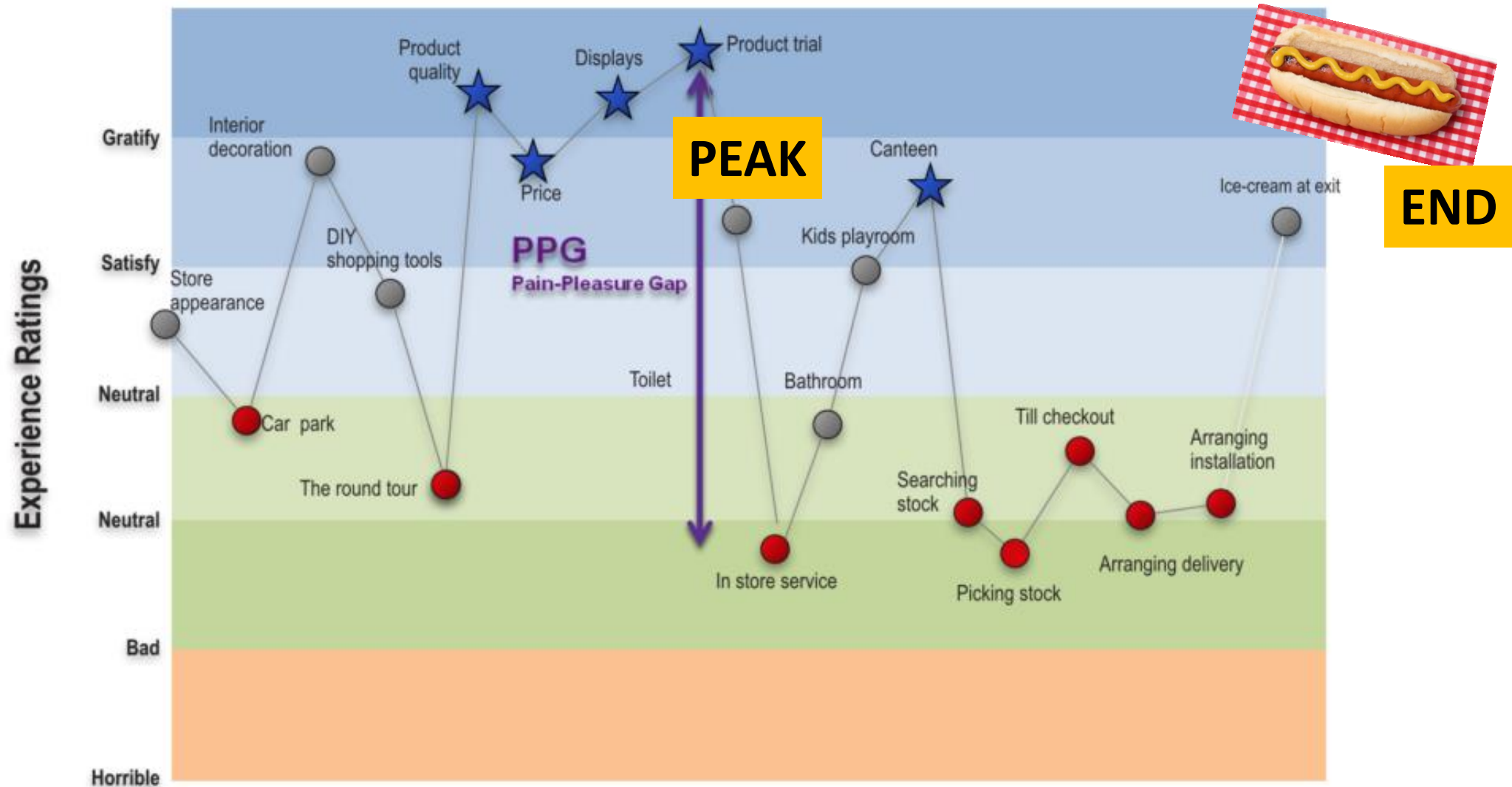>60% of all orders are online

Just open the app
After 10 seconds order is automatically placed

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THE PEAK-END RULE:
People's judgment of an experience is the average of how they felt at two moments:

IKEA PEAK-END IN-STORE EXPERIENCE:

Adapted from Sampson Lee GCCRM

Organizations got CX wrong!

- In 95% of the companies, managers have been unable to agree on what CX even is

- CX is not an initiative; it is a business process

In order to build a CX strategy we went straight to the source - customers/users…

Why are we even asking customers what solutions they want?

"customer is a wrong unit of analysis when you are trying to innovate"
Clayton Christensen

- Why should a company depend on the customer to know the best solution?
- Why hire the customer to do the job of the marketing, development, and product planning team?
- Coming up with the winning solution is not the customer's responsibility. **It is the responsibility of the company.**

85% of CUSTOMERS / business executives usually say that they need a better tech solution. **_STKI_**

BUT
Customers don't need an app
Customers don't need a better site
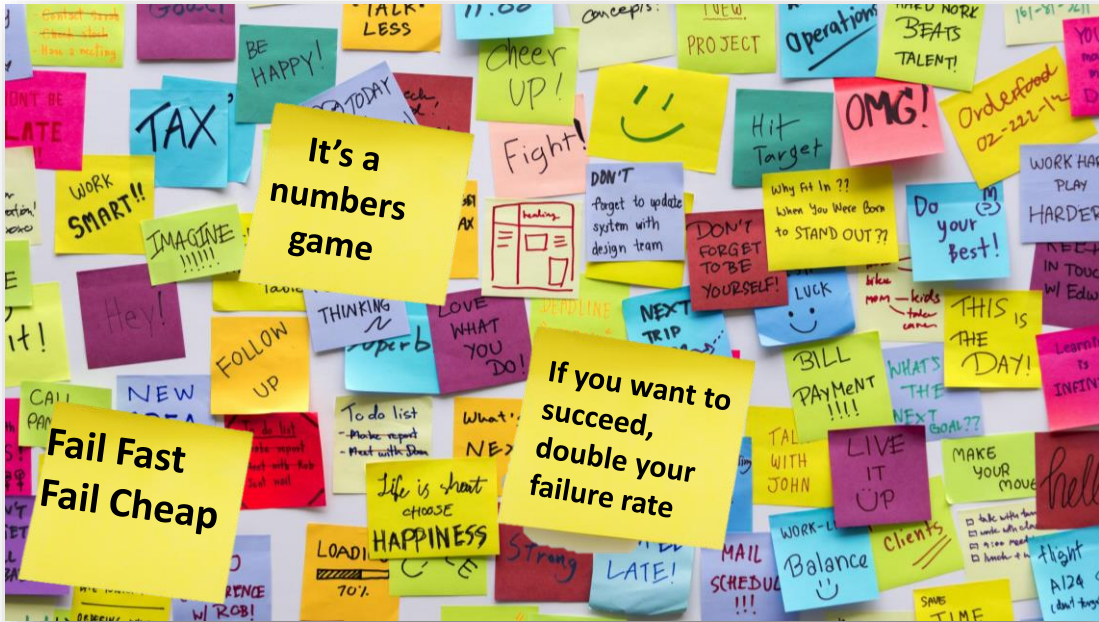They definitely don't need an upgraded BO

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Job-to-be-Done

What is that the customer trying to accomplish?

———

Millions of people are trying to turn their cars into an office

CX innovative initiatives usually start with:
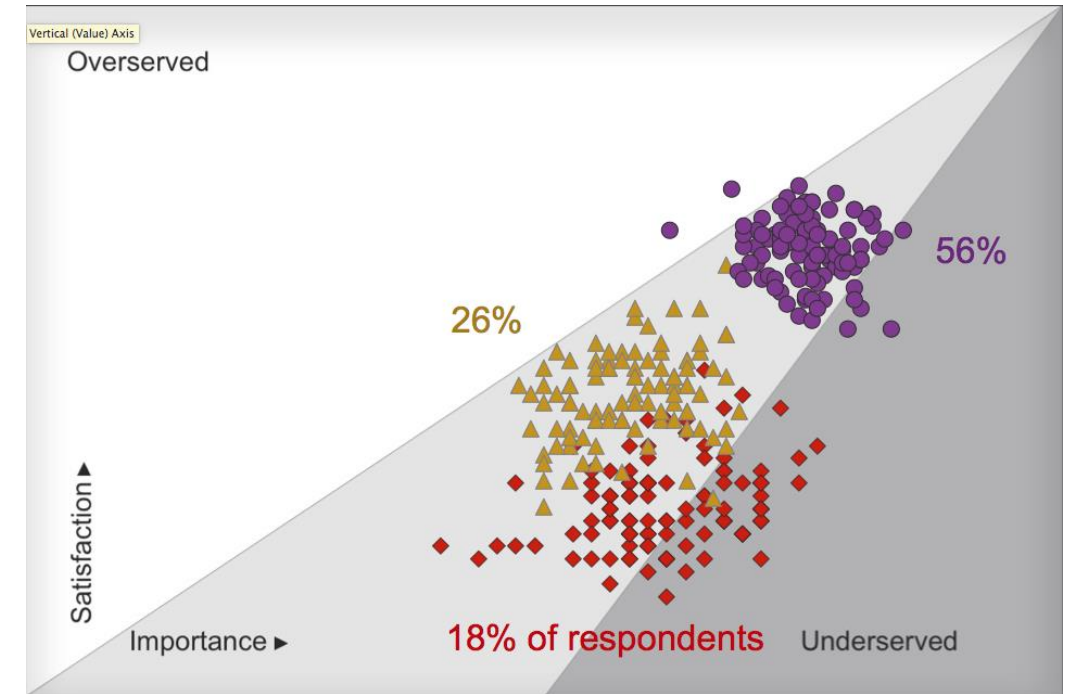
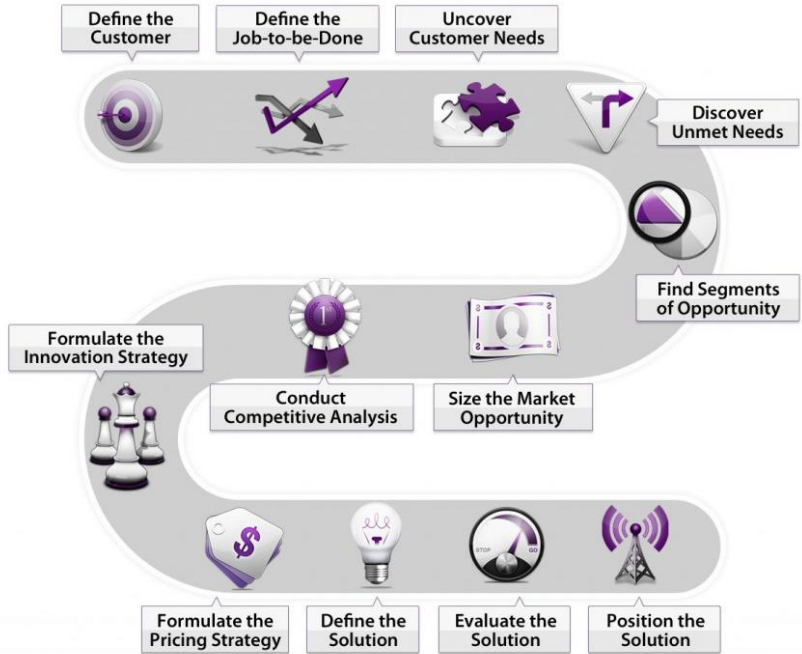**Ideas-FIRST Approach:**

Many bad ideas are still not a good process
There is such a thing as a BAD IDEA
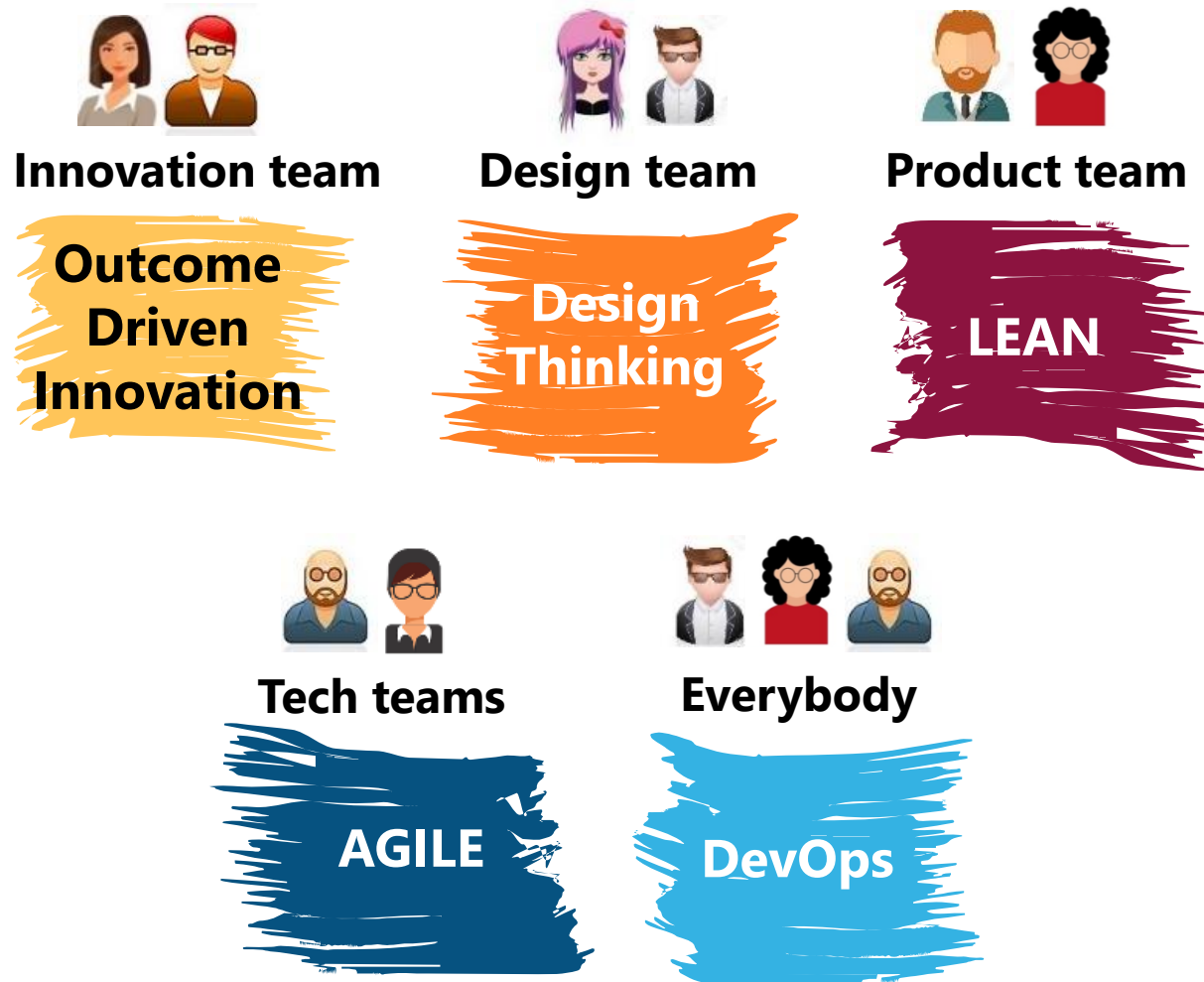
Customers Needs-FIRST Approach:

Even thought customer needs are important input into the CX process, *there is no universally accepted definition of what a need is and it is assumed that customers have latent needs or needs that cannot be articulated*
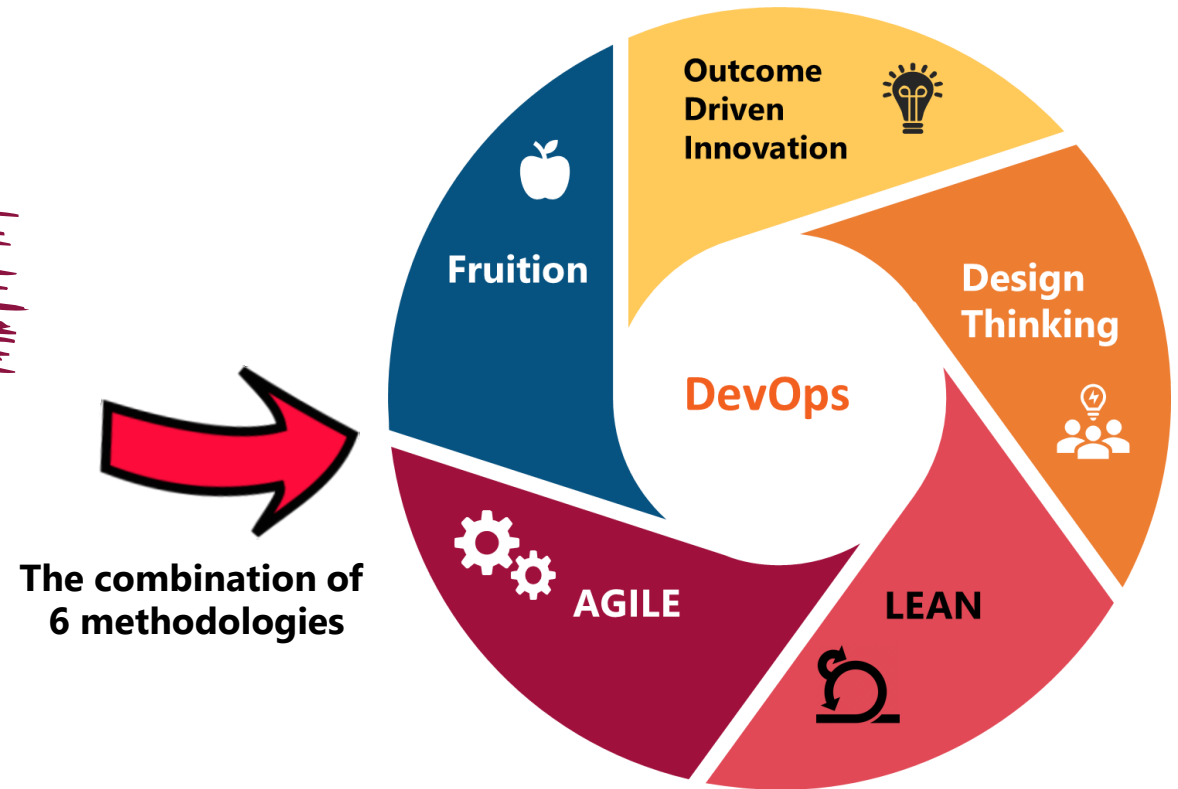
CX Outcome Driven Innovation Journey

strategyn.com

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So many different methodologies & tools

Outcome Driven Development
(NO to features/ YES to outcomes)

Innovation team

Outcome Driven Innovation

Design team

Design Thinking

Product team

LEAN

Tech teams

AGILE

Everybody

DevOps

The combination of 6 methodologies

Fruition

Outcome Driven Innovation

Design Thinking

DevOps

AGILE

LEAN

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Terroir Innovation Management® TIM

Outcome-Driven Development®

01 JOB TO BE DONE — Define market/product strategy based on unmet needs

Maintain

Product strategy

02 DESIGN PRODUCT — Define requirements based on customer metrics

Implementation & Training

DevOps

05 FRUITION — Deploy & implement

Deployment

Problem definition

03 PROTOTYPE & TEST — Design system & test outcomes with customer metrics

04 DEVELOP THE PRODUCT — Agile development & test with outcome metrics

Product prototype

TIM Methodology® - Job To Be Done®

Uncovering the jobs (a fundamental problem in a given situation that needs a solution) **that cause customers to hire products and services**
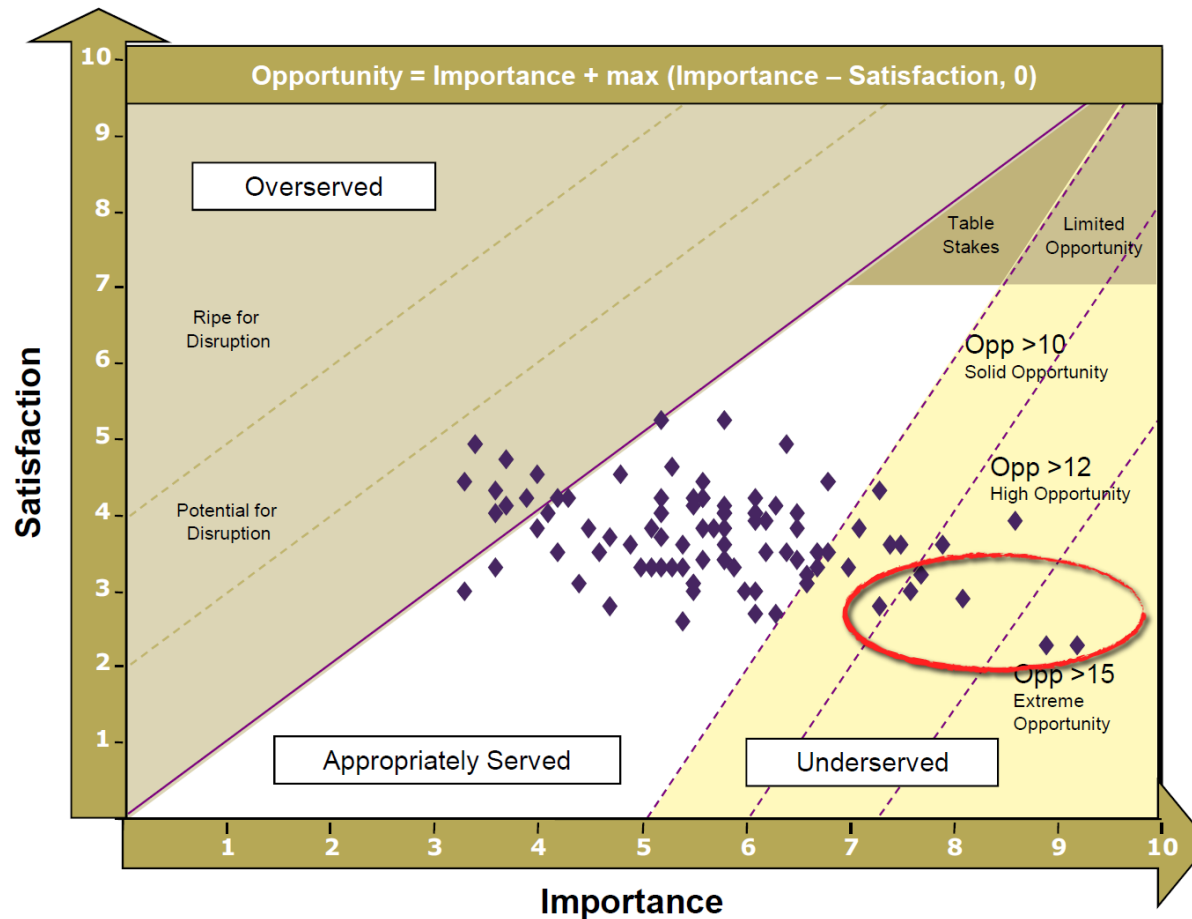
Define market/ product strategy based on unmet needs

JOB TO BE DONE

Product strategy

01

Market definition

Needs analysis

Market strategy

Opportunity = Importance + max (Importance − Satisfaction, 0)

- Overserved
- Ripe for Disruption
- Potential for Disruption
- Table Stakes
- Limited Opportunity
- Opp >10 Solid Opportunity
- Opp >12 High Opportunity
- Opp >15 Extreme Opportunity
- Appropriately Served
- Underserved

Satisfaction (y-axis, 1–10)

Importance (x-axis, 1–10)

1. **Functional Job**
2. **Customers Needs**
3. **Unmet Needs**
4. **Solution for Job Done Better**
5. **Define Outcomes**
6. **Product/Service Strategy**

TIM Methodology® - Design Product & Define Outcome

define the outcome: what outcome is expected for a certain functional job and a market segment.

Desired Outcome

The "right" strategy is the difference between success and failure

Spotting underserved customers needs

Product strategy

02

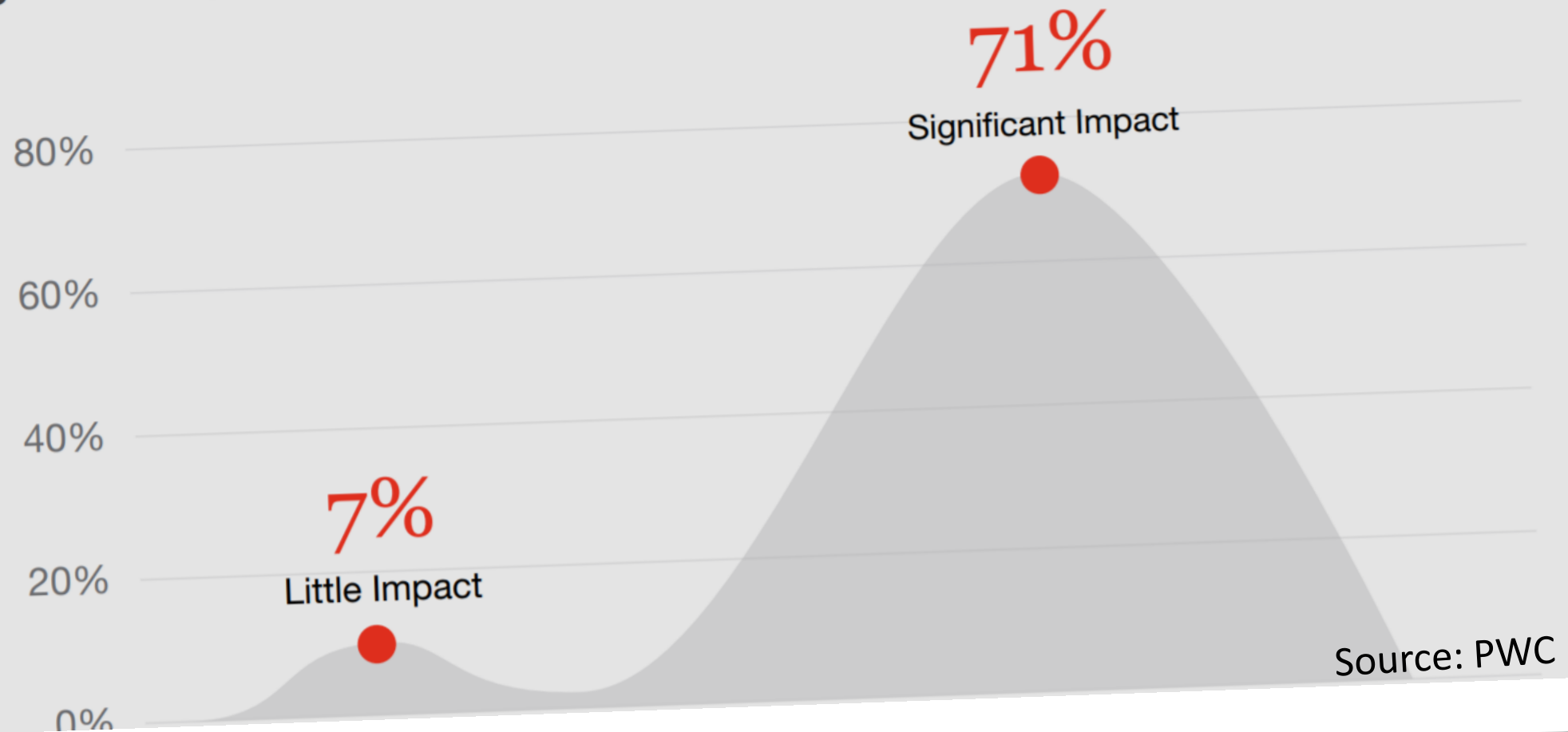Define requirements based on customer metrics

DESIGN PRODUCT

Problem definition

1. **Customers Research**
2. **Prioritize Outcomes**
3. **Commit to an Outcome**
4. **Develop Success Metrics**
5. **Problem Definition**

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Figure 9: Employees have a significant impact on experience

Giving people the authority, procedures, and resources needed to serve their customers

Source: PWC

Employee engagement drivers:

AUTONOMOS

INTEREST

MASTERING

PURPOSE

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Companies that encourage their employees to make AUTONOMOUS DECISIONS:

Virgin Airlines:
Employees are empowered to solve problems immediately and to make every customer's journey memorable. Front-line employees have freedom to operate and solve customer problems within a wide outline established by managers.

Trader Joe's:
Try it. We think you'll like it. If you don't, bring it back for a full refund.

Ritz Carlton:
Every employee at Ritz-Carlton Hotels has the freedom to use up to $2,000 to rescue a bad guest experience

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![Disney logo]

Do not copy what works for others- find **your own way**

People first

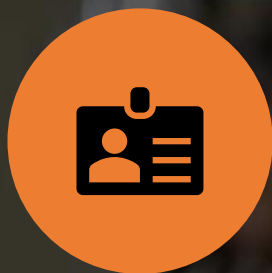Culture of cooperation

Small and blended teams

Top priority purpose

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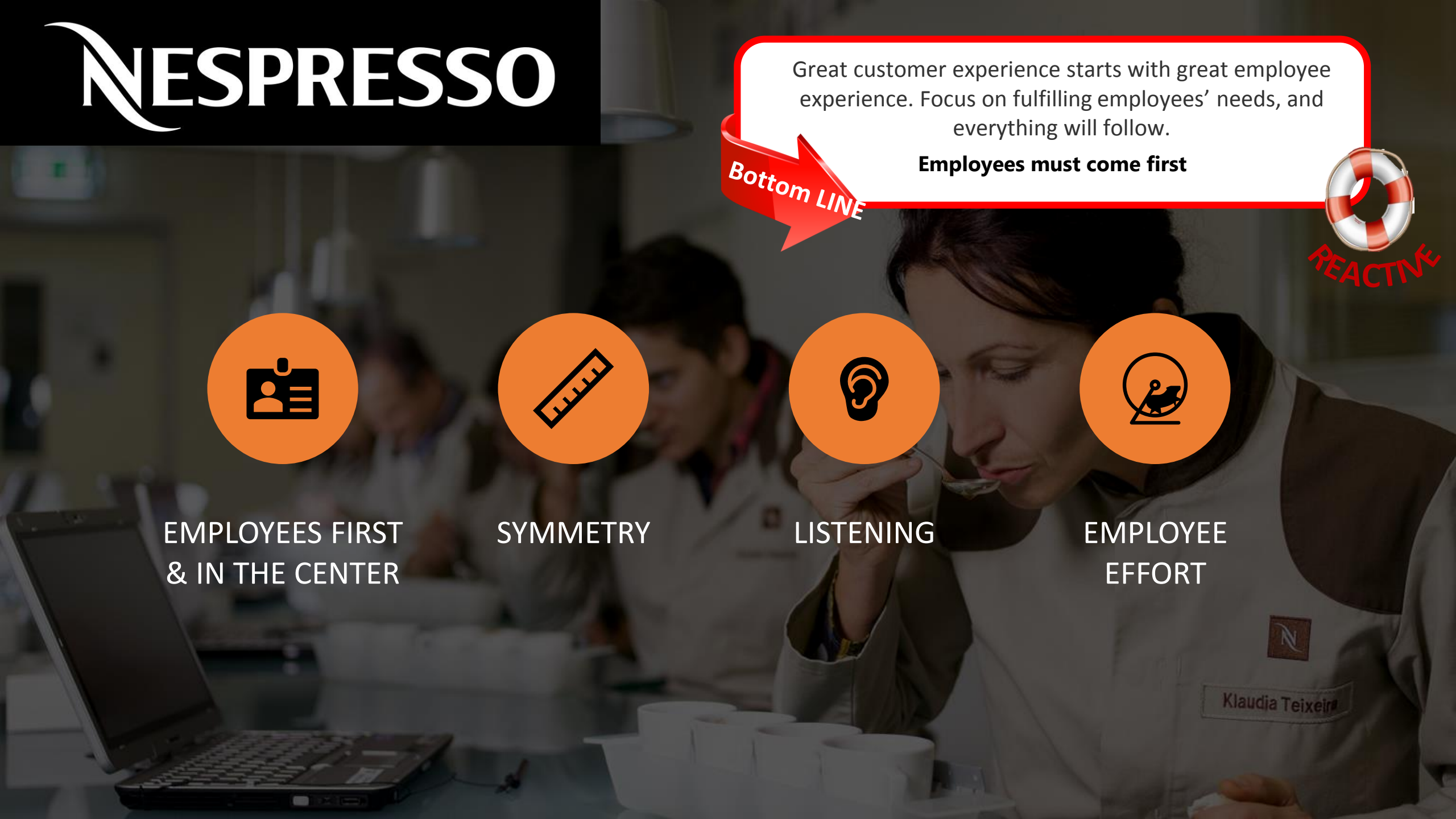
SO WHAT ARE WE DOING WRONG?
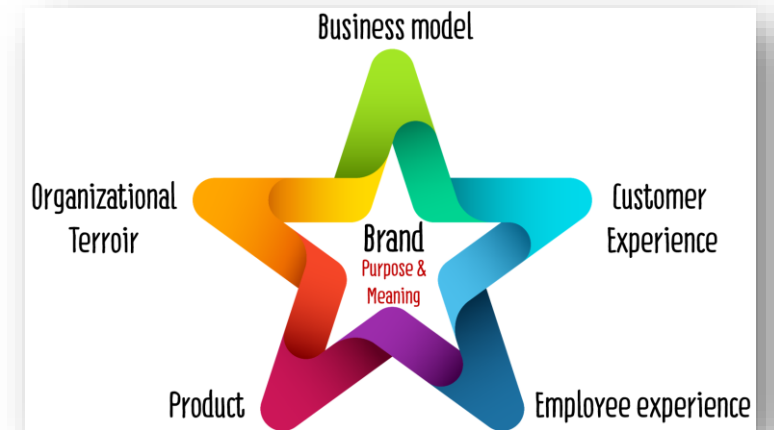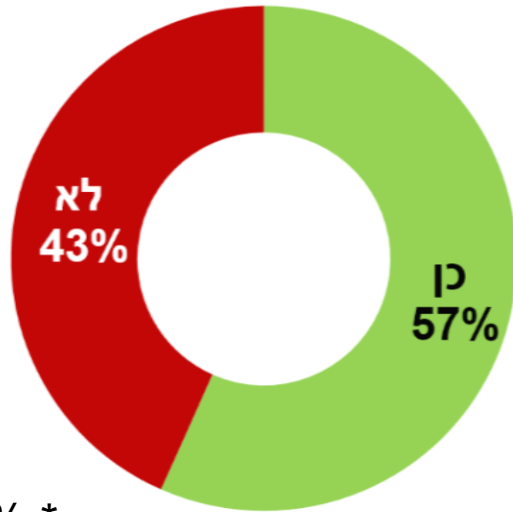
RIGHT

WRONG

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LACK OF CX STRATEGY

Only 18% of companies use their brand as the base for their CX strategy (Forrester)

1/3 of organizations have no clear roadmap for their CX vision (PWC)

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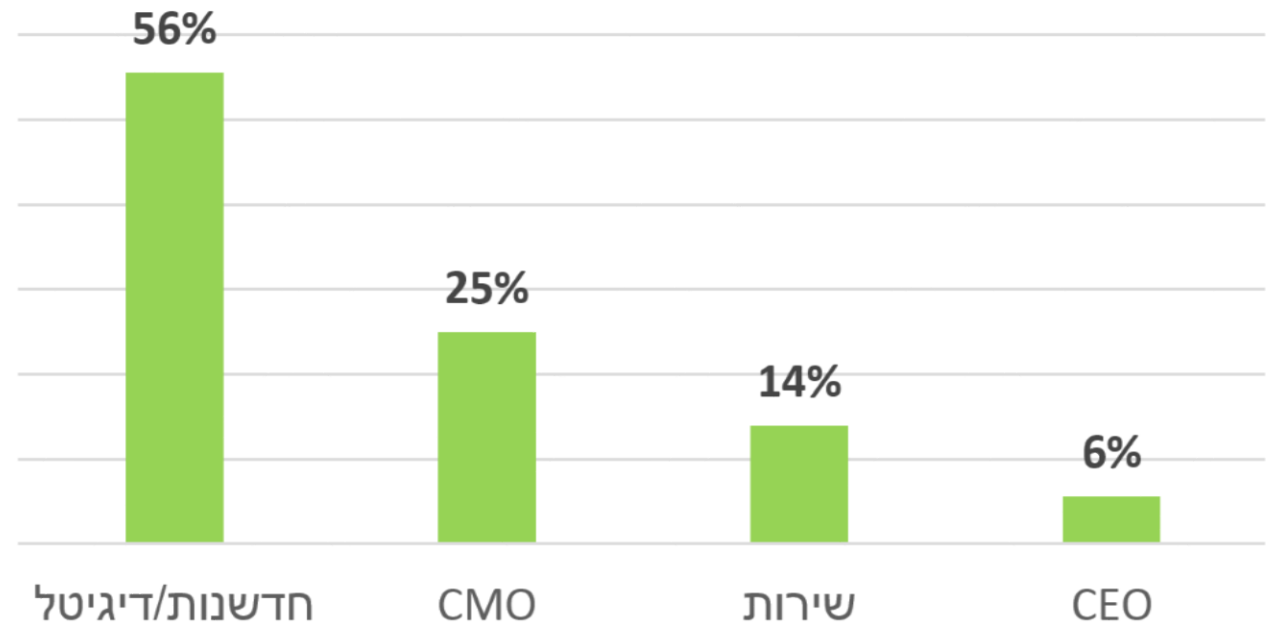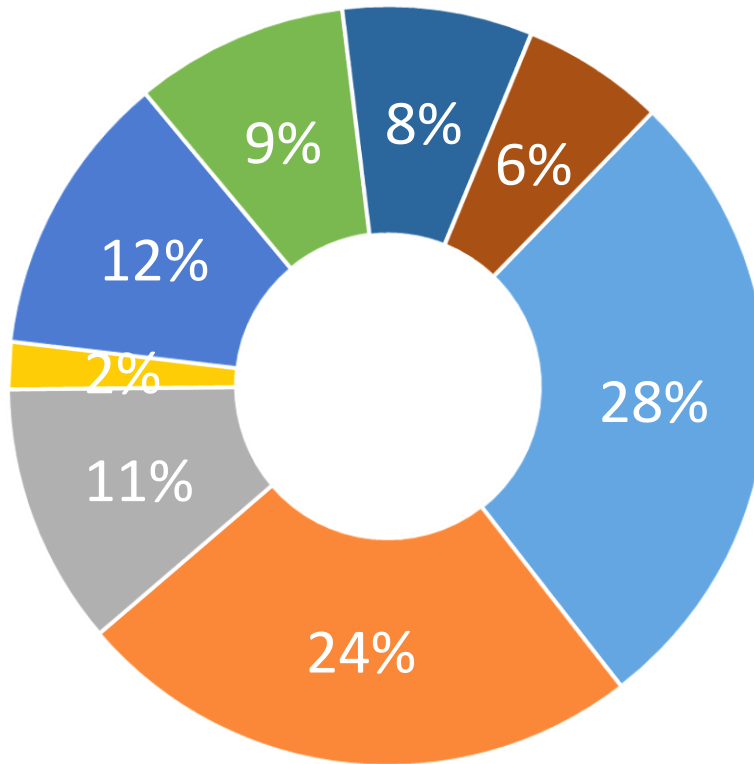האם בארגונך קיים תפקיד של מנהל/ת חוויית לקוח (או פונקציה מקבילה)?

לא 43%
כן 57%

* 40% ארגונים פיננסים

מקור: סקר STKI, 2019

היכן ממוקמת פונקציית חוויית לקוח בארגונך?

חדשנות/דיגיטל	CMO	שירות	CEO
56%	25%	14%	6%

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MATURE CX COMPANIES' #1 MOST IMPORTANT METHOD FOR EXECUTING THEIR CX STRATEGY:

Voice of the Customer/ Customer Feedback

Source: Hotjar state of CX 2019

- ■ Voice of the Customer
- ■ Real time/Predictive Analytics
- ■ Personalization
- ■ Artificial Intelligence (AI)

- ■ Having an outstanding team
- ■ Chatbots
- ■ Market Research
- ■ Virtual reality (VR)/Augmented Reality (AR)

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LACK OF TECHNOLOGY STRATEGY & ARCHITECTURE
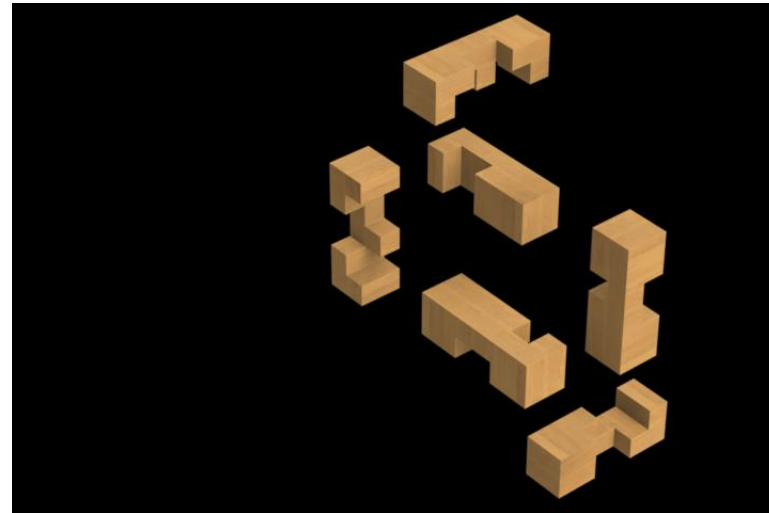
How does it all come together?

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SYSTEMS OF ENGAGEMENT

MAXIMIZE VALUE

Journey Orchestration

Personalization

Optimization

AI

Re-Design

UNDERSTAND NEED

Personas & Audiences

Empathy

VOC

Plan

DELIVER IT

Journey Analytics

Visualization

Customer Feedback

Physical & Digital Channels

Test

Marketing Automation

DESIGN ANSWER

Human-centered Design

Outcome-driven Design

Design

Orchestrate touchpoints

CUSTOMER PROFILE & DECISION HUB

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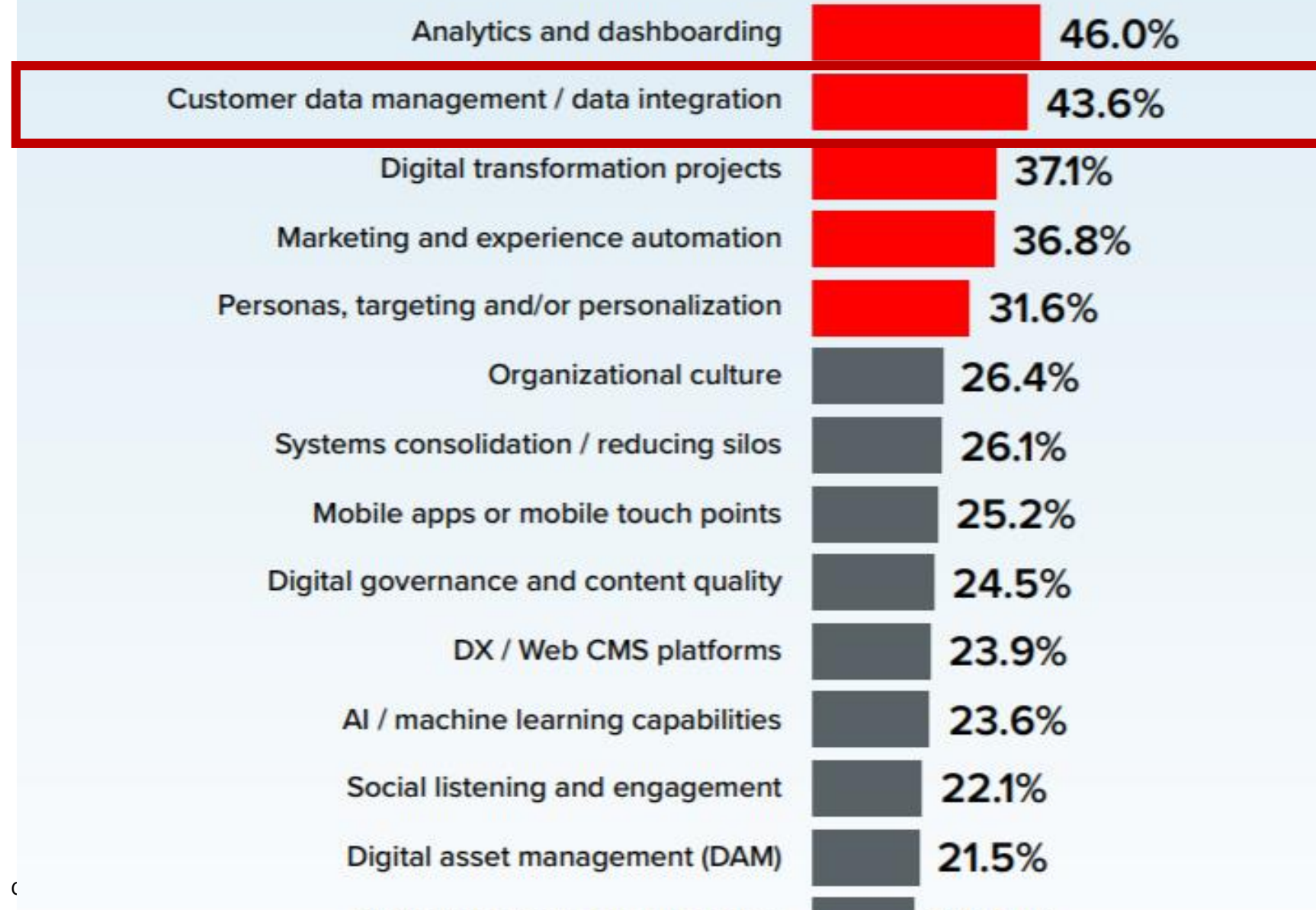# <STILL> NO SINGLE VIEW OF THE CUSTOMER

Too much data, from different sources, configured in different formats and managed by individual business units

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CX managers need access to **integrated** & **harmonized** data!

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What are your organization's current digital customer experience investment priorities

Analytics and dashboarding	46.0%
Customer data management / data integration	43.6%
Digital transformation projects	37.1%
Marketing and experience automation	36.8%
Personas, targeting and/or personalization	31.6%
Organizational culture	26.4%
Systems consolidation / reducing silos	26.1%
Mobile apps or mobile touch points	25.2%
Digital governance and content quality	24.5%
DX / Web CMS platforms	23.9%
AI / machine learning capabilities	23.6%
Social listening and engagement	22.1%
Digital asset management (DAM)	21.5%

A **CDP** ensures that customer profile data, transactional events and analytic attributes are available for real-time interactions
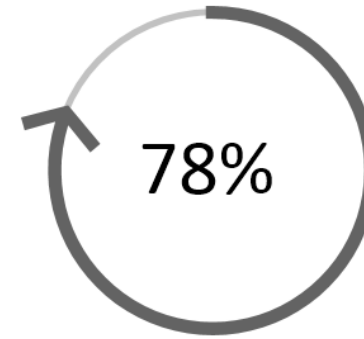
Does your organization own or are you planning to invest in a CDP or customer data management solution?

21.6%	11.0%	24.2%	20.5%	19.3%
Yes, we have already purchased one	**Evaluating** CDPs right now	**No,** but it's a topic of discussion	**No,** and no current plans	Not sure
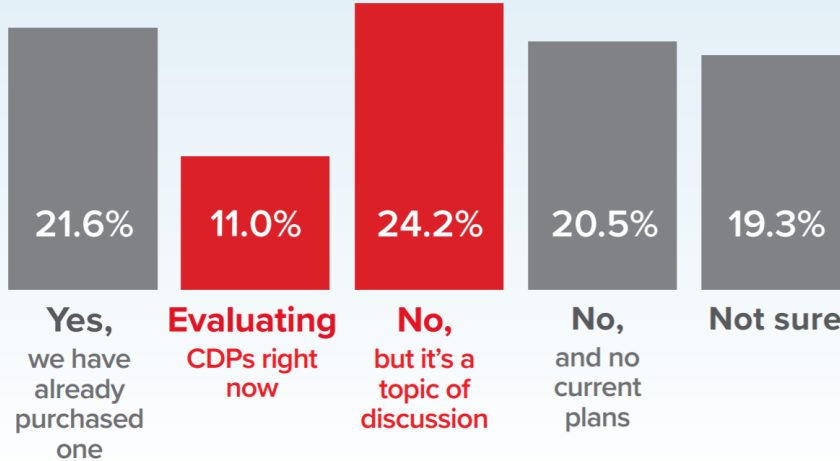
SOURCE: SMG/CMSWIRE DIGITAL CUSTOMER SURVEY 2018

78%

78% OF ENTERPRISES HAVE, OR ARE DEVELOPING, A CDP

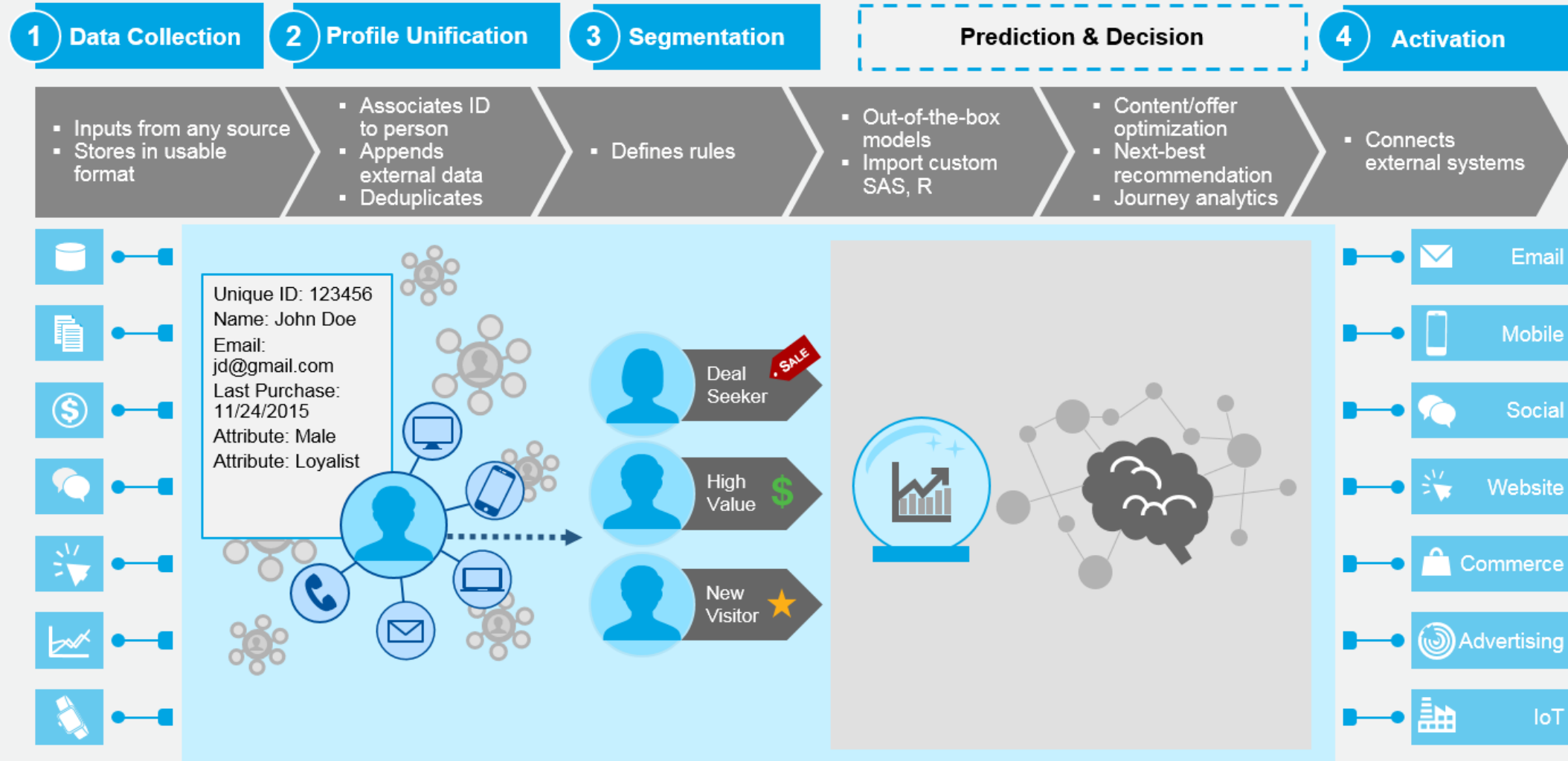Source: Forbes Insights

Source: SMG/CMSwire

Source: Forbes

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What is the value of a CDP?

Features of Customer Data Platforms

Optional

1 Data Collection **2** Profile Unification **3** Segmentation **Prediction & Decision** **4** Activation

- Inputs from any source
- Stores in usable format

- Associates ID to person
- Appends external data
- Deduplicates

- Defines rules

- Out-of-the-box models
- Import custom SAS, R

- Content/offer optimization
- Next-best recommendation
- Journey analytics

- Connects external systems

Unique ID: 123456
Name: John Doe
Email: jd@gmail.com
Last Purchase: 11/24/2015
Attribute: Male
Attribute: Loyalist

Deal Seeker SALE

High Value $

New Visitor ★

Email

Mobile

Social

Website

Commerce

Advertising

IoT

ID: 348078

Source: Gartner

© 2018 Gartner, Inc.

1st Party Data

Behaviors
Actions
Interests

Online and
Offline

Flexible
audiences
taxonomy

Use cases:
Personalization,
Omni-channel

CDP

Gavin O' Brian
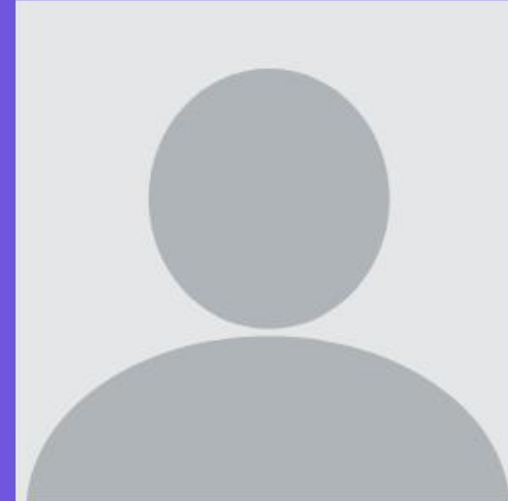
Opened Email:
01/01/2019

Browser: Chrome

Referred From: Facebook

Location: CA, USA.

Affinity For: Soccer,
Music.

DMP

Anonymous user

Age: 30 - 34

Married

High Schooler

Interested in Cats,
Dogs.

Source: Lytics

3rd Party Data

90 days
lifespan

Anonymous
profiles

Use cases:
acquisition
marketing,
display
advertising

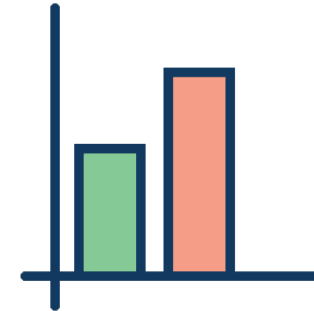Fixed
audiences
structure

NOT ENOUGH USE OF ANALYTICS

56% are collecting feedback but not yet implementing insights (PWC)

Organizations must shift from retrospective reporting to real-time, behavior-driven engagement (Data-Centric CX)

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But this is starting to change:

9.2%

Of CMOs budget is dedicated to Analytics

Source: Gartner CMO Study

JOURNEY ANALYTICS & ORCHESTRATION

Journey orchestration (Forrester):
Data fusion, journey design and planning, journey testing and optimization, and journey automation and orchestration

Streaming Data

CLOUD SERVICES
CRM   DMPs   ecommerce
Digital Advertising   Tracking

WEB & MOBILE
Clickstreams   Form Data
App Interactions

ENTERPRISE SYSTEMS
IVR/Call Center   Surveys
Support Requests

Dynamic Customer Profile

Loyalty
Identity
Interests
Segments
Satisfaction
Value
Needs
Preferences

Real-Time Engagement

IN-THE-MOMENT INTERACTIONS
Web Chat   Inbound Care
Website   Mobile App   POS
Kiosk/ATM   Sales Rep   IoT

TRIGGERED OUTREACH
Email   Mobile Alert
Outbound Care   Direct Mail
Bill Media

Source: Pointillis

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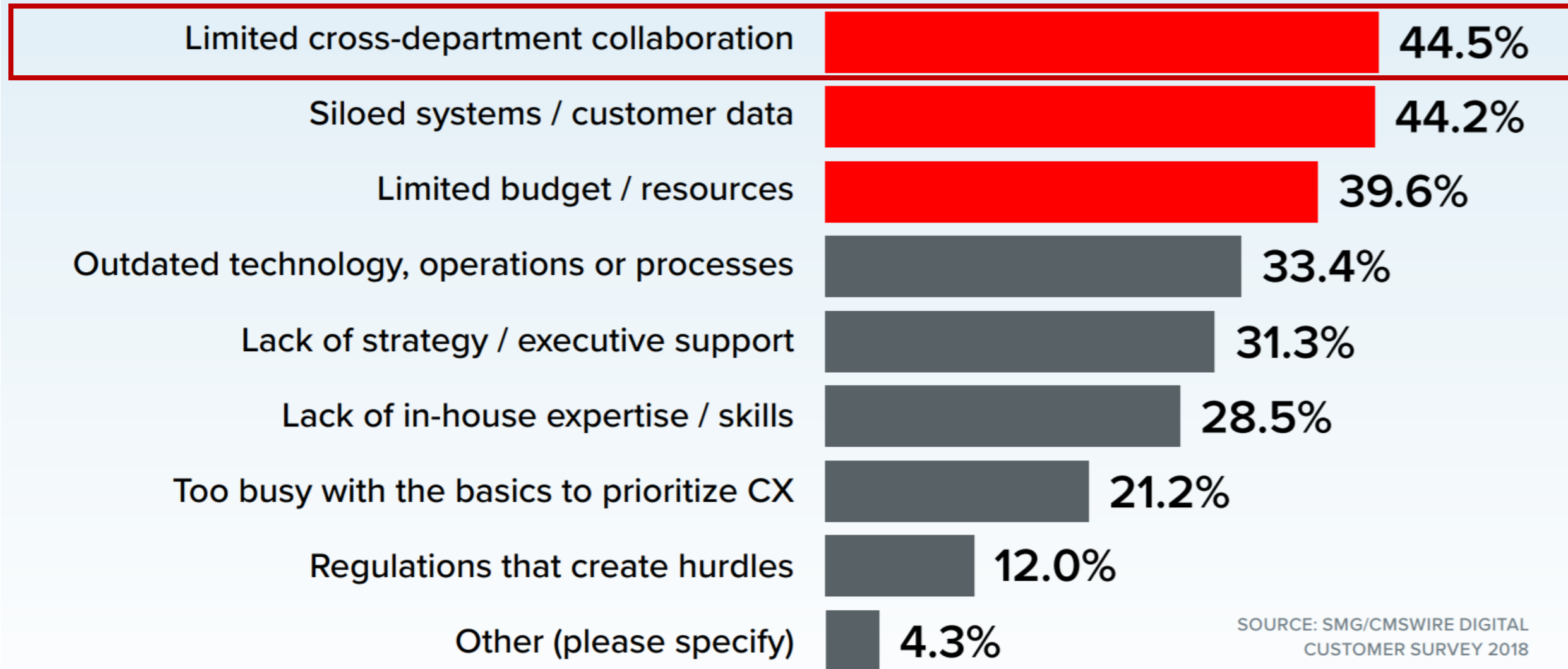
Journey Orchestration Engines*

*Partial list

SILOED ORGANIZATION

The customer journey should be the organizing principal of the business strategy.

But today only 13% of organizations are structured around the customer journey

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What are your organization's top 3 digital customer experience challenges?

Challenge	Percentage
Limited cross-department collaboration	44.5%
Siloed systems / customer data	44.2%
Limited budget / resources	39.6%
Outdated technology, operations or processes	33.4%
Lack of strategy / executive support	31.3%
Lack of in-house expertise / skills	28.5%
Too busy with the basics to prioritize CX	21.2%
Regulations that create hurdles	12.0%
Other (please specify)	4.3%

THE CHANNEL DIVIDE STILL EXISTS

Nothing has changed in "omni channel" <except for buzzwords>

Omni-Channel

Channel-Less

Seamless

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ARE ALL CHANNELS CONNECTED? Hmm... No.

CONNECTED

SOMEWHAT CONNECTED

8.4% 46%

7%   47%
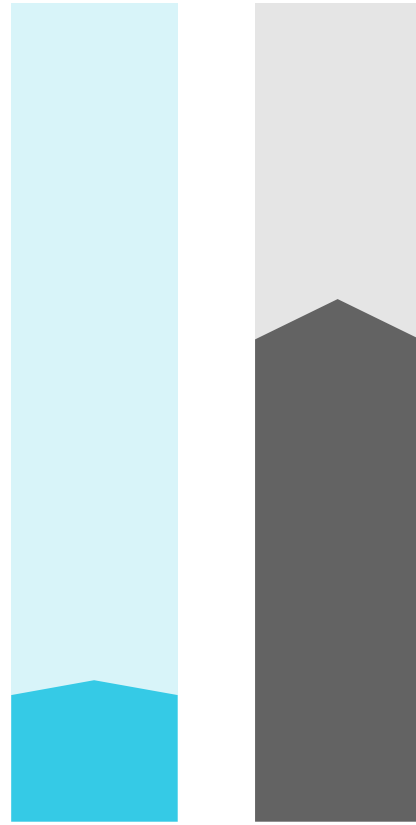
Source: Frost and Sullivan, Dimension Data
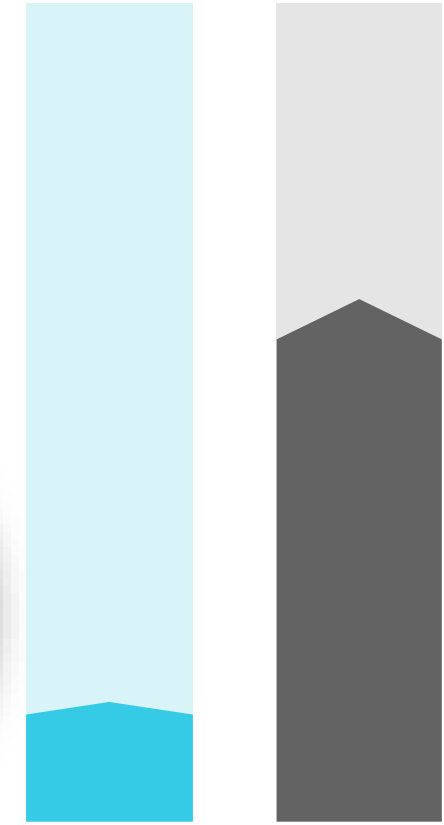
Source: STKI CX Survey, 2019

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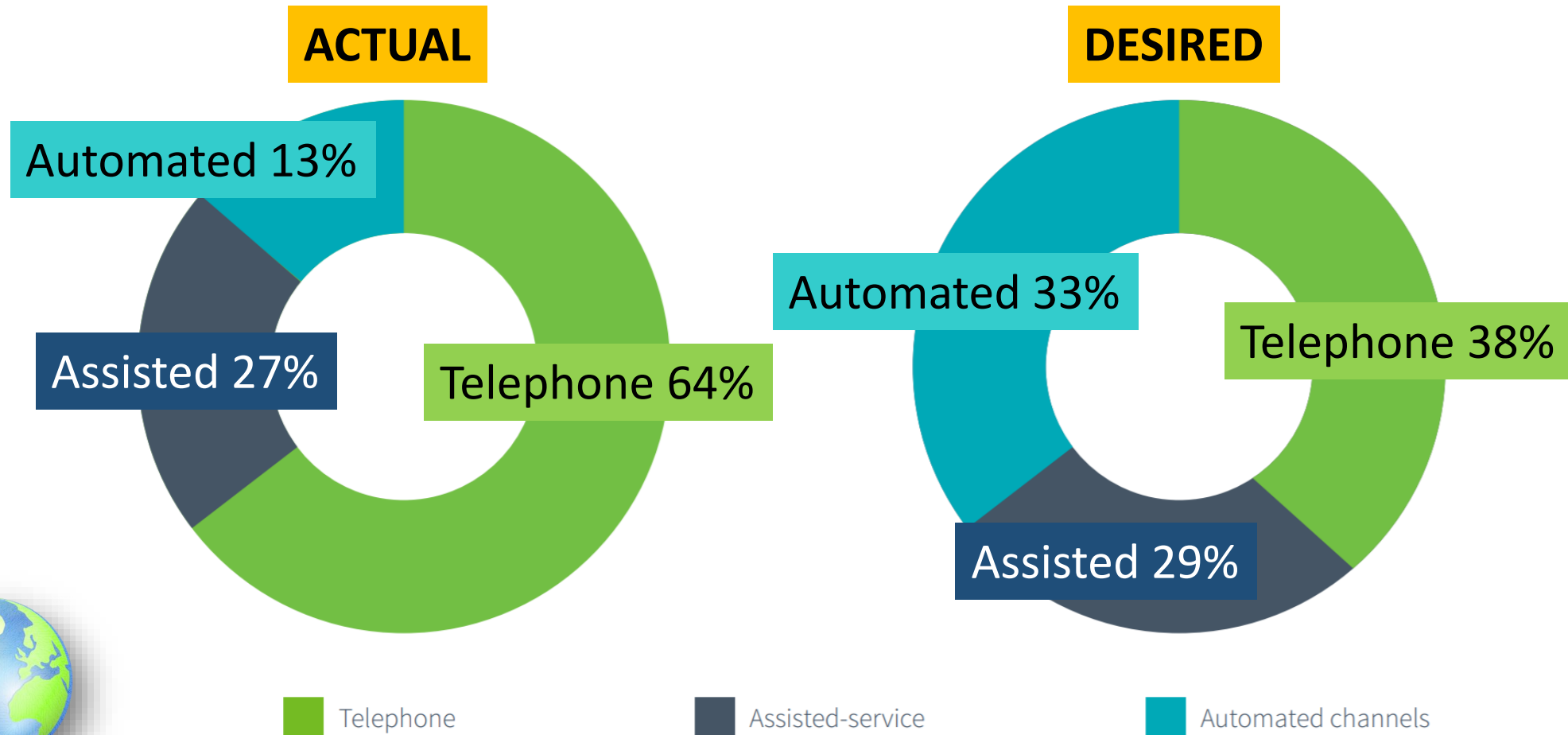אילו ערוצים (דיגיטליים ופיזיים) פועלים כיום בארגונך לטובת אינטראקציות עם הלקוחות?

STKI CX Survey 2019

מקור: סקר STKI, 2019

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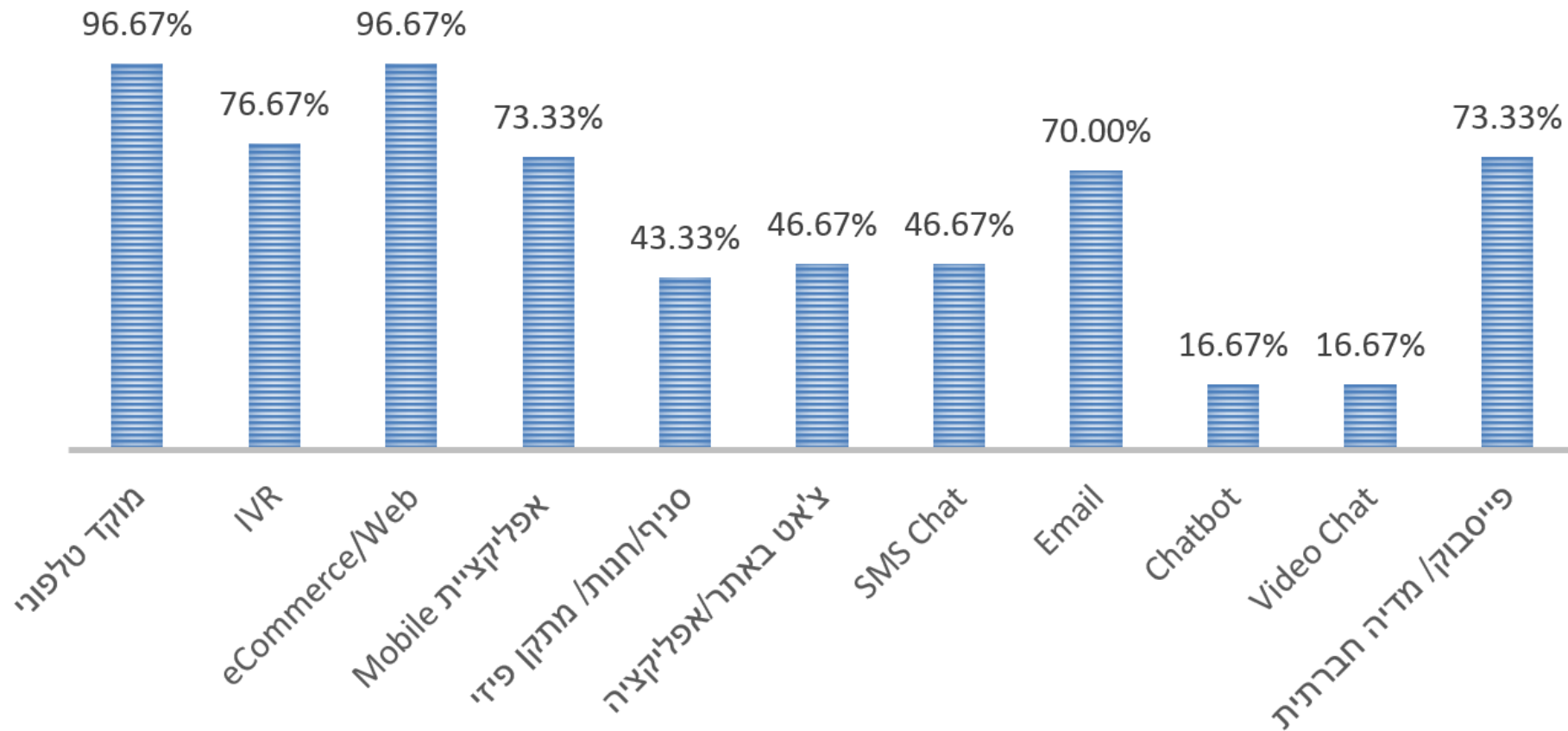
האם בארגונך מתכננים/ כבר עושים שימוש ב- WHATSAPP
לטובת ההתקשרות עם לקוחות?

לא, ולא מתוכנן,
27%

משתמשים כיום,
23%

מתוכנן שימוש
בשנה הקרובה,
50%

מקור: סקר STKI, 2019

stki.info
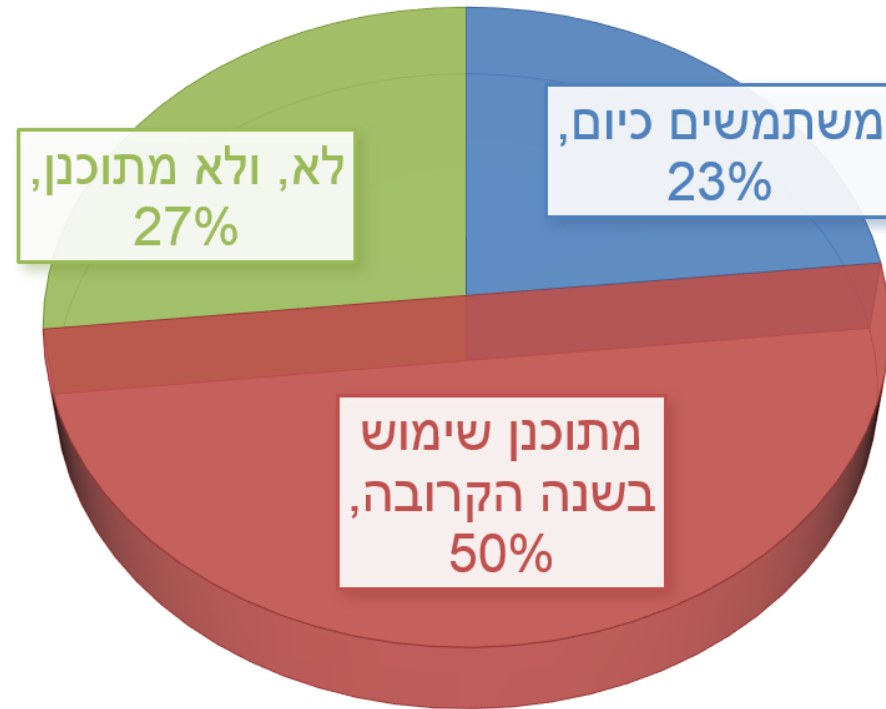
Actual vs. desired split of interactions

ACTUAL

Automated 13%

Assisted 27%

Telephone 64%

DESIRED

Automated 33%

Telephone 38%

Assisted 29%

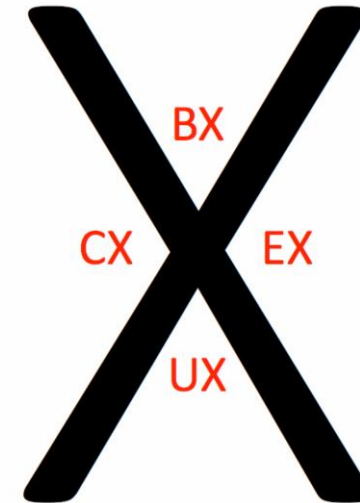Telephone — Assisted-service — Automated channels

Source: Dimension Data

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COMPANIES DON'T PAY ENOUGH ATTENTION TO HUMAN-CENTERED, **OUTCOME-DRIVEN DESIGN**

"Design is not **JUST** what it looks like and feels like. Design is how it works."

Steve Jobs

BX
CX   EX
UX

Experience Design

Source: Brian Solis

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CONNECT THE DOTS

Business model

Organizational Terroir

Customer Experience

Brand
Purpose & Meaning

Product

Employee experience

& CREATE BRAND EXPERIENCES THAT ARE MEANINGFUL TO EVERYONE.

stki.info

Einat Shimoni
Galit Fein
Liat Tsafir

EVP & Senior Analysts, STKI