

Topic 2: User experience

March 15, 2022

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Welcome to the Digital Transformation for Internationalisation course!

This is the second topic of the "**User Experience**" programme, which aims to develop the concepts associated with the first domain of digital transformation: **Customer**. This topic is the basis for the rest of your digital transformation journey. Here you will begin to understand your company from the customer's perspective and make strategic decisions based on these insights.

Content: Customer Experience, Customer Centricity

The **objective** of this document is to present the main relevant concepts that will guide you in understanding your customer, and allow you to gain the knowledge and skills necessary to apply them in your company.

Come and join us! Let's keep learning together

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Customer Experience (CX)

CX is the impression that your company leaves on the customer, and that makes the consumer create a concept about your brand throughout the phases of the relationship process: pre-sale, during the sale and post-sale.

The goal of CX is to optimise the interactions between consumers and brands to create a memorable customer experience.

Where to start?

Update your knowledge of customer needs

As technology and tastes change, customer needs evolve. As a business, it is important that you can keep up with these changes. If you don't, you risk losing competitive advantage.

How can you update your knowledge of customer needs?

Collect feedback, create a survey, review your frequently asked questions and keep an eye on the reviews your customers post online.

Define the customer experience you would like to create

Great customer service doesn't just magically happen - it's something a business has to craft. Think about how you would want to be treated if you were a customer interacting with your company. Putting yourself in your customers' shoes is vital to creating a positive customer experience.

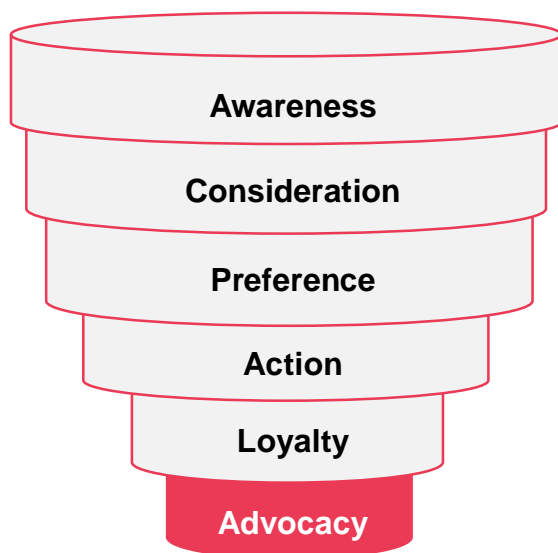
Make the experience personal

Businesses can create an excellent customer experience and build loyalty when they personalise their services. Personalised service is rare and is something the customer knows they won't get if they go elsewhere. It is about meeting the customer's needs automatically on the spot.

Marketing funnel

The marketing funnel (sometimes called the purchasing funnel) is a framework for understanding how customer networks have a major impact on companies' relationships with customers. This classic strategic model is based on the psychological research of the "hierarchy of effects", which dates back to the 1920s.

- It traces the progression of a potential customer from awareness (knowledge of the existence of a product or company) to consideration (recognition of potential value) to preference (intention to purchase or choice of a preferred company) to action (purchase of a product, subscription to a service, etc.).



At each stage, the number of potential customers decreases (there will be more people aware than considered, and so on.), hence the conical shape of the funnel. In recent years, a further stage, **loyalty**, has been added. It is almost always more effective to invest in retaining customers than in trying to attract new ones.

The enduring usefulness of the marketing funnel is that it is a model, based on a progression of psychological stages. Consequently, the funnel can continue to be applied even if customer behaviours change dramatically.

Marketing funnel

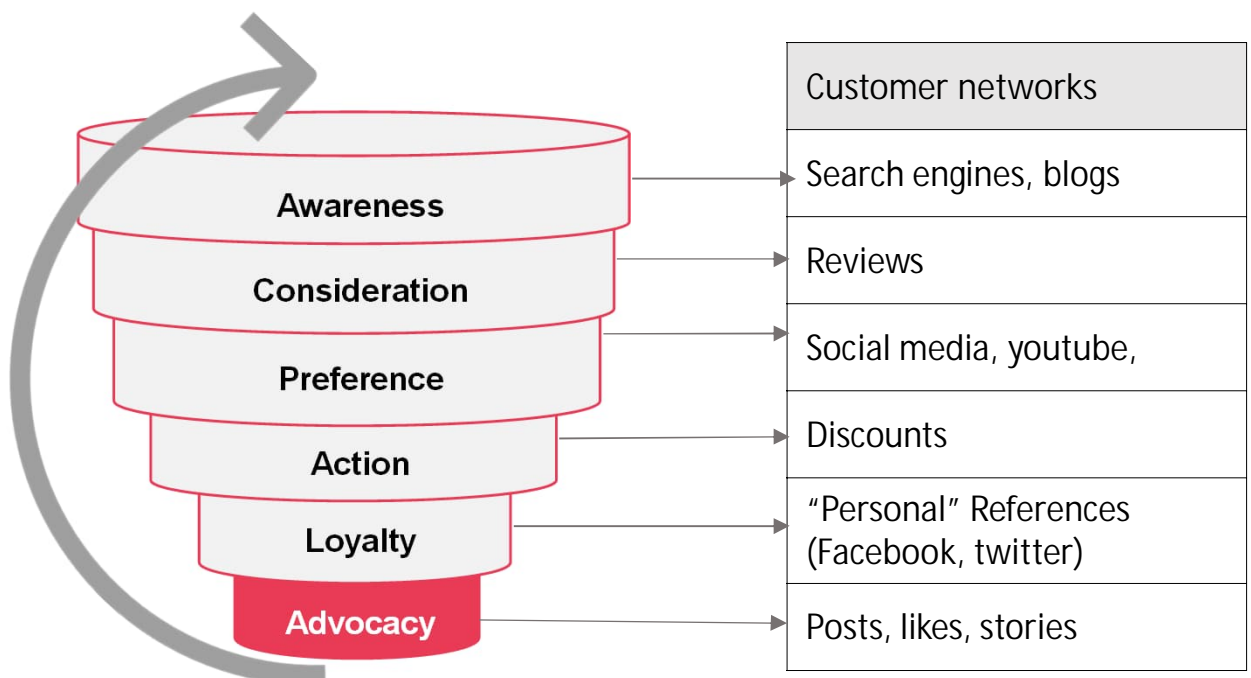
Every stage of the funnel is affected by customer networks.

In the digital age search engine results (Google, Bing) are one of the biggest drivers of customer **awareness** of any brand or business.

Customer reviews, posted on websites such as Amazon or TripAdvisor, greatly influence the **consideration** phase. These reviews are influential even when customers shop in a physical shop. With the internet at their fingertips via smartphones, customers are searching for products that were once "impulse" purchases, motivated solely by shelf placement and packaging.

As customers advance their brand **preferences**, they often turn to social networks such as Facebook, asking if a friend has visited this holiday destination or bought that brand of blender.

In the **action** phase, customers may shop in a store, on a website, on a mobile device, or even on a mobile device while in the store. After the purchase, companies have many more ways (from email marketing to social media) to maintain the relationship with these customers and build customer **loyalty**.



Marketing funnel

However, today's customer networks have their greatest impact on the marketing funnel through the last level "**Advocacy**". At this stage, customers are not only loyal, they advocate for the brand and connect it with people in their network. These customers post photos of the products on Instagram, write reviews and answer their friends' questions about the products on Twitter. Thanks to search engine algorithms, this kind of customer expression has a great influence on search results. In this way, each customer's advocacy feeds back into the top of the funnel and has the potential to increase the magnitude of awareness, consideration, and so on through the funnel.

Customer-centric culture

Customer centricity must be a permanent change, rather than a short-term project. Developing a customer-centric company culture is the key to making it part of the company's DNA. This applies to all employees regardless of whether or not they have direct contact with customers.

For this it is essential that there are no barriers in the company to share customer information (segments, feedback, customer journey, data, etc.). However, the fact that information is available does not imply that employees understand and use it, which is why companies must:

- **Teach:** Ensure that all employees understand the concept, and actively seek to understand the customer.
- **Communicate:** You cannot over-communicate when it comes to demonstrating the desired culture in an organisation. The flow of messages must be constant, consistent and engaging.
- **Empower:** Consider empowering your employees to make decisions for themselves when dealing with customers and give them the ability to personalise experiences to delight customers.

Benefits of customer centricity

Reduce CAC

CAC stands for Customer Acquisition Cost, a metric that estimates the total amount spent until a consumer buys something from you (a product or a service).

When you work with Customer Centric and have loyalty as a top priority, this cost is reduced.

This is because there is a much greater dedication to knowing the profile of the target audience, their characteristics and needs. The result is an increase in the effectiveness of the actions developed.

Increased return on investment

Return on investment is another of the advantages that Customer Centric brings to companies.

When you work to ensure that customers have the best possible experience, they feel more confident to buy more and recommend the brand to their acquaintances.

Increased social proof, brand advocacy and referrals

Social proof in the form of recommendations, referrals, reviews, testimonials and positive user-generated content is a big driver of trust, credibility and brand recognition. Satisfied customers generate valuable social proof that attracts new customers and are also more likely to recommend the business to others and participate in referral programs.

Access to valuable data for innovation

Tracking customer satisfaction and actively listening to customer feedback enables an organization to develop better products and services.

Measuring customer centricity

Churn rate

Churn represents the cancellation of a contract or service.

This metric helps to accurately measure customers who no longer buy from the company.

In other words, having a high churn rate is not a good sign.

It can be an indication that even though a company is attracting customers, they are, for some reason, leaving the business.

According to a [study by ThinkJar](#), 67% of consumers consider bad experiences to be a reason for Churn.

$$\text{Churn Rate} = \frac{\text{Number of clients lost during the period}}{\text{Number of clients at the beginning of the period}} \cdot 100$$

Customer Lifetime Value (CLV)

This metric measures the profit your company makes per customer.

In other words, it calculates how much money you have earned since a specific person became a frequent consumer of the brand.

CLV is an interesting indicator because it allows you to develop personalised strategies for each person, based on their profile and purchase history.

For any business, some customers are more profitable than others, and some may even cost you money. Customer lifetime value can be made up of several factors: purchase frequency, purchase volume, price, discount dependency, and loyalty or defection rate. To build a model, you will need historical data and the involvement of your finance team.

$$\text{Lifetime value (LTV)} = \text{Average purchase value} * \text{Number of transactions} * \text{Retention Period}$$

$$\text{CLV} = \text{LTV} * \text{Profit margin}$$

Measuring customer centricity

Net Promoter Score (NPS)

Few metrics are as useful in assessing customer experience as NPS. This indicator calculates which consumers are considered detractors, neutrals or promoters of the brand.

In other words, the Net Promoter Score indicates who is dissatisfied, indifferent and satisfied with the company in question.

Thus, you can develop strategies so that the groups of detractors and neutrals decrease and the promoters grow.

Calculate your Net Promoter Score (NPS) from the answer to a single question, using a scale of 0 to 10: **How likely are you to recommend [the brand] to a friend or colleague?** This question is called the Net Promoter Score or recommendation question.

Respondents are grouped as follows:

- **Promoters** (score 9-10) are loyal enthusiasts who will continue to buy and recommend to others, fuelling growth.
- **Neutrals** (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitors' offers.
- **Detractors** (score 0-6) are dissatisfied customers who can damage your brand and impede growth through negative feedback.

Subtracting the percentage of Detractors from the percentage of Promoters gives the Net Promoter Score, which can range from a minimum of -100 (if all customers are Detractors) to a maximum of 100 (if all customers are Promoters).