You Have Just Been Appointed Chief Customer Officer – Now What?

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About a third of major companies now have a senior executive with a title that implies responsibility for the overall customer experience. I applaud this action and has been pushing for end-to-end management of the customer experience for years, but my experience is that these executives have not always been successful. The challenge is parsing out what this function includes, and more importantly, what it doesn't include. And how does a Chief Customer Officer (CCO) or Chief Experience Officer (CXO) successfully execute their responsibilities?

The successful CCO/CXO is an executive with responsibility for facilitating management of the customer experience; "facilitating" because the whole executive team must buy in and be responsible or the executive cannot be successful. This paper will cover the rationale for CCO/CXO, the functions implied, authority, and key factors leading to success.

Rationale

The rationale for the CCO/CXO is the understanding the customer experience is the key to market success, and that every company function affects the experience. Thus, organizations need a mechanism for coordinating the functions to ensure the ideal customer experience.

Here are the four parts of the rationale that must be in place and accepted by the CEO and the executive committee if the CCO/CXO is to be effective:

1. A satisfactory customer experience is critical to long term loyalty, positive word of mouth, and the resulting revenue growth.

While this appears to be a given, it is often given little more than lip-service. The **revenue implications of improved experience are usually ten to twenty times the cost implications**, *but the CEO **and** CFO must buy into this*. This is not to say that everyone must adopt the concept of lifetime value of the customer; CFOs are often justifiably skeptical. I seldom have seen that lifetime value is actually fulfilled due to transience in the market. However, the word of mouth implications are critical and **if your word of mouth is good enough you don't need much marketing because your customers will do your marketing for you**. The CEO of Cheesecake Factory recently suggested his marketing costs were less than 20% of the industry average due to great word of mouth and loyalty. A problem is that in most companies, the details of word-of-mouth are often murky and unmeasured.

2. Every major function can and usually does contribute to a less-than-perfect customer experience; and most problems surface at a location different than the organization that caused them.

Most problems surface in the service arena but that certainly does not mean that they are caused there. In fact, I find that a quarter of dissatisfaction is caused by unpleasant surprises built into the product, another quarter caused by sales and marketing, and **another quarter of dissatisfaction is caused by the customer having incorrect expectations or making errors** (such as failing to read directions).

3. It is cheaper to deliver a great experience than a moderate or good experience.

This belief is critical because there is an inherent bias that better service will cost more—and there is a bias toward less service and reactive service. The opposite is almost always true. An enhanced experience is not necessarily a more expensive experience. You want an experience that meets and occasionally exceeds expectations.

4. Even at high levels of performance, the law of diminishing returns doesn't kick in.

There are significant profitable improvements that can be made even among companies which are delivering high levels of satisfaction. I recently assisted an insurance company and a casual dining company, both of which were leaders in their industries on satisfaction and net promoter scores. In both cases I found simple enhancements and points of pain to be eliminated that further enhanced their scores. The fact that your satisfaction is high or your organization is the best in your category should not mean you stop trying to enhance the customer experience. A senior executive the insurance company put it best: each point improvement is tens of millions of dollars on the bottom line.

Functions implied and not implied

The CCO/CXO must have specifically defined functions to allow the Executive Committee to understand their contribution. If the job sounds like fluff, it'll be treated like fluff.

The seven specific functions are:

- Oversee mapping and analysis of all customer-touching processes
- Gather unified voice of the customer data regarding how those processes are performing
- Facilitate identification of key problems, points of pain, and opportunities for value adds
- Create the economic imperative for action – act as an internal consultant
- Decide or suggest who should take the lead in addressing the problems
- Measure progress in attacking issues, thereby creating accountability and ensure that credit for success goes to line management
- Act as an advocate for customers to top management and tell management the bad news along with how much money management is leaving on the table by not acting

The two functions that the CCO/CXO is **not** responsible for are:

- Being responsible for the satisfaction and loyalty indices
- Fixing quality and service

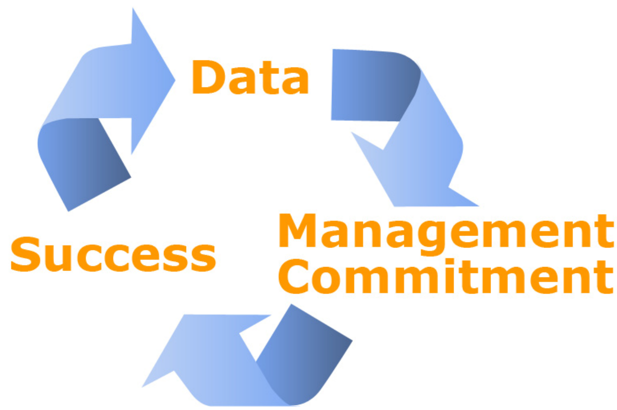
Organizational Location and Authority

- Organizational Location: Stand alone or dual hats?
  The co-location of CCO/CXO with another function is a mixed bag. There can be a major advantage for the CCO/CXO to also be the head of Quality as it is at Cisco Systems or the head of Marketing because it gives the person an additional "power base" and legitimacy. If the function is co-located, it is critical that the function is not a major contributor to the current negative customer experience or that there be an accepted plan for shifting the function toward an improved experience. Service is sometimes not the best place to locate it because it is often hobbled by being viewed as a major cost center. Stand alone, like at Wegmans, often works best because it is of objective.

- Authority: Facilitator or Authority
  In most companies the CCO/CXO is a line executive who sits in with the executive committee and acts as an advisor and consultant. The theory is that rational managers, provided with good data, will act rationally. The caveat is that the data must be compelling and effectively presented. In a few environments, the CCO/CXO can act as an authority because he or she shares their power with another powerful position or has been anointed by the CEO.

Key factors for success

There are three critical factors that, applied in order, will almost guarantee success of the CCO/CXO function. These are good data, management commitment, and successful implementation.



Two questions immediately arise. First, why does good data come prior to commitment? Secondly, aren't there a lot of other things that need to happen?

The answers come directly from my review of factors leading to successful Voice of the Customer processes where the VOC consistently leads to significant impact. If the data is compelling, line management is motivated by a desire for success and will take actions to lead to success. You quantify the revenue left on the table if no action is taken – by quantifying the cost of inaction, you instigate action!

- Why is good data across the entire customer experience so important?
  - A major problem is that VOC is often fragmented and focuses on a few areas on interaction – for example, a leading copier company had focused on product quality and repair when our research showed that sales and installation actually caused four times more revenue damage but customers rarely complained about these issues. **The issues doing the most damage were exactly the issues that were not being reported on.**
  - There must be a solid understanding of the total revenue lost from customer attrition – that every dollar lost due to problems must be replaced by the marketing function winning a new customer, often at a cost at least five times the cost of retaining a customer via service.
  - You must be able to identify the top five reasons for attrition and take action on the one that would be easiest to resolve in a short time. Go for the quick victory to build credibility.

  - Gather input from frontline employees who can tell you what the customer is really experiencing. Often what drives the customer crazy also drives the front line crazy.
- Management commitment and support depends on the belief that improvement will enhance revenue – you need buy-in from marketing and finance because if they buy-in, everyone else will. I recently asked 160 CCOs whether they had CFO buy-in to their VOC business case. **Those who had CFO buy-in were five times as effective in getting customer issues fixed**. Buy-in is created via clear, simple, conservative analysis.
- If you position the first few customer initiatives as pilot tests much less resistance is encountered. Then, if you measure and manage well, you have a well-documented success.
- Success comes from picking doable targets, great facilitation skills, and letting others get credit for the success. It also comes from good measurements, even credible ad-hoc measurements, to prove your success.

Once you have a well-documented success, you can then repeat the cycle of identifying an important aspect of the customer experience that, if fixed, will achieve higher loyalty and revenue and word of mouth, setting a target and taking action, and then achieving another success.

Recommended actions

1. Gain agreement from Marketing and Finance that great word of mouth and less customer attrition will make everyone's job easier.
2. Map key customer-facing processes, especially the ones that generate the most complaints. Gather enough data to get a good picture of low-hanging fruit that provides an opportunity for measurable success:
    a. Estimate the revenue implications of a few key dissatisfiers in a manner the CFO will accept,
    b. Humanize the data with quotes from a few good customers.
3. Pick one target issue that can be fixed within weeks (not months or years) and estimate the payoff of fixing an acknowledged issue,
4. Mobilize action on that one issue and let the line manager get primary credit.
5. Measure and document the success and give the other executives the credit.
6. Move on to the next target.
7. Only after several tactical successes, go for a broad strategy.

In summary, the key to CCO/CXO success is believable measurement, picking your battles and, like any good consultant, make your internal client look good.

John Goodman is Vice Chairman of CCMC. His latest book is Strategic Customer Service, 2nd Ed, 2019