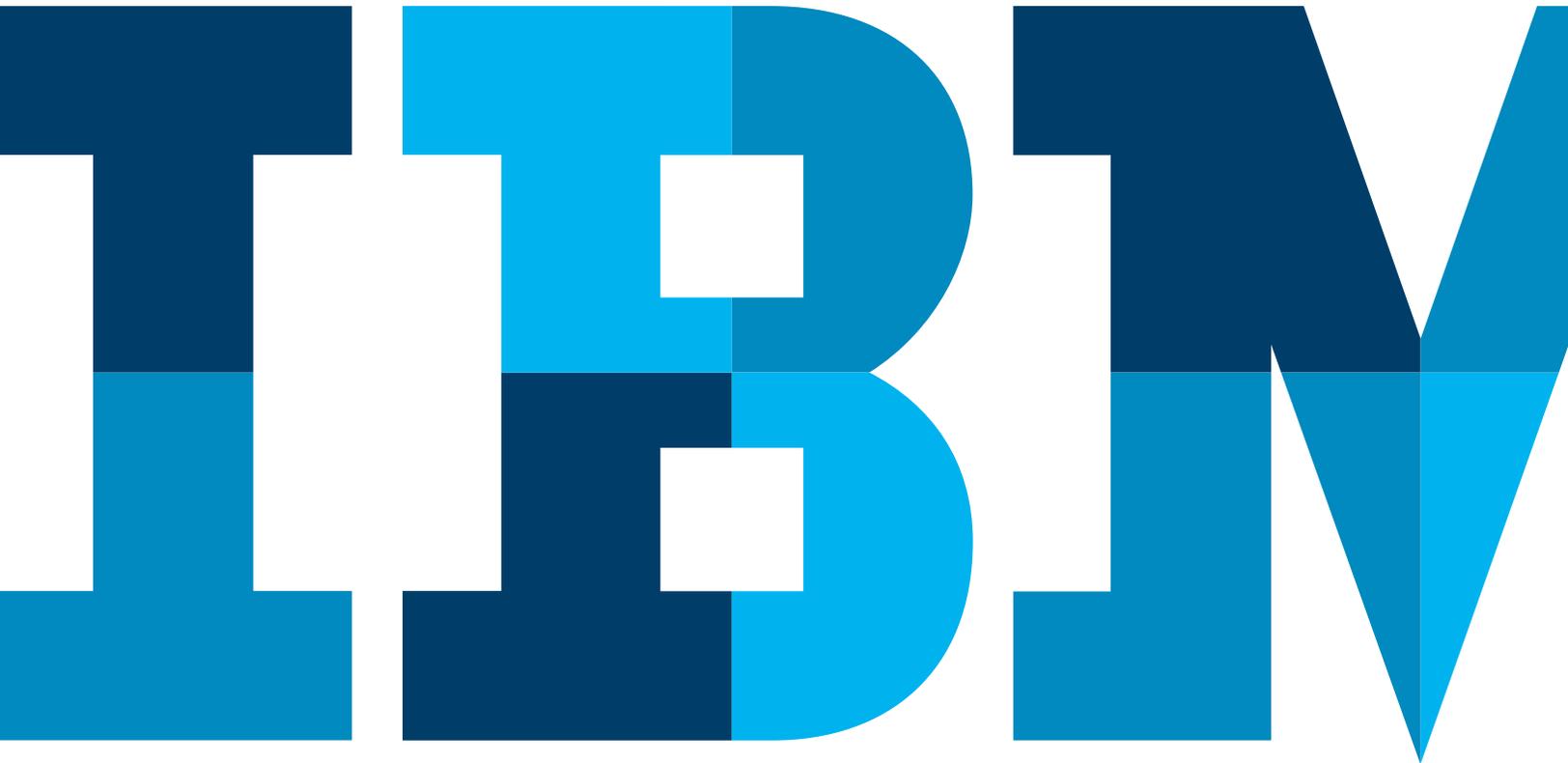


Customer centricity in the digital world

*How Customer Experience Management
can transform your business*

by Eric Peterson, Senior Partner and Founder
Web Analytics Demystified



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Executive summary

Customer experience is simultaneously crystal clear and often hopelessly vague when used in the context of our digital world. It is crystal clear in the sense that business owners innately understand the relationship between “positive customer experience” and organizational success, but can be hopelessly vague when it comes to defining what a “positive customer experience” actually is. At times it seems that “good experience” is defined as much by its converse—all of the negative experiences and struggles consumers have in the online world—and good experiences are what you are left with when all the bad stuff has been addressed.

But it does not have to be that way. Positive customer experiences can be managed across the Enterprise. What is more, “good experience” can be defined, measured and optimized for by leveraging a combination of people, process and technology to create a business-wide focus on the customer throughout their engagement cycle with your business.

This white paper, sponsored by Tealeaf (now IBM), a leader in Customer Experience Management (CEM), details the strategic value of operationalizing a customer experience effort across your business. Furthermore, to give you a head start, we outline Web Analytics Demystified’s five step process for operationalizing CEM within your own organization.

By relating the successes that companies have had migrating their CEM efforts out of the back room and up to the board room, the authors provide a roadmap for how you can leverage the technology and resources you likely already have to simultaneously create business value, customer value, and shareholder value.

What is “Customer Experience Management?”

Customer experience is essentially a catch-all phrase, a “bucket” if you will, for the culmination of nuanced interactions across multiple channels and phases of a customer’s interaction with your business, brand, or employees. Customer experience is everywhere—in your stores, on your phones, on your website, your mobile applications and social initiatives. Your customer’s experience begins the moment they become aware of you and continues throughout their lifetime of purchases and interactions.

What is more, in our increasingly social world, your customer’s experiences with you are no longer private. Thanks to Twitter, Facebook, YouTube and other emerging social networks, consumer interactions with products and brands have a

tendency to be magnified significantly. In fact, the social channels at times seem specifically designed to provide unhappy consumers a global platform to hold otherwise well-meaning businesses accountable for small but avoidable mistakes. While not all social sharing is negative, there is a tendency for bad news to get the attention and occasionally go viral, a worst case scenario at least from a public relations and customer experience perspective.

Given the breadth of customer experience, it should hardly come as a surprise that managing the sum of consumer/brand interactions is an incredibly complex task. Hundreds of volumes have been written, thousands of consultants have been deployed, and billions of dollars have been spent to help business owners collectively understand and improve the relationships they have with their customers. And while in the offline world there have been any number of successes, the increasing importance of online channels has created a whole new set of challenges and opportunities.

The identification of customer struggle online

Unlike in stores or on the telephone where human-human interactions are relatively easy to assess and, as necessary, correct, the digital world puts business owners at a disadvantage. Online, everyone is anonymous until they choose to identify themselves; you cannot see a look of confusion, you cannot hear a lack of understanding, and you cannot feel the same emotional connection that the most mundane interaction generates automatically.

In the online world of human-computer interaction you have clicks... and little more. And while these clicks combine into one of the most voluminous data sets business owners have ever had at their disposal, it is an incredibly complex task to

transform this data into the same type of meaningful expression of confusion and concern conferred by the most basic human-human interaction.

But there are visible clues if you know where and how to look. Consider these three situations:

- A visitor to your website is generating an unusually high number of page views. Is this good news, and evidence of a particularly engaged consumer? Or is it bad news, and an indicator that the consumer is looking for something he or she cannot find?
- A high number, but low percentage, of consumers using your mobile application are able to complete a key task. Is this good news because a high number complete, or bad news because the percentage of individuals who complete is low compared to the number of individuals using the application?
- Sales generated through your website remain within an expected range despite individual complaints appearing in your online survey and in popular social networks. The complaints appear to be isolated, but are they?

The clues to help you identify poor experience online—something we refer to as “evidence of consumer struggle”—manifest through a combination of technologies and processes that we, at Web Analytics Demystified, have long referred to as “The Web Site Optimization Ecosystem” which more accurately is described as “The Digital Optimization Ecosystem.” These technologies can be combined into an incredibly sophisticated system capable of automatically identifying the exact points where the interaction between humans and computers breaks down, essentially the point where positive to neutral experiences turn negative.

The digital optimization ecosystem

Unlike in stores or on the telephone where human-human interactions are relatively easy to assess and, as necessary, correct, the digital world puts business owners at a disadvantage. Online, everyone is anonymous until they choose to identify themselves; you cannot see a look of confusion, you cannot hear a lack of understanding, and you cannot feel the same emotional connection that the most mundane interaction generates automatically.

- **Web Analytics** systems are capable of parsing and counting the nuances of each human-computer interaction, popularized by companies like Adobe (Omniure), IBM (Coremetrics and Unica), Webtrends and Google (Google Analytics).
- **Voice of Customer** systems broadly allow consumers to give direct feedback on their experiences, either through simple page mechanisms or more involved surveys, popularized by companies like ForeSee Results and OpinionLab.
- **CEM** systems bridge the gap between largely quantitative Web Analytics and largely qualitative Voice of Customer systems by recording nuanced details of consumer interactions and mining those details algorithmically, popularized by companies like Tealeaf (now IBM).
- **Site Testing and Targeting** systems allow experiences to be optimized in real time by partitioning off an audience sample and creating an entirely new experience that can be measured and compared to the existing site or application.

We first described the relationship between these technologies with Tealeaf (now IBM) in an earlier report entitled, *Customer Experience Management and the Web Site Optimization Ecosystem*¹, which documented how these technologies can be leveraged in combination to create an often profound view of

digital interactions. This combination is significant, repeatedly shown to create business value that far exceeds the required level of investment when the right team operates under the right organizational structure.

The key challenge is, of course, creating a governance model for these technologies and staffing against that model to create valuable output. Unfortunately, this is where most companies stumble. Our research indicates that nearly every company that is serious about their investment in digital channels has some investment in web analytics technology, either a paid solution like Adobe's Omniure or a free solution such as those provided by Google. Our research also indicates a relatively high level of investment within the true Enterprise in Voice of Customer solutions, with CEM, along with Testing and Targeting being deployed in approximately 20 to 30 percent of these companies.

Using the 20 to 30 percent of companies who have a complete Ecosystem deployment as a benchmark—hundreds of companies globally—given that an integrated approach is one that we, Forrester Research, Gartner Group, and hundreds of independent consultants around the globe have been evangelizing for years, one would reasonably assume that the majority would make good and valuable use of these technologies in concert (as opposed to in isolation.)

You would be wrong.

The truth is that companies making best use of these four technologies in an integrated and operationalized fashion are just starting to emerge. A few of these companies—many of whom were interviewed for this paper—are the true competitors in digital analytics. The Expedia.coms, the eBays, the VEGAS.coms and Quicken Loans all gain a substantial analytical advantage over their competition thanks to their focus on customer experience in connected channels.

By efficiently measuring, analyzing and managing these experiences, companies leveraging the Ecosystem are better able to deliver value to their customers which, perhaps unsurprisingly, is returned in the form of business value and shareholder value. Other companies would be wise to model their customer experience efforts after these leaders, and their results.

With this in mind, let us explore the hidden costs and strategic opportunities associated with operationalizing a CEM practice within your business.

The strategic value of operationalizing Customer Experience Management: costs and opportunities

Assuming you are interested in creating a CEM practice within your business, the next logical step is to begin to build the business case for the required investment in people, process, and technology. Analysis based on clickstream data alone is not easy to begin with, given the number of moving parts found on most modern websites. When you add the qualitative data sources outlined in the previous section the challenge increases, but the resulting potential for payback increases at a greater rate in our experience.

In the context of any modern, online business, the costs of developing a CEM effort become trivial compared to the costs associated with not doing so. The opportunities afforded to companies who undertake the work described in this paper are simply the icing on the cake: a more refined understanding of visitor and customer behavior, an improved ability to respond to a rapidly changing environment, and tremendous upside associated with knowing that you are able to apply a laser-focus to your analysis and CEM efforts before your competitors beat you to the punch.

The costs associated with consumer struggle

It seems obvious, perhaps, but there are both tangible and intangible costs associated with bad experiences online. The tangible costs are easy to understand: when barriers exist and consumers end up struggling to complete critical tasks, task completion rates fall. Falling task completion rates generally result in money being left on the table, either directly in lost sales, or indirectly through the erosion of the consumer/brand relationship.

Financial costs associated with poor experience management

Measuring the direct costs associated with struggle are relatively easy provided you know where to look. Digital analysts have long focused their efforts on critical points of conversion—cart pages, checkout pages, and other sections of sites and applications where a failure results in a lost opportunity. Indeed, much of the work done by Ecosystem vendors for the past decade has focused on identifying points of failure for tracking and optimization purposes. In practical usage the challenge is rarely identifying where the problems are occurring but rather understanding why the problems occur in an effort to streamline corrective action.

Consider the most common case, the online shopping process. Here the areas of loss are easily identified and quantified. It is very rare to find a retailer of size who is not well-attuned to the amount of revenue lost at each step in the checkout process, thanks to their web analytics reporting package. This case, however, highlights the need for a complete Ecosystem deployment, given that clickstream data alone is usually not enough to help analysts diagnose why shoppers fail to move along in the shopping process. When Voice of Customer is augmented by CEM technology, new patterns emerge based on direct feedback and the ability to replay problem sessions to look for physical evidence of problems manifest in real shopper sessions.

Case in point: Expedia, a customer of IBM Tealeaf solutions, relies on the integration of Voice of Customer and CEM solutions to speed time-to-solution for problems occurring in their critical registration process. To this end, Expedia analysts tied OpinionLab's page-level feedback mechanism directly to the session replay functionality of IBM Tealeaf solutions, giving them the ability to quickly pivot from expressed dissatisfaction (via OpinionLab) to the entire session leading up to (and following) the feedback. This combined system continues to create value for Expedia—ranging from the rapid identification of errors associated with re-registration to isolate potentially costly catastrophic errors during the booking process. According to Joe Megibow, VP of Global Analytics

and Optimization at Expedia, “The combination of IBM Tealeaf solutions and OpinionLab is great in theory and even better in practice. The ability to tie together customer feedback with actual site experiences has really taken our optimization efforts to the next level.”

Unfortunately, problems are not always this obvious or easily quantified. Organizations that are more advanced in their use of digital measurement technology have become attuned to the fact that sometimes the most costly problems are also the most insidious. In these situations—where the problems consumers are experiencing are slow to bubble to the surface—additional technology is required. This technology, first described in our

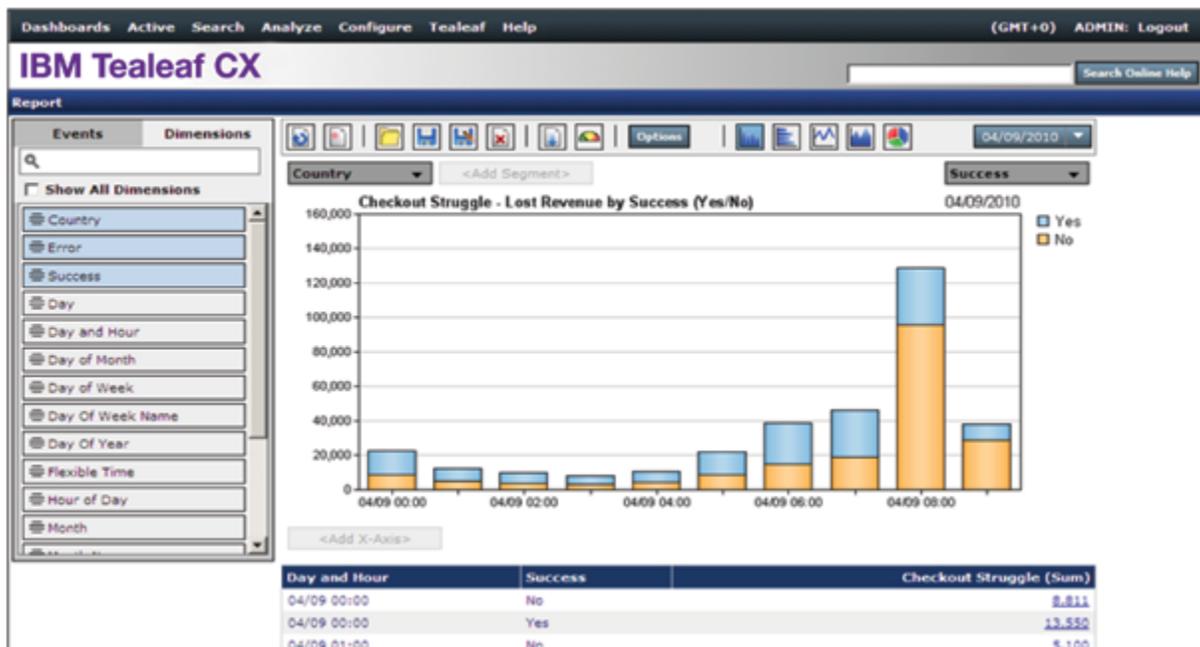


Figure 1: IBM® Tealeaf® CX is designed to programmatically identify revenue loss drive by consumer struggle

white 2010 white paper with Tealeaf (now IBM) titled “Advanced Site Optimization: Second Generation Digital Analytical Tools in Action,”² relies on algorithms rather than human knowledge to programmatically surface evidence of consumer struggle.

This approach, while more involved from an analytical standpoint, has tremendous potential to positively impact both the customer experience and financial results. Consider the case of Expedia’s use of IBM Tealeaf solutions to track thousands of events across the entire travel research and booking process. Given the complexity of their sales process and the sheer volume of data generated, it would be impossible to manually mine for problems with any level of efficiency, says Michael Gulmann, Senior Director of Global Site Conversion. “By taking an algorithmic approach towards Customer Experience Management, we are able to quickly discover opportunities for optimization.” By leveraging this approach and fundamental Ecosystem technologies, Mr. Gulmann estimates that nearly \$10 million was either saved or added to Expedia’s FY ’10 revenue stream.

Social impact of poor Customer Experience Management

As stated earlier, the impact of poorly delivered experiences online cannot be measured solely from a financial perspective. There is also a very real and increasingly tangible impact on companies, brands, and products associated with consumer struggle, an impact that is substantially magnified by social media.

Previously, when a consumer had a negative experience when interacting with a company they would complain to their family and, depending on the severity of the problem, to their friends and co-workers. Now, thanks to Facebook, Twitter,

YouTube, blogs, and forums, every connected consumer has a potentially massive audience with which to share their frustration. Some high-visibility examples, not all of which are tied to failures online but are nonetheless appropriate, include:

- United Airlines failed to take enough care when handling Dave Carroll’s \$3,500 guitar, resulting in some expensive damage³. After having a very unsatisfying experience with United trying to get reparation, Dave took to YouTube⁴ with his “United Break’s Guitars” music video—a video that has since garnered over 10,200,000 views on YouTube and has been featured and discussed in nearly every major media outlet across the globe.
- Blogger Jeff Jarvis had a series of bad experiences with Dell, primarily with their support department, landing him squarely in “Dell Hell”⁵. Jarvis took Dell to task in social media and, as a result, was able to interview Dell CEO Michael Dell⁶ and has been published and cited widely as an example of how not to interact with customers.
- Fashion house Kenneth Cole tweeted in bad taste during 2011’s rioting in Egypt and promptly heard about it on Twitter⁷, forcing the brand’s eponymous owner to both delete the offending tweet and issue an apology in Twitter and on Facebook.
- Clothing manufacturer The Gap got an earful in Facebook and other social media when they tried to update their logo. After having the new logo widely criticized in their Facebook group, the company tried to crowd-source the effort through social media—an effort that also failed—and The Gap ultimately reverted to their original design⁸.

Whether these examples lead to measurable financial loss is immaterial; companies spend billions of dollars every year to provide for the best interactions and experiences possible for

their consumers. To have one failed experience “go viral” the way these examples did counteracts their efforts, casting the brand in a negative light for all to see. And while they say “there is no such thing as bad press” we suspect that United Airlines, Dell, Kenneth Cole, and The Gap all beg to differ and would much rather be known for the good work they do on their customers’ behalf, not the small mistakes they make from time to time.

The opportunity associated with proactive Customer Experience Management

While it can be easy to focus on the things that can go wrong in the online world, Web Analytics Demystified believes that it is better to focus on the opportunity. To this end we wanted to share some of the amazing ways that companies are operationalizing CEM in their ongoing business efforts.

Drive decisions for site redesign at U-Haul International

U-Haul has significantly improved its optimization process with insights fueled by IBM Tealeaf solutions. U-Haul knows that any time they open a session they are going to learn something about their website, or their customers, or both. Before completing a site redesign, U-Haul analyzed customer sessions in IBM Tealeaf solutions to determine where and how to focus their efforts. While reviewing sessions, U-Haul found several customers attempting to order services and product pairings that the site structure did not support. Customers ultimately had to make more than one order to get everything they wanted. Of course, multiple orders would have never raised a red flag in any other reporting tool but the IBM Tealeaf solution was able to show U-Haul that multiple orders by one customer was not necessarily a good thing. U-Haul quickly realized their redesign had to center around a shopping cart metaphor, rather than the linear step-process they currently had in place.

Rapidly diagnosing transactional issues at M and M Direct

“We implemented IBM Tealeaf solutions because we had become frustrated with the one-dimensionality of many of the other analytics tools on the market,” says Steve Robinson, CEO of European retailer M and M Direct. “With IBM Tealeaf solutions we are able to create a data mart of all of the interactions with visitors and customers on our website and augment that data with alerting, analysis, and drill-down functionality not found in other solutions we have deployed.”

As a high-volume online retailer Mr. Robinson and his leadership team are constantly focused on ensuring the best possible customer experience. To this end they use an IBM Tealeaf solution to monitor and help manage all aspects of the shopping and conversion process on their site. While certainly complex relative to other analytics tools, Mr. Robinson indicates that the speed and accuracy of information flowing out of the system to optimize the performance of his complex business is invaluable.

“Only recently we were alerted to a decline in conversions during a particular hour during the day. Our IBM Tealeaf solution implementation allowed our analysts to focus our payments page and specifically the shoppers who had selected Paypal as a payment option. We immediately reached out to Paypal who explained that they were undertaking maintenance and had failed to notify us about it,” says Mr. Robinson. “With traditional tools, this insight would have taken hours to gain (if it were possible at all); with IBM Tealeaf solutions we had our insight, explanation, and action plan all within an hour.”

Optimize critical applications at Quicken Loans

“We find that customers can be surprisingly unpredictable in their interaction with our site which, given the complexity of products we sell, created unforeseen impediments to conversion that were holding back our business,” says Matt Cardwell, Director of Website Marketing.

“We traditionally have used web analytics as our de facto solution to understand site visitor behavior, but over time we found that the critical answers to questions about why visitors exhibited certain behaviors were simply not forthcoming from these technologies.”

Because Quicken Loans is a 100 percent digital business the company has no leeway — they either deliver great experiences online or they do not grow. To this end, the company is aggressive in their approach toward CEM, constantly looking for ways to leverage their investment in their IBM Tealeaf solution. Ranging from IBM “Movie Nights” where business owners from across the organization gather to replay, review, and plan to resolve customer experience issues to the company’s use of replay to determine that customers were failing to complete a critical application simply because the instructions provided were not clear — an insight that once resolved resulted in an estimated half-million dollars of otherwise lost revenue each year.

“Thanks to IBM Tealeaf solutions we were able to drill-down into our Mortgage Rate Calculator — a critical step in our customer acquisition funnel. Despite this application being high-visibility, a handful of small usability issues were causing customers to struggle with the calculator. As a major upstream feeder to the application process, it was preventing us from capturing the resulting revenue,” says Mr. Cardwell. With their IBM Tealeaf solution he was able to diagnose the errors with a high-level of granularity. What is more, because of the visibility IBM Tealeaf solutions provide, Cardwell was able to determine the exact “lost-revenue” value of other visitors experiencing the same challenges, which, when corrected, is estimated to retain almost \$2,000,000 in otherwise lost revenue annually.

Having teams compete to improve experiences at Expedia.com

“We have managed to create a dedicated delivery arm at Expedia that allows us to actually do something with the insights we get from Customer Experience Management,” says Joe Megibow, Vice President of Mobile and E-Commerce Optimization. “Four years ago I asked for resources to leverage the data we produce using our IBM Tealeaf solution to actually improve web interactions and experience. I asked because any company’s ability to manage online experiences is only as good as their ability to actually use the analysis produced.”

Mr. Megibow’s team now has roughly two dozen employees, each working to identify areas on the site where consumers are struggling and, assuming the financial reward is estimated to be large enough, his developers are able to quickly deploy changes to the site designed to improve the customer experience. “We look for a 500 percent return on investment from each of our developers on an annual basis and have been pretty successful so far,” says Megibow. The fact that his team has grown to over twenty developers is testament to their success, even if the millions of dollars of incremental and saved revenue they deliver gets lost in the context of a billion dollar business.

“The best evidence of our success in operationalizing Customer Experience Management at Expedia is that other Expedia, Inc. business units are now following in our footsteps, each building out their own ability to identify and reduce areas where customers struggle. Now business units compete for bragging rights to see who can deliver the biggest gains back to the business, which is a win for their business and for Expedia as a whole,” says Mr. Megibow. Having developers compete to see who can provide the greatest improvement to the customer experience — improvements that also flow directly to the bottom line — should be considered a best practice regardless of the type of business you are in.

Web Analytics Demystified's "How to" guide to Customer Experience Management

Assuming the previous examples have convinced you that it is worth investing in CEM, the first question you are likely to ask is "where do we start?" As stated previously, CEM done right requires more than just investing in technology. We recommend the following five step process to successfully develop a competency and capability to systematically monitor, analyze, and improve the customer experience you deliver in electronic channels:

Step 1: Determine the opportunity costs of consumer struggle

The first step in building out your CEM efforts is to determine what not having the capability costs you on an annualized basis. This calculation makes several assumptions, foremost being that you currently monetize your online audience in some way. Provided this assumption is met, either through direct sales, some type of ad-based revenue, or by using the online channel to reduce customer support costs, the next assumption is that your business would be benefit from being able to do more of whatever it is that generates revenue or saves on costs.

This latter assumption is usually pretty safe in our experience.

If these assumptions are met, and if you have any evidence that your business currently fails to deliver a perfect experience to every visitor to your site, the opportunity can be derived from even reasonable incremental improvements. For example, if your site generates a million dollars monthly based on a three percent conversion rate, ask yourself whether or not increasing your conversion rate by 10 percent would have a material

impact on your business. Or, if you use your online presence to save on costly customer support calls for your products, ask yourself if a 20 percent reduction in calls would save you enough money to make investing in customer experience worth your while.

Certainly there are no guarantees regarding the amount revenue or savings you will appreciate—digital analytics and CEM is hard work. We can, however, guarantee that not managing your user and visitor experiences online will likely leave your conversion rate, revenue generation, or call deflection rate exactly where they are. So the real question you need to ask yourself is not "how much will we make or save" but rather "are you satisfied with the financial contribution your digital business makes today?"

To understand whether your company is a good candidate to operationalize CEM, ask yourself the following questions:

- Does your website leave money on the table today?
- Do good questions about your digital efforts get answered to your satisfaction most of the time?
- Do you invest in "shiny objects" and emerging technology without a clear plan to measure the impact of that investment on your online business?
- If you had direct evidence of consumer struggle, would you take corrective action?

The more positive responses you are able to truthfully give, the more likely you are to benefit from operationalized CEM in our experience.

Step 2: Assess your current ability to diagnose experience-related issues

Provided you have some type of digital measurement initiative in place today, the next step is to assess how valuable your current efforts are and have been to the business. This is where we find most companies struggle in accurately and fairly determining exactly what their efforts to date have delivered back to the business. The reasons companies struggle are myriad—not enough resources, wrong technology, inadequate oversight, unreasonable expectations, a lack of governance ... the list is quite long. The best evidence we see that something is wrong during our audits of a company's analytics practices is when we ask "how valuable is your digital measurement practice today?" The response is usually some variation on "we have no idea."

If this describes your situation—if you do not have a running total of the incremental value or operational savings your digital measurement team has delivered over the past 12 months—we recommend doing one of two things:

- Conduct an honest audit of your capabilities, carefully examining how each of the technology investments you have made is used in the context of your business. For example, if you are a retailer, how much of your web analytics solution's sales tracking functionality are you using? Are you using it appropriately? Is it implemented correctly? Do your analysts make good use of the implementation you have? Do your business end-users also use the system, and if so, do they understand the data they are getting? If you have multiple Ecosystem technologies deployed, are they appropriately integrated?
- Invite experienced consultants in to conduct the audit for you.

The latter recommendation may seem glib and perhaps self-serving given that Web Analytics Demystified conducts exactly this type of audit. Yet, in some cases, and this is one, there is real value in having someone from the outside come in and help build consensus for change. Experienced consultants have a unique view of how a broad sector of the market—often including your competition—make use of technology and, reasonable or not, management is often predisposed to listen to external consultants, even if internal resources have been saying the same thing for years.

Additionally, if you are intent on building a CEM capability, you cannot examine each of your technologies and their uses in isolation. You need to evaluate them in the context of the Ecosystem model we described earlier in this report.

Operationalizing CEM requires more than simply having the necessary technology; you need a plan to use each of the technologies together, drawing on each of their strengths as well as developing a plan to integrate data from each where appropriate.

To better understand whether or not your company is a good candidate to operationalize CEM, ask yourself the following questions regarding your current abilities:

- Do you effectively use both quantitative and qualitative data today to understand your site visitors and online customers?
- Do you leverage the technology you have already invested in effectively and efficiently?
- Does leadership within your organization see and understand the results of your online analysis efforts?

Positive responses indicate that you have already put thought into how digital analysis works within the modern business.

Step 3: Invest in appropriate ecosystem technologies

If, in step two, you discover that you do not have a complete set of Ecosystem technologies in place—Web Analytics, Voice of Customer, CEM, and Testing and Optimization—the next step is to develop a plan to fill the gaps. This is where the work you conducted in the previous two steps will come in handy; by building an opportunity model and detailing where gaps exist, you have done most of what you can to highlight for the business where your capabilities are lacking and what the estimated value of filling those gaps might be.

If you find that you are missing one or more of the required technologies you will need a plan to invest incrementally, showing value with each subsequent purchase and implementation. On this point it is difficult to provide guidance regarding the order of investment—every company has a different tolerance. Voice of Customer technologies are typically easier to implement and tend to be less costly. CEM platforms deliver a high-level of information not otherwise available through the other systems but tend to be more expensive in Enterprise-class installations. Testing and Optimization platforms vary widely in price but their primary use model depends less on the platform itself and more on being able to affect organizational change when it comes to marketing and content deployment.

The best advice we can give is to work with your vendors to make as full use of the technology as possible. This may seem obvious but, sadly, most companies fail to do this. Unfortunately, if you come up short using each system in isolation, making appropriate use of a complete set of Ecosystem technologies becomes incredibly difficult. Better to focus on generating early wins with each solution so that whenever you may need to ask for more resources or money you have already demonstrated value to the business.

To better understand whether your company is a good candidate to operationalize CEM, ask yourself the following questions regarding your current investment:

- Do you have all of the Digital Optimization Ecosystem technologies in place, including a Testing and Optimization platform?
- Do the right people own and manage these Ecosystem technologies?
- Are these technologies integrated to create a “whole” view of your online and mobile/social visitors and customers?

Positive responses indicate a willingness to put your money where your mouth is. Having the right technology is critically important to your success in CEM.

Step 4: Develop a core experience management capability

Once your Ecosystem technologies are in place, or at least at the point where you have a CEM solution deployed, the next step is to develop a core experience management capability. Essentially we mean that you are able to deeply leverage each of the technologies in use, having dedicated users for each that have demonstrated a strong understanding of the tools and their use in a business context. This is another area where your vendor and outside consultants can help ensure that you have the right implementation and training.

As you get started, one of the most important things you can do to justify the time, effort and investment is to keep careful and close track of your successes. While it may seem obvious, far too many companies forget to take notes about what works and what does not, and when it comes time to present a cost-benefit analysis to management regarding their investment in CEM, they end up scrambling. Save yourself the trouble—and prepare for Step 5 in our process—by scoring wins and detailing challenges early on in your use of these technologies.

Staffing requirements for Customer Experience Management

Technology aside, the single most important thing you will do to establish your CEM capability is to assign at least one dedicated resource to the use of the system. Depending on your experience with Web Analytics, this statement will either be obvious or result in great frustration. If it is obvious, then you likely have been doing digital analytics for long enough to know that people and the dedication of resources to the use of Ecosystem technologies is every bit as important as the technologies themselves.

If you find yourself frustrated and feel like you just made a substantial investment in technology that was somehow going to provide all the answers...take a step back and examine that statement. Everything we have described in this report has been in an effort to help you establish the ability to deeply analyze your digital audience, looking for opportunities to improve their overall experience online. Unfortunately, and this is a reflection of the nascence of Ecosystem technologies in general, few of the solutions we have described do any type of real analysis; what they do is process, parse, and present great volumes of data so that human beings can do the real work of analyzing the results, draw conclusions, and make recommendations.

So you will need a dedicated operator for your investment in CEM technology. Better to accept that reality and start the candidate search sooner than later—folks with experience on these systems can be difficult to come by. In fact, at *Web Analytics Demystified* we strongly recommend not searching exclusively for someone with direct experience on these solutions; they are simply too hard to find. Instead look for good analysts and inquisitive individuals who have experience with other of the Ecosystem technologies. You are far more likely to find someone with experience on Web Analytics and Voice of Customer platforms than IBM Tealeaf solutions specifically but, in general, the experience translates well and the hire can contribute to your over-arching optimization efforts.

To better understand whether your company is a good candidate to operationalize CEM, ask yourself the following questions regarding your current capabilities:

- Do you have dedicated analyst resources in place today charged with leveraging your technology investment to create tangible business value?
- Do you use the solutions to do deep-dive analysis of the challenges and opportunities you face in your digital channels?
- Do you get a good return from each of the technologies you have in place today?

Positive answers indicate that you have invested in each of your individual measurement and management solutions, the last step before transforming a localized capability into a broad, organizational CEM competency.

Step 5: Institute a broad Customer Experience Management competency

Once you have an understanding of CEM, the final step is to transform the use of your solution from a narrow business capability into a broad organizational competency. This step is critical for two reasons:

- As a capability, the benefits conferred by CEM will always be limited in scope and value. For example, there are any number of companies who use IBM Tealeaf solutions very successfully to diagnose operational issues in an Information Technology context. These companies, however, typically fail to generate the same kinds of high-visibility, high impact examples and case studies outlined earlier in this report.
- The effort required to leverage CEM as a competency requires that the organization become truly customer-focused. Our interviews uncovered one fundamental truth about companies making exceptional use of these technologies — they understand that there is a strong

correlation between being customer-focused and the long-term health of their business. By leveraging the insights available from a high-functioning CEM effort, business leaders are better able to make and measure decisions designed to create value for customers, shareholders, and the business itself.

For ideas about where to start or expand your efforts, we would refer you to the examples provided earlier in this report. Plus, look to your Web Analytics, Voice of Customer, and testing efforts, fraud monitoring, transactional analysis, iterative design, and other aspects of your business that are customer-facing and would likely benefit from more active or proactive monitoring.

More importantly, be sure to share the financial impact of your CEM efforts with leadership teams across the company, starting from day one. Leaders in this space make a conscious and concerted effort to communicate how analysis-driven insights are resolving consumer struggles and, depending on the business model at hand, leading directly to incremental revenue, operational savings, or overall customer satisfaction. Using appropriate yet conservative models to annualize revenue, practice leaders at Expedia, Quicken Loans, M and M Direct, and others are able to calculate the value of their CEM competency which, when shared widely, creates additional momentum for their ongoing staffing, technology, and process-related efforts.

Optimal staffing requirements for Customer Experience Management

As you expand your use of CEM solutions across your business, a key consideration will be resources. While the minimum requirement is a single, dedicated operator for the technology used in a business context, in our experience you are unlikely to appreciate the full benefit from the investment unless you have knowledgeable users distributed within the parts of the business working to leverage the solution.

For example, at VEGAS.com, Mike Brown has a dedicated analyst using IBM Tealeaf solutions, ten business users specifically trained on the system, and another ten who use it irregularly plus their service agents who have been trained to use IBM® Tealeaf® cxReveal to replay customer sessions as part of their effort to help close online sales. Allen Crane has a similar situation at USAA, having trained all twelve of his web and omni-channel analytics team members to use IBM Tealeaf solutions as part of the company's ongoing customer analysis efforts. Dell, a new customer of IBM Tealeaf solutions, is also managing for customer experience with multiple resources in mind, having hired a dedicated and experienced solutions manager and planning for three additional hires to work directly with their Dell Quality, Dell Premier and Dell eSupport teams.

At Web Analytics Demystified we have developed a useful guide for staffing relative to technology investment over the years which we call the 50:50 Rule: For every dollar you plan to spend on technology, plan to spend half of that dollar on the technology itself and invest the other half on human resources to actually leverage the technology investment. While some—specifically technology vendors—consider our rule to violate the very purpose of technology and its ability to reduce the need for human intervention, our combined 30 years of experience at Web Analytics Demystified demonstrates otherwise. Time and time again, we find that companies who follow our guidance and staff appropriately for analytical efforts appreciate significantly more benefits than their brethren who try and get by with technology alone.

Depending on your business, however, the 50:50 Rule does not necessarily dictate that you need a team of customer experience managers. Again, as is the case at VEGAS.com, the company has as many as 30 people who are making some use of IBM Tealeaf solutions. If you take a fractional full-time equivalent (FTE) from each of these 30 people—say, 0.10 FTE—you end up with three full-time equivalents which, when their fractional salaries are added to Mr. Brown's single dedicated resource, come close to VEGAS.com's ongoing investment in the IBM Tealeaf solution itself.

Ultimately, CEM and Digital Ecosystem technologies are only as valuable as your commitment to using them to generate insights and take action. It may sound obvious but in our experience far too many companies expect miracles from software when all that is required is smart people using good data to make great business decisions.

Advanced site optimization: testing and Customer Experience Management

One component of the Digital Optimization Ecosystem that most companies are still just getting acquainted with today is Testing and Optimization platforms. This is perhaps ironic given that we have been talking about CEM in terms of an "Optimization" Ecosystem throughout this report but, again in our experience, even fewer companies have invested in testing than have invested in solutions like IBM and their competitors. Ironic and unfortunate, since the testing platforms, especially when coupled with the other Ecosystem technologies, are the primary gateway to measurable incremental value.

Testing platforms and CEM solutions are connected through their inputs and outputs. Experience management is an input to testing in that, more often than not, all three of the “measurement” solutions in the Ecosystem help paint a picture of the opportunity or area that should be tested. For example, Expedia’s developers and analysts have become particularly adept at using IBM Tealeaf solutions and related technologies to identify areas on the site where travel shoppers struggle to complete research and booking processes. These failures, regardless of whether they appear first in IBM Tealeaf solutions or Expedia’s Voice of Customer or Web Analytics solutions, are flagged and analyzed and, if they show financial potential, systematically tested by developers to try and find a more customer- and business-friendly alternative.

Conversely, CEM solutions are able to leverage the output from testing platforms as a source for additional analysis. Especially in complex environments where multiple page elements are changing at the same time in an effort to find the “right” combination for site visitors, CEM solutions like IBM Tealeaf solutions have the ability to let analysts and developers see exactly what visitors saw when they are subjected to test pages. This can be critical to developing a truly robust understanding of visitor and customer behavior using the Digital Optimization Ecosystem, adding insights into “why” a particular combination or design change worked so that the change can be replicated elsewhere.

What is more, given that not every combination in a multivariate test is necessarily appropriate, replay solutions allow customer support agents to better diagnose usability issues that may have been created during the testing process. Especially in B2B, financial services, travel, and other high-consideration environments or where customer relationships are paramount, knowing what the customer saw when something goes wrong is sometimes the difference between keeping and losing the sale.

To better understand whether or not your company is a good candidate to operationalize CEM, ask yourself the following questions regarding your current competencies:

- Do you have a strategy and governance model in place today to guide your investments and how those investments are put to use?
- Do you have enough resources to effectively manage customer experience online?
- Are your resources deployed efficiently across your business?
- Do your CEM efforts today contribute to the decision making process within your business?

Proving the ongoing value of Customer Experience Management

Once you have taken the time to build your Digital Optimization Ecosystem and develop an organizational competency for CEM, it is time to prove the ongoing value of these initiatives in financial terms. If you have done a good job in your build-out and followed our five-step process, you will have everything you need to quantify the value of your investment and have likely been reporting on your successes through each incremental step.

The proof is derived from two things:

- Consensus with your finance organization on what constitutes “incremental value” or “operational cost savings.”
- The ability to keep careful track of item #1 as you leverage analytical insights to guide incremental improvements in digital channels.

The first item is often tricky, especially when you have a complex sales process or do not sell online at all. Still, assuming your business has worked out a methodology for associating online traffic (or application usage) with revenue or profit margin, the act of determining what “incremental” means will allow you to associate this category of revenue back to tests and analysis-driven changes. We recommend keeping close track of these numbers and, when appropriate, taking a very conservative approach towards annualizing their amounts.

Regardless of the size of your business, transaction size, or traffic volumes, these kinds of wins start to add up and, in our experience, there are very few companies who truly dedicate

themselves to building out CEM competency that do not appreciate significantly positive returns on investment. What is more, like VEGAS.com, Expedia, USAA, M and M Direct and countless others, once you establish this commitment to customer experience, the critical resources, monies and attention from senior-most leadership become increasingly available.

Conclusions and next steps

Hopefully this paper has been helpful as a guide to building out a CEM practice in your organization. The opportunity is clear: no company has the luxury of ignoring customers or looking the other way when artificial barriers result in poor experience. In this increasingly digital and socially connected age, every mistake is amplified countless times over, shifting the onus squarely on business leaders to work proactively to ensure the best possible experience for every customer, every time.

To this end, we hope that you will seriously consider the five step process outlined in this document. The most successful customers have followed this advice to the benefit of their customers, their businesses, and their shareholders. And while the entire process may seem expensive, time consuming, or downright difficult, we can assure you that taking action and integrating CEM into your digital toolkit will benefit your customers and result in long-term gains for your business.

We welcome your thoughts and comments.

About the author

Eric T. Peterson, CEO and Principal Consultant at Web Analytics Demystified, has worked in web analytics since the late 1990's in a variety of roles including practitioner, consultant, and analyst for several market-leading companies. He is the author of three best-selling books on the subject, Web Analytics Demystified, Web Site Measurement Hacks, and The Big Book of Key Performance Indicators, as well as one of the most popular web analytics bloggers at webanalyticsdemystified.com.

Mr. Peterson has committed much of his life to the betterment of the web analytics community, so much so that Jim Sterne, President and co-founder of the Web Analytics Association says "Eric's leadership in the industry is unparalleled, his devotion to the community is legendary, and his years of experience translate immediately into strategic and tactical competitive advantage for everybody who works with him."

About Web Analytics Demystified

Web Analytics Demystified, founded in 2007 by internationally known author and former Jupiter Research Analyst, Eric T. Peterson, provides objective strategic guidance to companies striving to realize the full potential of their investment in web analytics. By bridging the gap between measurement technology and business strategy, Web Analytics Demystified has provided guidance to hundreds of companies around the world, including many of the best known retailers, financial services institutions, and media properties on the Internet.

For more information on Eric T. Peterson and Web Analytics Demystified, please visit webanalyticsdemystified.com.

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