KPMG

Break out: From ordinary to extraordinary

US Customer Experience Excellence Report 2022

December 2022

Foreword

In the first year after the pandemic, the world has literally rebooted. COVID-19 and many other events upended how business was conducted.

In this report, we show that the leaders of customer experience continue to demonstrate that they know how to deliver excellence. But we also felt it was important to take a deeper look at what we call "break out" companies—brands that are finding new ways to create their own benchmarks for exceptional results.

They are showing us how they have unlocked growth, put clear blue water between themselves and their competitors, and driven commercial performance that is considered superior by their customers. These break out companies have invested strategically in their customer capabilities, ensured they are consistently connected end to end, and consequently, have been able to orchestrate market-leading experiences.

The anticipated headwinds in the near future are significant. Macroeconomics, geopolitical tensions, and the impact of COVID-19 are shaping a hugely complex and potentially difficult trading environment. Cost management will be critical, but it is not a path to greatness. Stakeholders will continue to expect companies to find new areas of growth.

But where will growth come from? How do companies attract new customers or encourage existing ones to spend more?

These have always been key questions, but now, more than ever, the answer lies in understanding the customer. One essential lesson from our break out companies is that growth will be a function of customer insight.

The more you know about the customer, the more targeted you can be. Some consumers will be very challenged in the upcoming months, but there are still customers that have money, and they will spend. Therefore, you need to know who they are, what they need, and how they will respond to different propositions. And for those who are challenged, you'll want to find ways to protect and nurture them for better days ahead.

It is no accident that the leading companies in this year's study are intimately close to their customers. These are companies who have built customer insight into their very fabric. The top-ranked company in this year's survey, USAA, is renowned for "customer surround sound,"[1] their approach to continuous customer listening. Chick-fil-A and H-E-B build their businesses on understanding the customer and crafting experiences that aim to meet their needs better than their competitors. They also strive to operationalize the experiences.

But our research shows that, aside from the leading companies, customer experience in the US has reached an equilibrium and companies are finding it difficult to stand out.

While short-term progress can be made, achieving an enduring position in which higher commercial returns are linked to the high quality of the experience is a tall order for many companies.

The leading companies in our index show that low-cost, high-quality experiences and consistent growth can be mutually compatible objectives. According to our research, these are companies that have learned over time to achieve the extraordinary every day. And by examining the journey the break out companies have taken, we demonstrate what is required to achieve a recipe for success in the challenging times ahead.

Jeff Mango
Managing Director,
Customer Experience Lead
KPMG in the US

The break out companies

Customer perceptions of the experience they receive across the US has largely remained static over the past five years. As firms invest in meeting ever-rising customer expectations, it has been difficult to be distinctive. But some firms have managed to not just keep up, but have significantly improved their position in our index, proving that they are able to rub shoulders with the top companies in our index.

For the leading companies in our index, our research shows they have a history of high performance and are able to react and adapt as necessary to changing conditions and circumstances. For our break out companies, this is a skill they have learned more recently.

Average CEE Scores

	2018	2019	2020	2021	2022
Top 10	8.27	8.39	8.35	8.25	8.35
Top 100	7.90	8.00	7.97	7.95	7.99
Total Index	7.41	7.48	7.49	7.57	7.41

The Customer Experience Excellence (CEE) Score is a weighted average of customer evaluations of each brand's performance across the Six Pillars of Experience. The weighting is driven by the contribution each Pillar makes to advocacy and loyalty.

For those not among the leaders or break out companies, it is not a lack of intent or determination; rather it is a problem of process. The process required to be extraordinary comes from the right sequence of steps and the commitment to follow through in removing the anchors of the past. It is interesting how many companies are still organized around functional silos, are hierarchical, and are product-rather than customer-centric.

So, what do organizations need to do if they are to throw off the shackles of uniformity and break into the pack of top-scoring companies?
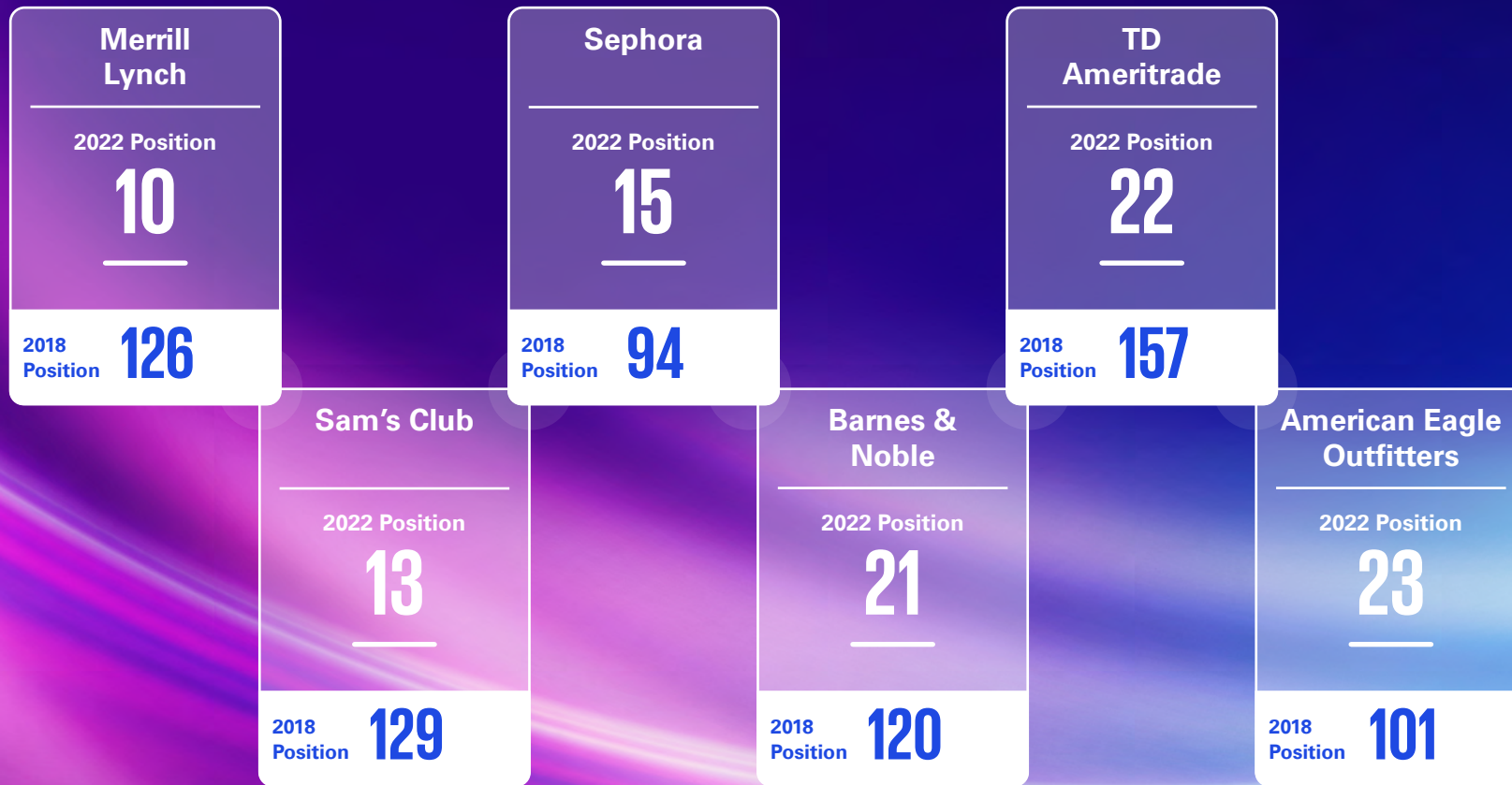
To understand this, we scrutinize the companies that have broken out from the followers and achieved a position near the top of our leader board. They are: Merrill Lynch, American Eagle Outfitters, TD Ameritrade, Barnes & Noble, Sephora, and Sam's Club.

What we found based on survey scores over time, these organizations have distinguishing features which uniquely equip them for success in this complex and ever-changing competitive environment.

They have created businesses that demonstrate flexibility. But at their heart, they have demonstrated to customers that they are driven by a desire to be extraordinary to accelerate beyond their competitors and, in the process, reap the financial rewards of a differentiating and superior customer experience.

They demonstrate characteristics that can and should be implemented by organizations that are keen to achieve a meaningful competitive difference.

The break out companies

Merrill Lynch

2022 Position

10

2018 Position 126

Sephora

2022 Position

15

2018 Position 94

TD Ameritrade

2022 Position

22

2018 Position 157

Sam's Club

2022 Position

13

2018 Position 129

Barnes & Noble

2022 Position

21

2018 Position 120

American Eagle Outfitters

2022 Position

23

2018 Position 101

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Merrill Lynch

Based on survey comments, understanding their customers lies at the heart of their progress. Client-driven innovation is their north star.

An example of this is how they have approached the aging population. Children born in the developed world today can anticipate living to 100 years and beyond, and those of us arriving at old age in good health stand a very good chance of living into our 90s. Working with a gerontologist, Merrill Lynch sought to really understand the implications of this: What did this mean for their customers as they progressed through their lives? How could Merrill Lynch help them deal with life's problems?[2]

They invested heavily in research to understand the longevity market and have now rolled-out programs and products that address the needs of an older demographic. Their programs cover seven major areas in which life priorities change in retirement: family, work, health, home, giving, leisure, and finances — and they've led to improved customer satisfaction, acquisition, and retention.

Flexible technology powers the Merrill Lynch customer proposition. For example, their Self-Directed platform has been consistently recognized as one of the best for its education, research tools, and client experience.[3]

The platform's patent-pending technology – including its stock story, portfolio story and fund story experiences – delivers an engaging experience that helps clients navigate their unique financial needs. These personalized investing experiences provide clients access to jargon-free analysis and insights, along with guidance at every step of the way to help them confidently put their ideas into action. Clients are also able to align their investments with their values, thanks to the impact investing resources that allow Merrill Edge Self-Directed clients to assess and develop their portfolios based on ESG scores.

Key learning points:

01 Client-driven innovation and a problem-solving mentality

02 Embracing new technology to solve identified problems, not for its own sake

03 Engaging and immersive experiences

Sam's Club

Positioned as the "no frills" membership division of Walmart, it too is focused on continuous innovation and increasing customer perceptions of value.

Instead of stocking every item in every available brand, Sam's Club merchants do their homework for members, stocking the right products and purchasing them in large quantities, then passing on the savings to their members. They reduce costs by maintaining a simple shopping environment, often displaying merchandise on shipping pallets so they can move new items in just as quickly as customers move them out.[4]

Sam's Club has been on a mission to revolutionize retail.

A flexible enterprise IT model paid dividends when the pandemic hit. It was the existing modular platform work that enabled them to reuse code from Scan & Go and rapidly pivot to meet members' needs.

As a result, Sam's Club was able to develop, test, and launch a Concierge service chainwide in just six days, offering a car-side, frictionless shopping experience for senior, disabled, and at-risk members.[5]

They recognize that most innovative ideas come from associates who are closest to the members. The empowered cross-functional teams at Sam's Club, known as experience teams, find new opportunities and work together to capture them with an entrepreneurial spirit.

This ethos of collaboration and agility is what fuels Sam's Club Now, the technology lab that doubles as an operating club. With feedback collected from in-club associates and members at Sam's Club Now, the experience teams use their multidisciplinary strengths to refine and roll out promising technologies—like Ask Sam, for instance.

"Final iteration" is not in the Sam's Club vocabulary. Sam's Club is devoted to evolving as a company. Over the past four years they have opened Sam's Club Now, the Innovation Center in Dallas, added new features to the Sam's Club app, partnered with Instacart to offer same day delivery, and developed new technologies to help keep members and associates safe during COVID-19. Currently they are piloting the ability for members to use Scan & Go at their fuel stations. Members will use the Sam's Club app or scan a QR code at the fuel pump, no longer needing to swipe a membership or credit card.

Key learning points:

01 Investment in flexible foundational technologies

02 Empowerment of cross-functional teams

03 Commitment to continuous evolution

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TD Ameritrade

TD Ameritrade stands out as a top online stockbroker for several compelling features, such as highly accessible customer support, in-depth and comprehensive stock trading research, no minimum account size, and competitive commission prices.

As an industry pioneer, innovation has always been in TD Ameritrade's DNA. They are guided by a business model that puts investors' needs first. Their commitment to investing in technology to make CX better has led TD Ameritrade on an exciting digital transformation journey. They started with removing customer pain points such as the business processes in the middle- and back-office that tended to be very manual and led to longer-than-desired delays in processing client requests.

This helped them to improve their self-service portal to deliver seamless experiences to customers at scale.

The portal enables long-term investors to choose an investment plan for crucial financial goals, including retirement, college, or home purchases. Using the app from computers or smartphones, clients can dial up or scale back their contributions and view a graphical projection of their investments over time.[6]

The driving force for CX improvement is TD Ameritrade's Innovation Center. Getting products from innovation center to production has required new thinking and adopting new practices such as agile, design thinking and lean startup methodologies for quickly building products and adapting rapidly to change.

Prior to this, most software development was conducted using a waterfall methodology.

In this model, the business units write stacks of software requirements and hand them off to IT to build over several months.[7]

Now there is a production line of innovative technologies such as AI-powered messenger bots and Robo advice, all transitioning rapidly from concept to usage. They start by asking open-ended questions such as, "What would a client want to do with a product and how would they interact with it?" The answers help product development teams communicate to IT what they require, including product vision, scope and narrative.

By automating manual tasks, TD Ameritrade has shifted the potential of its workforce, reducing data entry and moving those roles to knowledge work and process engineering.

The shift has allowed the company to focus on higher value work, such as analyzing data, improving existing workflows, and making efficiency gains.[8]

It is all driven by a belief that engaged, knowledgeable, empowered customers are more likely to become loyal, high-value clients. And an accessible, intelligent customer experience could attract new clients, particularly a new generation of investors who are keen to adopt new technologies.

Key learning points:

01 Focus on removing pain points and developing gain points, which are key elements in the experience

02 Innovation supported by adopting new work practices, such as agile at scale

03 Improving the employee experience by elevating the contribution each role can make

Barnes & Noble

It is fair to say that Barnes & Noble's break out is still a work in progress. But after years in decline, their sales are up, and their costs are down. The new CEO appointed in 2018 has expressed a clear vison for the book retailer's future success. They have a unique role in the book ecosystem in which they help readers discover new titles, and they help publishers stay invested in physical stores.[9]

For Barnes & Noble it took an existential crisis to spur the retailer into action. As the heart of their business came under siege from online competitors, they had to decide what type of retailer they needed to be in a sector where digital and optimized customer experiences are the norm and data-driven decision making is key to success in the omnichannel shopping experience.

They had to remember what originally made them so successful by starting to innovate again at the ground level, and by leveraging new digital technologies and experiences.

The stated mission of Barnes & Noble is "to operate the best omni-channel specialty retail business in America, helping both our customers and booksellers reach their aspirations, while being a credit to the communities we serve."[10]

Revitalizing Barnes & Noble required revitalizing the brand's in-store, retail experience. This meant articulating their brand promise so clearly that every employee understood what the brand stands for in the customer's mind. Everything that happens must be focused on bringing this promise of a relevant, differentiated, trustworthy brand experience to life for every customer, every day, in every store.

In reenergizing their stores, they played to their strength over online retailers: the chance of a new discovery and finding an interesting book based on its cover or title as you browse the shelves. It is this process of discovery that is difficult to replicate online.

Decision making on stock and content was given to the store manager. No one knows the market, locale and customers better than the store's general manager who, along with staff, deliver the brand's great experience to customers. The general manager brings the brand to life, making sure that each customer contact meets expectations.[11]

The stores themselves were given a makeover. When the company shut all its stores in 2020 because of the pandemic, it used that time to freshen up. Walls were painted. Furniture was rearranged. Some bulky displays were replaced with smaller tables. And they began doing more extensive redecorating.[12]

Barnes & Noble's online business has also improved. That segment is up 35 percent over its pre-pandemic level, though it makes up only about 10 percent of the chain's overall sales. After years of letting its Nook e-reader languish, the company has re-invested. It recently redesigned the Nook app to integrate audiobooks and released a new version of the device.[13]

Key learning points:

01 Being clear on purpose, brand promise, and competitive positioning

02 Empowering management and employees

03 Focus on integrated omni-channel experiences

Sephora

It is interesting that around the world, the beauty and cosmetics industry is driving the use of technology in customers' lives. Sephora is one company demonstrating this.

The beauty industry sells confidence. Sephora sales associates—the company calls them beauty advisors—help customers feel confident about their product choices through a blend of technology and physical customer experiences. Their website states, "Our stores are a stage, and our beauty advisors provide performance and real interaction with our clients, not just transactions. We use technology to complement the beauty advisors' expertise . . . and to make them even more powerful."[14]

Technological innovation solves problems for their customers. For example, they have created a tool called Color iQ. A Sephora beauty advisor holds up a handheld device to a customer's face, capturing several different images of the person's skin.

Once the images are captured, the digital tool assigns the customer a Color iQ number that can be used to identify all the products that will match their skin tone across every brand Sephora carries.

The technology has taken the concept of product curation to a whole new level and has been expanded to include additional product categories such as skincare and fragrance.[15]

To increase customers' confidence, Sephora created an augmented reality tool called Sephora Virtual Artist[16] which lets customers see photos of themselves "wearing" different makeup looks and products. Beauty advisors use this tool to allow customers to choose their favorite look before the makeover begins.

The company operates an innovation lab in San Francisco and is constantly testing new strategies. Sephora states that they do not have a digital or a technology strategy. There is only a customer strategy.

According to their site, "We start with the customer need; we don't start with technology. We'll look at the need and ask, 'Is there a role that technology or innovation can play to address this?' For example, we don't have an AI strategy.

"We have experiences that we're designing to meet consumer needs that may happen to use AI technology. That's the way we've got to think about it.

"We're really careful that we're not adding technology for the sake of introducing something new and shiny."[17]

What makes Sephora's interplay between technology and brand so powerful is that it can't be easily duplicated. Not because the technology itself is difficult to replicate—it isn't.

But because their success is built on a deep alignment between brand and customer experience, and they consistently deliver on it with a level of customer-centricity that competitors would have a lot of difficulty duplicating.

Key learning points:

01 Starting with the customer need

02 Harnessing new technologies as an integrated part of a human-to-human experience

03 Deeply understanding the psychological outcomes the customer is seeking to achieve

American Eagle Outfitters (AEO)

The AEO recipe for success lies in delivering high-quality products and personalized in-store experiences, along with maintaining brand relevance to its core customers.

It is a $3 billion plus brand with a $1 billion digital business, and the leading specialty retail brand for its core 15- to 25-year-old customers.[18]

To drive growth, AEO has updated their brand platform to make the customer connection as strong and as relevant as possible. The brand has always stood for inclusion, and that has been broadened to incorporate diversity and youth empowerment while focusing on product, innovation, quality and value. They codify their unique approach to personalization and customization as "AE x Me."[19]

The new generation wants to have an impact on the brand. They want to participate and shop brands where they feel aligned with the values, but they also want to feel like they have a part in creating the brand.

Delivering this means putting the customer at the forefront, giving them the products they're looking for, and making sure that they offer the merchandise customers are seeking.

The jeans business is an example of innovation and is helping set AEO apart in the market. They are now number one in the US for their chosen demographic. It took a clear focus on their customers and offering the style, fit, quality, innovation and value they are looking for—as well as providing them with the in-store customer experience they want.

The experience is crafted around the generation they target who prefer in-person experiences. They want to touch and feel the product and interact with people. The stores offer a seamless experience where the customer can build outfits and shop for everything they need all in one place. Denim customization in new stores allows customers to personalize their jeans with unique back patches, and in-store events inspire customers to paint, bleach and make jeans their own in a completely new way.

AEO is also intently focused on being an omnichannel retailer. They recognize that customers are increasingly pre-shopping online prior to coming into stores and that shopping experiences today start in consumers' hands—through mobile, on the Web with their devices, in emails, and through SMS notifications.

They use these digital experiences to drive in-store traffic and purchases, developing a program called Reserve, Try, and Buy.[20]

The idea behind the program is to give customers the flexibility to shop exactly how, when, and where they want to. Customers reserve merchandise through a mobile app or on AEO's website. The store nearest the customer receives an alert of the shopper's request and confirms that the items are in stock, sending a series of real-time email and text messages to confirm the order and the store's hours and location.

Store employees set aside the items and shoppers can hold as many as five items until the store closes the next business day.[21]

Key learning points:

01 Enabling customers to feel unique, with personalization and customization

02 Aligned interactions between online and in store

03 Data-driven experiences

While technology was the cornerstone of the program, data was the backbone. Message preference data and inventory data dictated the contents and cadence of each triggered email. The combination leads to a holistic customer experience.

Break out: Achieving escape velocity

Breaking out from the pack and joining the top companies in our index requires focus and extraordinary effort. The gravitational pull to revert to the average is a powerful one, and escape velocity is impossible if tied to the ways of the past.

For each of the companies that have achieved break out, the story is similar. It is not the result of incremental improvement or attention given to a single area. It requires an intolerance for mediocrity, a recognition that good enough is never good enough, and wholesale enterprise-wide reinvention.

It requires a frank examination of your business to find out why previous efforts have not delivered the results you are seeking. It requires removing siloed thinking that inhibits progress.

Working with research company Forrester, KPMG has identified eight critical capabilities that could lead to success.

These factors are evident in our break out companies, and they can be applied regardless of sector, geography, or company size. Our research shows that getting these eight capabilities right can make a meaningful impact in how companies are perceived by the market.

Insight-driven strategies and actions	Innovative products and services	Experience-centricity by design
Seamless interactions and commerce	**2x impact**	Responsive operations and supply chain
Aligned and empowered workforce	Digitally-enabled technology architecture	Integrated partner and alliance ecosystem

1 Insight driven strategies and actions

This is more than simply applying "know me" identifiers to personalization strategies. It is a deep understanding of the customer's life, their challenges, problems, and concerns. It requires knowing what triggers their behaviors, the motivators that drive them, the ways in which their attention can be gained, the influencer networks they are part of, how they value their time and the ways in which they prioritize their spend.

When Lou Gerstner was transforming IBM, his very first step was to get all of his senior executives to spend time with customers and report back on their needs, problems and requirement—a process that he called "Operation Bearhug."[22] Our top-ranked company over many years, USAA calls it "customer surround sound," the continuous conversation they have with customers about needs and wants.

It is no longer enough for businesses to simply make money for shareholders. Customers expect companies to be clear on their contribution to the world and the environment—and ensure this permeates every aspect of what they do. Customers will soon detect inauthenticity. Barnes & Noble, Costco and Sam's Club, for example, act as agents for their customers, finding things they will value and ensuring that they are delivered at the lowest possible cost. But they are also very clear on their environmental and social responsibilities. Merrill Lynch, for example, was among the first companies to enable clients to invest in companies that reflect their values.

2 Innovative products and services

Being good at this capability requires constant market scanning, continually assessing new technologies, and a customer "pain killing" mentality. How can customers' lives be made easier, more fulfilling, and more productive?

It isn't necessarily about being first to market; more important is getting it right. For Merrill Lynch, their Edge platform moved the goalposts in the investment industry. A leading online retailer invested five years in perfecting their fresh food offer. Getting it right trumps being first.

Break out: Achieving escape velocity

3 Experience-centricity by design

This capability involves being clear on the space you want to occupy in the customer's mind. It requires absolute clarity across the organization as to what good looks like and how the company wants to show up for customers. Standards, service levels and KPIs are important – but what matters more is the emotional connection that is made with the customer.

Consider Barnes & Noble's realization that they can supply customers with the ability to browse in-store bookshelves for enticing book titles and covers better than online retailers can. Or, Sephora building experiences based on what customers need rather than rolling out technology for technology's sake.

Embracing the concept of "digital innovation" doesn't just mean embracing digital. It means embracing your customers, based on a deep understanding of them and their unique desires. And then determining the role of digital experience and how it can actually make customers lives easier.

4 Seamless interactions and commerce

No one can predict the future; it is too complex with too many interacting variables. Couple this with disruptive innovation from non-industry players. Our highest-scoring companies prepare by building for flexibility.

H-E-B talks about creating a flexible platform that will "power the next 100 years."[23] Merrill Lynch similarly designed a flexible platform. L.L.Bean is an interesting case of an organization that is using IT technology in a clever way to support their overall strategy and processes. Sam's Club describe it as "foundational technology." Sephora use technology to enhance their customers lives, the emphasis being on the adaptability of their platform, each new innovation simply slotting in as part of a portfolio of customer-based applications.

5 Aligned and empowered workforce

In today's agile environment, a learning culture is essential, one that continually expands its understanding of the customer and can continually modify and improve what it does. It is a distracting world, one where new corporate thinking appears with regularity: six sigma, agile, customer journeys. The most successful organizations look at each new area of thinking and, rather than adopt them wholesale, selectively choose the areas that are of most relevance to them and their business. They add this thinking to the vast canon of knowledge they have accreted over years, so they always do things their way. The "Sephora Way" is a salient example of this.

The experiences created by break out companies such as Barnes & Noble are not the default outcomes of different departments all doing their best. They are the carefully choreographed and orchestrated outcomes designed by empowered cross-functional teams. Silos are the complete antithesis of successful orchestration. The leading companies in our index and break out businesses are all skilled at using cross-functional teams to create seamless omnichannel experiences.

Break out: Achieving escape velocity

6 Digitally enabled technology architecture

For each of the index break out companies, a fixation on the customer journey has been an essential component of their progression. The difficulty in tracking the customer journey seems to increase as the years go by. We now have customers using multiple platforms to engage with brands. As American Eagle Outfitters have learned, they also move from one digital touchpoint to the other before they finally make a purchase. This propensity to switch platforms increases the possibility of incomplete or abandoned transactions.

Maintaining customers' loyalty as they move between channels and platforms requires firms to fully understand the customer journey and the experience across different touchpoints. It requires the collection of data through numerous channels. This helps to increase understanding of the customer's position in making decisions.

7 Responsive operations and supply chain

Supply chain challenges abound, and companies are taking innovative approaches to securing and bolstering their supply chain performance. American Eagle Outfitters, for example, set out to master this critical function during the pandemic.

They acquired two supply chain businesses in order to build out a logistics platform that other companies — even its rivals in the apparel industry — could utilize, too. They believe that they can lead the industry into a new territory of vertical logistics to dilute costs. They believe that brands that compete for shoppers in clothing, makeup or home goods shouldn't also be competing over things like quicker delivery windows and cardboard boxes.

Instead, if enough businesses work together and pool resources, a conglomerate of retailers could be shipping out just as many packages daily as major online competitors. American Eagle Outfitters describes their communal supply chain platform as the ultimate "frenemy network."[24]

Break out: Achieving escape velocity

8 Integrated partner and alliance ecosystem

Success requires being clear on your partner strategy and a holistic view of the role partners play in the short-, medium-, and long-term. It requires a win-win mentality for all parties.

For companies like Sephora, leveraging partnerships is a critical competence. It starts with growing, supporting, and cultivating smaller brands that could, in time, serve as future distribution partners or acquisition targets.

For TD Ameritrade, success comes from managing a complex ecosystem of 20 strategic partners, including one technology company and 19 channel partners.[25]

**Break out:
Achieving
escape velocity**

Orchestrating break-out experiences

When we look at the break out companies, what we see is that their customers see them as masters of innovation, often using technology to meet changing customer needs—but not exclusively. It is how technology augments their customer strategy that matters.
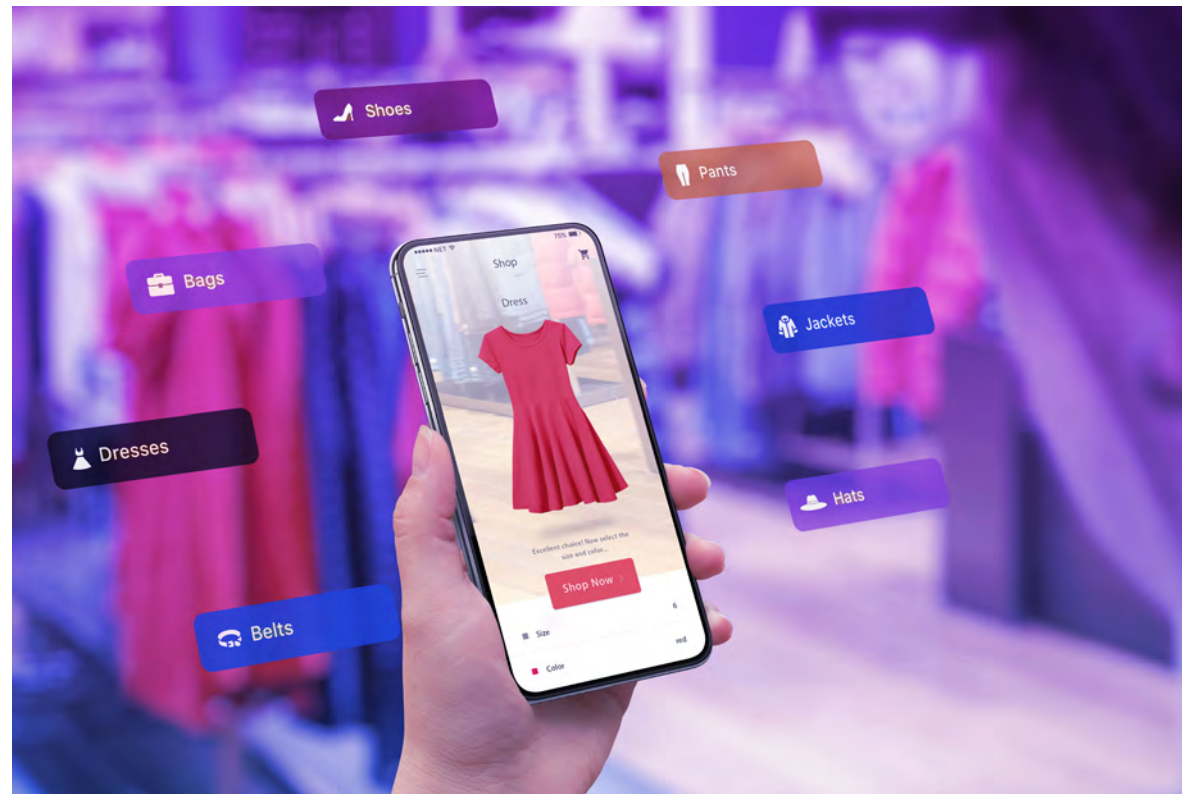
Technology adoption and digital literacy have been the biggest by-products of change that the world has seen since the pandemic. Companies that have orchestrated experiences using meaningful technology have transformed the front, middle and back office. Use of shared economy concepts, cloud adoption, and customer journeys that are driven by data consistently across the platform have changed the way interfaces are being designed. The voice of the customer is central to experience design.

With this in mind, the key to growth lies in the ability to design and deliver compelling, seamless customer experiences. Those experiences need to be connected across five stakeholder groups: customers, business functions, employees, partners, and the digital ecosystem.

Sales, marketing, service, product, and other operational teams must work in harmony to deliver the unified experiences that customers want.

This involves integrating the customer service team systems, billing system, customer management system, and operations team with analytics to effectively predict when and what kind of problems may occur in order to orchestrate a seamless end-to-end experience.

How can you make this happen? Keep in mind that becoming a connected enterprise is an ongoing journey — not an end state. Here are **six key steps** for developing your strategy:

01

Understand how you are communicating your business purpose with your customers. They want to understand what your business means for them, beyond the realm of a commercial transaction. This purpose translates to how the customer connects and engages with the brand.

02

Assess how you are performing today. Consider several dimensions:

- What are your customers telling you about the services and products you are delivering to them?
- Are they promoting you or simply satisfied?
- Are they helping you achieve your profit goals? If not, where is the breakdown occurring?
- How is your organization performing on each of the eight capabilities of a connected enterprise?
- To what extent is the business ensuring the eight capabilities are working together to provide a seamless experience for the customer?

03

Define the customer experience your business wants to deliver based on a clear understanding of the voice of the customer, the marketplace—including competitive and comparative practices and experiences—and the economics of these experiences on your existing and target customers. Do you want to pay homage to the third box of "experience centricity" versus just "customer experience?"

04

Identify the necessary requirements for delivering the appropriate customer experience using the eight capabilities of a connected enterprise and understand where there are gaps in your company's ability to execute today.

05

Develop a roadmap for closing the connected enterprise gaps. Create a detailed business case for each initiative, with clear linkages to desired value and required capabilities. Understand how technology can be a differentiator and not just table stakes.

Your roadmap needs to include technological innovation that can uniquely focus on providing experience while delivering a strong return on investment, and in a sustained manner. The goal is to balance investment in CX with customer expectations to maximize economic value.

06

Execute your plan and continually monitor your progress from your customers' perspective, the economics of the experiences delivered, and your competitive positioning.

Orchestrating break out experiences

CX is always evolving. New technologies and changes in customer behavior patterns mean that firms must be constantly reviewing the experience they are delivering and the technology that supports it. APIs, off-the-shelf orchestration software, and ready access to advanced technology such as AI and machine learning mean that how you use evolving technology is a problem of "what" and "how," not "if."

Case Study

USAA orchestrates the motor claims experience

USAA, the number one company in our US index in 2022, sets itself a customer outcome of a "touchless" motor claims experience, with workflows automated and orchestrated end to end throughout the process. They wanted to improve the claims experience both for customers and their in-house teams, including customer service agents and loss adjusters.

The resulting design not only streamlined the repair process, but also increased auditability of repairs and improved overall cost efficiency.

USAA created a service that could map a photo of a damaged vehicle to a list of parts, and in turn identify if those parts should be repaired or replaced. If a repair was needed, the service could also predict how long it would take to do so, taking into account local labor rates.

It required a new process and customer journey architecture, along with the deployment of AI methodologies. It was all orchestrated to provide a seamless experience for each customer.

The process was supported by structured and unstructured data. The structured data consisted of information about the collision reported by the customer—point of impact and drivability of the vehicle—as well as information about the vehicle itself—make, model, year, and options.

The unstructured data involved millions of images all processed by an AI toolset.

In deploying these AI-enabled tools, the USAA technology team collaborated closely with the company's service representatives. The team relies on them to "train" its AI model—ensuring that the model learns to "think" like an experienced USAA rep. The company's loss adjusters use the model in estimating customers' insurable losses, but they can also make in-the-field adjustments to its estimates with an explanation, which feeds back to the AI so that the model can be continually updated and improved.[26]

Orchestrating break out experiences

Case Study

**Discover orchestrates
the application process**

The Discover application process[27] is a good example of cross-channel orchestration. Customers click a big button that says, "Apply Here" and then follow the online instructions. But along the way, they interact across channels to make the interaction even easier.

Once customers get through the first step of the online application process, a secure chat app pops up on the same screen to ask them for more information.

Then, they get a text to verify sensitive personal information with two-factor authentication. Once the text is answered, the systems recalibrate.

The chat disappears, the application submits, and just like that, they're done. They've communicated through three different channels, easily, simply, and quickly. Discover offers small, but meaningful perks, like FICO scores and 5% cash back on purchases to make customers happy.[28]

The Top 10 Companies

The leading companies in the index this year are:

USAA

Costco Wholesale

Chick-fil-A

The world's largest online retailer

H-E-B

L.L.Bean

Navy Federal Credit Union

Charles Schwab

Discover

Merrill Lynch

USAA

USAA leads our index because of their high Empathy score. It is their closeness to customers that drives their longstanding reputation for digital innovation. USAA was one of the first banks to get into mobile check deposit and online banking, for example. They have learned how to crowd source innovation and harness the collective wisdom, insight and ideas from both employees and customers.

Interestingly, at USAA, being innovative means finding new and effective ways to maintain human caring and empathy in different, digital ways. To do that, the company needs to be just as dedicated to the employee experience as they are to customers. They realize that the way they treat their team ultimately manifests itself in the customer experience. That culture encourages every employee to come up with ideas for innovation — even if they don't work on the innovation or technology teams.

USAA is bringing its innovative approach to young Americans through its Fort Innovate initiative. Fort Innovate tours children's and science museums across the US to teach visitors about the importance of innovation. The experience will illustrate, through hands-on exhibits, five key military innovations from the past 100 years, such as night vision, virtual reality and drones. Additionally, visitors will learn how USAA has continued to innovate to meet the ever-changing needs of their members.[29]

Costco Wholesale

Costco Wholesale performs well in our index because of their Integrity and Trust scores. The retailer's buyers do the hard work to discover the top products in each shopping category, and customers trust their decisions. Instead of having to sort through 15 different types of a product, customers have the choice between just a few options. Simplifying choices and focusing on quality products makes life easier for customers and builds their trust in the Costco brand.

Costco customers commented on their generous return policy. Most items can be returned years after the fact, even if they are used and they don't have a receipt. Instead of making customers work hard for proof of purchase, Costco shows it trusts them. Many aspects of the experience, including offering customers additional discounts throughout the year and cash-back for their purchases, adds to the trust.

Shopping at Costco is a process of discovery as new items are introduced each day. It feels like a treasure hunt of good deals. Instead of a run-of-the-mill grocery trip, Costco becomes an adventure that loyal customers are delighted with.

Chick-fil-A

Chick-fil-A is regarded by customers as having the best service of all fast-food chains. It's perennially voted as teens' favorite fast-food chain.

They haven't forgotten in an age of technology that food is about an interaction between people. Technology is used to facilitate the interaction between people and take tasks off team members to allow them to give a warm welcome or a genuine smile to a guest.

Chick-fil-A has its own innovation center based in Atlanta, from which it can test and implement innovations. The center has a fully operational drive-thru which means it can test solutions to pain points in almost every aspect of the business.

When addressing the problem of queues at its drive throughs, it equipped its people with Bluetooth enabled tablets so they could take an order and still deliver the smile and the welcome that typify experiences at Chick-fil-A. This not only helps orders be taken more quickly, but also provides waiting customers with a personal experience which will help them feel like the company takes an interest in them and wants to help them.[30]

It is an example of the use of technology without compromising the target experience it is used to improve.

The Top 10 companies

The world's largest online retailer

The list of innovations to our world made by this brand is an extensive one. Here, innovation is about finding new ways to solve customer problems more effectively. It is a company with a series of innovations that have redefined the industry from cloud computing, to robotics, through to one click ordering. But at this company, the adage "Innovation is one percent inspiration, and 99% perspiration" is true. It is important that they get it right. They have become masters of "reinventing normal," creating new approaches that customers love and resetting their expectations for what normal should be. Fresh grocery delivery is an example.

They spent five years trialing their service in Seattle before they expanded it to Los Angeles and San Francisco. In the process, they are partnering with favorite local merchants to provide the same convenient home delivery on a great selection of prepared foods and specialty items.

Their goal? To continue their methodical approach with the goal of bringing fresh local food to more cities over time.

H-E-B

Texas supermarket chain H-E-B is driven by a strong sense of purpose: "to make the lives of everyday people better, not to make money for investors or Wall Street."[31]

This pervades their culture, and they are highly selective in the people they recruit to ensure the culture is perpetuated. The H-E-B team thinks the most important qualities a new hire must have are work ethic and a good culture fit. Innovation at H-E-B stems from the health of their work culture.[32]

For H-E-B, technology is about translating their "brick-and-mortar magic into digital gold."[33] This requires building a "technical foundation to power the next 100 years." Their engineering teams are developing the underpinnings of a platform that will ensure all services are fast, reliable, and scalable. By focusing on automation today, they are empowering teams to innovate for tomorrow. Through design thinking, H-E-B can marry the two goals of creating new business opportunities and considering the human impact on the customer.

H-E-B takes a holistic view. Their digital support spans from the farmers that grow the food; to the drivers and warehouse workers that bring that food to the stores; to the business functions that develop, source, package, and sell that food; to the teams that give back to the community with the profits that food brings in.

L.L.Bean

Founder Leon Bean's golden rule was to "sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more."[34] His model, still used today, was to build customer loyalty by providing exceptional service. Hence, he focused on the sales, marketing, and customer service steps on the value chain, and ensured that the company manufactured a high-quality product.

L.L.Bean remains focused on the value chain creating technology to support the needs of tomorrow. "It's not enough to have retail systems that meet current customer demand; retailers require a technology platform that can anticipate and adapt to future requirements."

L.L.Bean is focused on a key segment of customers: families that are outdoor enthusiasts—a diverse group of people who have a strong love for sharing the outdoors with others.[35]

Always focused on the human dimension, digital supports the building of relationships with this group. Their web page is one example. L.L.Bean has transformed their web page to attract customer groups, providing them with information about their specific hobbies, informing them about recent developments, and helping them make the most out of their time outdoors. There is a special Park Search feature that can identify specific tailored destinations for a vacation or weekend getaway. In addition to this information, customers can select clothing and gear for their specific purpose, sign up for special training sessions with the Outdoor Discovery School, or interact with sporting goods experts to help them choose the right equipment.[36]

Orchestration is a critical competence. It requires an enterprise view of customers, inventory, and orders. L.L.Bean connects channels and touchpoints including catalogs, e-commerce, and brick-and-mortar stores and aims to provide a seamless customer experience.

Navy Federal Credit Union

Navy Federal Credit Union (NFCU) is the largest credit union in the world by asset size and has over 11 million members. In spite of its name, NFCU membership is open to military members, veterans, and family members from the US Army, Navy, Air Force, Marines, Coast Guard, and Space Force. About 11% of members are currently active-duty military.[37]

Despite having more than 300 branches in military establishments around the world, they too have extended their reach and ability to support customers by using digital channels. They have taken great care in doing this.

Financial institutions can have great design elements in their online channels. But if they are full of banking jargon and have a confusing flow, the customer experience will leave people dissatisfied. Issues like this are why Navy Federal Credit Union puts so much stress on journey mapping. Their digital labs team handles journey mapping in cooperation with many functions that serve consumers, attempting to improve everything about digital and in-person experiences.

Co-creation with customers is another enabler for humanizing the technology. Through "Operation: Innovate" NFCU co-opts customers into helping provide feedback on early versions of products and services in a real-time customer-centered test environment.[38]

The result is a true omnichannel environment where NFCU has had to strike a balance between the personal interaction that's important to members while also giving them tools to complete transactions that they don't mind doing by themselves. To achieve this, NFCU has transformed from being channel focused to being member focused.

Charles Schwab

For Charles Schwab, staying abreast of technology developments and rapidly harnessing them to address customer needs is business as usual. They do this in a very structured way using 12-week workshops that bring together a diverse group of experts and points of view to explore new ideas and challenge assumptions through deep research and user testing.[39]

These intensive workshops involve people across Schwab who rotate into the team from their normal jobs. They are given both physical and mental space to solve existing issues or find an entirely new way of doing something so that they can consistently deliver great client experiences.

The team composition is mixed. They bring in people with subject matter expertise and they add core people with many labs under their belts. That diversity of perspective is important.

Every lab is different, but they all start the same way: by asking one fundamental question to ground the research. Questions can range from "How do we save advisors time?" to "How do we make tax season better?" Whatever is asked, it's critical that they get the scope of the question just right.

From there the team ideates and generates concepts. It tests them with clients and potential clients. The participants collect feedback and refine--or sometimes reject--their own thinking. Lastly, they pull in assessments from other parts of Schwab, such as risk, strategy or marketing for example. Ultimately, they end up with business recommendations, a prototype for a new product or service, or ideas for potential external partnerships.

All of this happens in 12 weeks.

Discover

According to customers, Discover goes above and beyond to deliver great customer service. Agents take their time to help customers through issues that pop up. They're proactive with fraud alerts—sending texts and calling customers when they spot any suspicious activity—and customers enjoy the easy online experience Discover offers.

The pandemic brought with it a number of new pain points that prompted Discover to create a new way of working. They sculpted a vision to create a solution incorporating a real-time, event-based architecture to detect and respond to customer events in minutes, taking an idea from concept to prototype in six weeks.[40]

Embarking on this innovation journey, they focused on three distinct areas: Speed to Value, The Way We Work, and Engineering Innovation. Core to it all was enabling cross-functional teams to adapt their mindset and continuously innovate on new ideas.

One example of what they accomplished is in-app messaging. This innovation gives customers the flexibility to jump in and out of conversations with service representatives via the Discover mobile app at their convenience. Agents are always ready to respond with helpful support and use chatbots in the background to support natural language processing and machine learning.

Merrill Lynch

Bank of America (BAC) Chief executive officer Brian Moynihan sees his firm not just as a legacy bank, but as a technology company at the leading edge of digital innovation. "We are clearly a technology company. We spend about $3.5 billion annually on new code implementation. New services and products are impelled by technology."[41]

For Merrill Lynch, a Bank of America Company, this has resulted in developing a digital platform that customers rate highly: Merrill Edge. It combines the convenience of BAC banking solutions with the investment expertise of Merrill Lynch. Clients who prefer to manage their investments on their own have access to a full range of investments, easy-to-use tools, and industry-leading Merrill Lynch research.

But digital isn't for everyone, and for clients who want to work with an advisor, there are some 2,000 financial center-based advisors as well as phone-based advisors, ready to support a client as they develop a plan to realize their life priorities. For clients who are comfortable using a digital solution but still want access to managed portfolios, they offer MEGI.[42] The strategies MEGI recommends are built and managed by the Global Wealth and Investment Management Chief Investment Office (GWIM CIO).

Merrill Lynch research found that most Americans want to invest in companies that benefit social, political, and environmental causes. The Merrill Edge Self-Directed platform was the first in the industry to provide online investors an offering to align their investments with their personal values.[43]

The Six Pillars of Experience

The Six Pillars are the DNA of world class experiences. They are the design principles that help leading organizations create optimized experiences and promote customer loyalty.

Integrity

As we move further into the data economy and customers share more and more personal data in exchange for highly personalized experiences, the emphasis on data security and privacy continues to increase.

As additional data privacy regulations are introduced, businesses that adhere to these laws, uphold stringent data protection measures, and make the right use of customer data will earn customer trust. Central to this principle is getting the balance right between benefits for the company to sell more and benefits for the customer to get more personalization. Thus customers are more likely to trust organizations that pair privacy and security with a valuable personalized service.

Transparency and security are now integral parts of individualized experiences. With rising cyber security threats, customers are becoming savvier. It is crucial that companies become transparent regarding how they collect and store customers' personal information.

A strong sense of societal and environmental purpose has become the defining characteristic of many companies. Businesses globally are being scrutinized on their sustainability credentials. KPMG research[44] shows that 66% of consumers plan to make more sustainable or ethical purchases in the next 6 months, and that employees, investors, and other stakeholders are equally—if not more—resolute.

To be an authentic, sustainable organization, the focus should go beyond the cosmetic and enact real change that's embedded throughout an organization's DNA.

Resolution

Detecting, resolving, and removing customer pain is a prerequisite for excellent customer experiences and should be fueled by outside-in thinking. "Pain killing" is an attitude and involves identifying problems in customers' journeys and lives, and finding new ways to solve them using innovation.

"Jobs to be done" methodologies enable deeper understanding of customers' lives, help locate pain points, and drive more holistic experiences aimed at prevention rather than reaction.

AI-supported customer service where the technology is supplemented with human interaction, interpretation, and support is driving greater satisfaction with agent interactions. AI conversational web chat and chatbots are improving satisfaction with online support. The secret is finding an appropriate balance between keeping skilled human agents and integrating AI into critical parts of their jobs.

However, the area that leading companies are increasingly focused on is using advanced predictive and prescriptive technologies to mitigate customer problems before they occur. There are sound economic reasons for doing this, as there is a direct relationship between the incidence of problems and the churn rates. The telecommunications industry in particular is focusing on using AI tools to aid detection of problems and automate interventions, fixing problems before they occur.

Expectations

Perhaps the most significant recent shift is the way that expectations are set. User-generated content, influencer marketing, and best-in-class experiences are constantly setting and resetting expectations. The rapid advance in technology is stretching the boundaries of possibility and therefore making expectations more fluid than ever.

One example is the metaverse. This describes a persistent, online environment where we can connect, communicate, and collaborate in increasingly immersive ways. Allowing brands to deliver new and interesting customer experiences over virtual platforms is likely to be a key reason the concept will be attractive to businesses, particularly as integration with virtual and augmented reality (VR/AR) will be a core feature of the metaverse.

Already in 2022, businesses are looking to these experiences to create new opportunities for us to interact and engage from our homes, such as a leading home furnishing store's application. This store worked with a Danish design lab, Space 10, to unveil new looks on their collaboration platform, Everyday Experiments. Their aim to "take us beyond the home without leaving it."[45]

Time and effort

When it comes to using energy, the brain is an expensive organ. Even in its resting state it uses over 20% of the body's energy. Consequently, humans are careful about expending brain power. Psychology has identified the "law of least effort," a tendency among humans to take the line of least resistance when seeking to meet an objective.

This is one of the reasons why customer effort is a strong predictor of loyalty. The less effort it takes to be a customer, the more loyal we become.

Unsurprisingly, companies have focused on creating frictionless processes. But attention now is expanding to look at "cognitive load," or how much thinking we make customers undertake and what it does in terms of stress and anxiety. We not only want to make things quicker, but less stressful, too. This means looking at the complexity of what the customer has to deal with in their lives, not just the interaction with the company, and finding ways to make the customer's life easier.

"Cognitive load" increases the need to ease customer journeys. For example, customers won't take the time to read complicated communications and work through hoops. AI and other new technologies are making it simpler to remove cognitive load for customers by doing the thinking for them.

The top-ranked company in our index, USAA, is very focused on removing cognitive load, removing the stress and anxiety of keeping their families and assets safe and secure, and ensuring rapid resolution when the worst happens.

Personalization

Greeting customers by their names in emails or remembering their birthdays has a positive effect on customer experience. But customers today are no longer impressed by that. They expect highly personalized experiences every time they engage with a business, and they already know that businesses have the tools to achieve this.

Companies have become adept at leveraging real-time customer data, such as website behavior, search results, purchase history, most active times, and past interactions to help develop a deeper understanding of customers' needs so they can personalize their experience.

This can be anything from customizing the website based on customer activity, to intelligently recommending products, or reaching out to customers with individualized offers and rewards at the right moment.

As more companies start competing based on personalization, we are seeing a gradual move towards hyper-personalized experiences. The brands that are able to provide those experiences consistently will likely stay relevant so they can work to increase customer happiness over time.

There is a delicate balance to strike when using smart technologies like geo-tracking and device listening to deliver hyper-personalized experiences. For customers, the line between hyper-personalized and creepy is a thin one.

Gartner has identified a growing level of concern, predicting that 40% of consumers will "trick" behavior-tracking metrics to intentionally devalue the personal data collected about them. The motivation, says Gartner, is that consumers no longer wish to be treated as "the product" and have their data monetized. This, in turn, may diminish the hyper-personalized experiences that many consumers want.[46]

Additionally, companies are identifying and acting upon "micro-moments," or selling opportunities that can be open for just seconds but can be highly profitable to brands that understand how to identify and monetize them at scale. These micro-moments can open up when a customer heads online with an intent to make a purchase or just to find out information on a subject.

Brands continue to invest heavily in ways to recognize and leverage these moments, finding the right time to send a personalized offer that will help solve whatever problem is facing the potential customer. This is about being able to reach the right customer at the right time, creating a cutting-edge marketing challenge, but one that's increasingly solvable thanks to the technology solutions available today.

Empathy

Humanizing customer experiences is one thing, but being able to maintain a brand's unique personality throughout the customer journey when much of the journey is mediated through technology is considerably more difficult.

Organizations want to deliver the best of both worlds: the speed, accessibility, and convenience of online services, combined with a human touch that leaves a lasting impression. It's a tricky balance, but entirely possible.

Many brands use chatbots to engage their customers. When implemented well, chatbots can create a rewarding digital CX. However, many chatbot interactions still come across as unnatural and lacking relevance or human warmth. Without the right investment in technology and strategy, companies might unintentionally end up creating conversations that don't reflect the brand or satisfy customers' expectations.

To provide a good customer experience, it is necessary to understand how the experience makes customers feel. This requires enterprise-wide empathy, which is defined as "identification with, and understanding of, another's situation, feelings, and motives." This is pivotal when it comes to delivering excellent customer experiences. And this is especially true in the current post-pandemic landscape.

Conclusions

When looking at businesses that "break out" we can see that it is customer-fueled innovation that enables these companies to escape the pack. But that is not enough on its own. The company must be able to implement and monetize the innovations that it creates.

For some like Charles Schwab, innovation is a well-worked rigorous process, a structured approach to creating a backlog of innovations that agile teams can then rapidly bring to market.

For others, it is the more organic application of the latest technology to improve a customer's life, such as Sephora continually identifying and removing customer pain points.

With financial services such as Merrill Lynch and TD Ameritrade, it is equipping the customer to make better informed, more educated decisions, and using technology to empower the customer.

For retailers such as Barnes & Noble and American Eagle Outfitters, it is a drive towards seamless omnichannel experiences.

But for each of these companies, it is a combination of future-proofed foundational technologies and an agile way of working that converts ideas into cash flow.

Cross-functional teams working together came to the fore in the quality movement of the 1980s. This idea is as relevant today as it was then. Silos are anathema to rapid innovation and execution; customer journeys are horizontal, while silos are vertical.

It is a matrix that rarely works. One of the customer experience excellence leaders in our index for several years, USAA, has consistently shown that success is a function of a flexible organizational design structured around the customer.

This requires some big decisions. At USAA, it meant disempowering the product teams who saw the customer through a singular lens while empowering the customer teams who took a holistic view of the customer. At Barnes & Noble, it required dismantling the head office and empowering its store managers. At Sam's Club, it required the creation of empowered, self-directed experience teams. For each of these businesses, the traditional ways of working have been removed, and new more collaborative ways installed in their place.

While most companies aspire to do great things for customers, for each of the break out companies in our index, customers say it is the quality of their processes and taking a holistic view of the customer that matters most. They have worked to understand their needs, their life problems, and their aspirations and have rapidly converted this into branded, innovative solutions that set them apart.

So ask yourself: "How are we going to learn from the leaders and create our own break out future?"

KPMG recognized as a Leader by Forrester:
Forrester Wave™: Customer Experience Strategy Consulting Practices, Q4 2022.

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