HR
HANOVER RESEARCH

GUIDE TO CUSTOMER EXPERIENCE MEASUREMENT

Evaluate and Enhance Your Customer Experience

INTRODUCTION

For nearly two decades, executives have prioritized customer experience (CX), recognizing that organizations that excel in this area see positive revenue impact, increased market share, and higher customer retention.

Today, providing an excellent customer experience is more important than ever for businesses. A 2022 Salesforce study found that **88% of customers** now consider the experience a company provides to be as important as its products or services, the highest percentage since the company began conducting the study in 2018.

At the same time, the bar for excellent customer experience is increasing. According to a 2022 HubSpot study, **88% of business leaders** say customers have higher expectations for customer experience now than in previous years. Meanwhile, **almost 50%** of customers left a brand in the past year because of a poor customer experience, **and 61%** say a single bad experience is enough to make them switch brands.
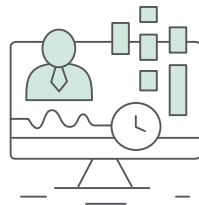
Creating customer experiences that resonate takes continual refinement and a strategy backed by meaningful, revealing data. While challenging, investing the time and resources to collect, integrate, and analyze customer data drives clear results. A recent Hanover survey of almost 400 business leaders found that nearly **60% of companies** conducted CX research last year, and that they plan to invest 17% more next year. In this guide, we explain how to approach CX measurement — and why it's critical that you do.

Optimize the customer experience with a deeper understanding of behaviors, perceptions, and preferences.
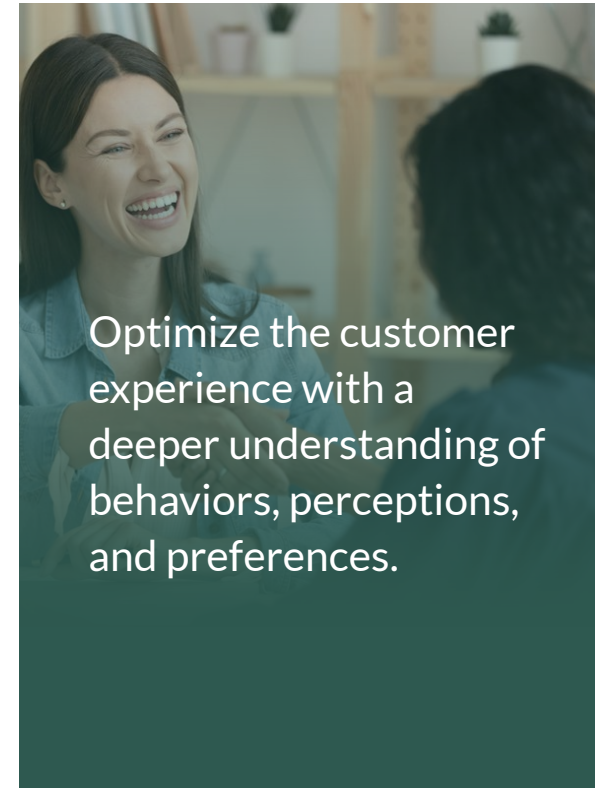
61%
say a single bad experience is enough to make them switch brands

(Zendesk)

76%
of companies agree that customer data increases their ROI

(Hanover Research)

84%
of B2B buyers are more likely to buy from sales reps and companies that understand their goals

(Salesforce)

TABLE OF CONTENTS

WHY CUSTOMER EXPERIENCE INSIGHTS ARE CRITICAL

Crafting a customer-centric experience is the cornerstone for organizational success and growth, and with good reason: **78% of customers** say they are loyal to brands that understand them. Meanwhile, organizations that harness customer insights heavily attribute it as a key driver of ROI.

Consistently meeting customer expectations, however, remains a challenge. Today, only **23% of customers** are "very satisfied" with their experience. With companies so heavily focused on the customer experience, why do so few of their customers have excellent experiences?

For nearly two decades, there has been a persistent gap between the experiences companies think they provide and the experiences their customers actually have. A widely cited 2005 study from Bain & Company found a **72-point gap** between executive perception of the customer experience they offered and customers' reality. A separate study in 2019 showed that gap remained unchanged, and a 2022 study showed that it had risen to **76%**. Companies are focusing on the customer experience, but few have found a way to close the gap.

Customer experience insights are the key to narrowing this gap. But with strong, data-backed CX measurement framework, savvy companies can leverage these insights to uncover where their customer experiences fall short, identify the most promising paths to delight customers, and drive growth.

78%
of customers say they're loyal to brands that understand them
*(Acquia)*

BENEFITS OF LEVERAGING CX DATA

Investing in customer insights is worth it: Organizations that harness customer insights are **23 times** more likely to attract new customers, and **58% of organizations** that incorporate customer analytics see increased retention and stronger loyalty.

## COMPANIES USE CX INSIGHTS TO:

89%

Identify Gaps in Customer Service

Great customer service leads **89% of customers** to purchase again and **95%** to recommend it to others. By studying CX insights, companies can ensure they provide the customer service channels buyers want (e.g., self-service, online support) and that those in place perform well.

94%
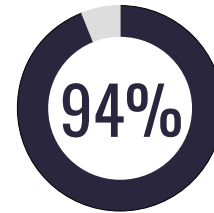
Identify a Need for New or Improved Offerings

CX insights can highlight the aspects of products or services that delight customers and uncover opportunities for expanded features and new offerings. This data is also critical when developing a new product: In another Hanover survey, **90% of executives** said identifying customer needs is the most important stage of new product development.

90%
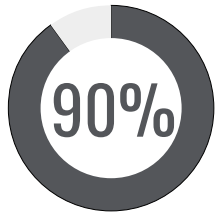
Increase Customer Satisfaction and Loyalty

Identifying and enhancing the factors customers most care about directly affects customer satisfaction. Buyers who have a high-quality experience are **2.7 times** more likely to keep doing business with a brand than those who don't.

91%
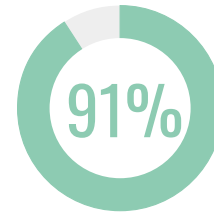
Drive Sales

With insight into customer needs, sales teams can develop outreach tailored to customer expectations and present solutions built around buyers' most pressing challenges. Based on customer behavioral data, sales teams can align their strategies to reach out at the right phase of the customer journey, which is critical for driving interest and increasing revenue.

93%

Develop Targeted Advertising and Marketing Campaigns

Studying CX insights can crystallize the elements consumers value most and ensure these are the attributes your marketing teams emphasize in campaigns. Mismatched messaging, however, can lead to dropped or disengaged conversations with buyers and undercut your marketing performance.

89%
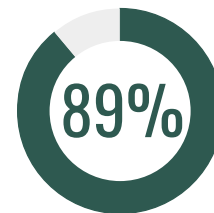
Identify and Leverage a Competitive Advantage

Insights into customer needs and expectations help distinguish your offerings from other organizations, bolstering your competitive advantage. Customer insights can highlight your customers' unmet needs, which you can leverage in new, expanded offerings and highlight in your sales and marketing outreach.

(Hanover Research)

THE THREE PILLARS OF MEASURING THE CUSTOMER EXPERIENCE

Companies should analyze who their customers are, how they behave, and what they need.

Almost every aspect of your business feeds into the customer experience, resulting in a wealth of CX insights to parse through. With so much data at your fingertips, painting a clear picture and homing in on what matters most can be difficult and time-consuming. Consequently, many companies only measure a fraction of the customer experience insights that they should.

Customer data often exists across disparate platforms (like your CRM, CMS, and more), or could be siloed within the organization. What's more, parts of the customer experience exist outside of your brand's control (such as user-generated content or reviews), allowing customers to create their own journey based on the touchpoints they engage with. This creates an extensive list of elements that affect customers' perception of and loyalty to your brand.

To develop their measurement strategy, companies can think about their CX measurement framework as consisting of three pillars of insight: who their customers are, what their customers do, and what their customers need. Using a three-pillar approach to CX measurement, you can carefully and effectively focus your resources where they'll have the greatest impact.

THE THREE PILLARS OF CX MEASUREMENT

1. **Understand Your Customers**
   Dive deep into who your customers are

2. **Evaluate Customer Behavior**
   Track how customers interact with your brand

3. **Assess Customer Needs**
   Spot customer unmet and emerging use cases, preferences, and expectations

66% of customers expect companies to understand their unique needs and expectations
(Salesforce)

74% of customers are at least somewhat likely to buy based on experiences alone
(Treasure Data)

83% of executives feel that unimproved customer experience causes considerable revenue and market share risks
*(Treasure Data)*

PILLAR 1: UNDERSTAND YOUR CUSTOMERS

Your company knows the basics of who buys your products or services: their names, titles, and contact information, for example. But relying on such limited customer identification data can result in a fragmented view that incorrectly limits businesses' potential client base, targets the wrong audiences, or ignores their ideal customers.

Instead, when developing best-in-class customer experiences, organizations must know their buyers in far richer detail. Who are your customers on a more personal level? What trends exist across customer groups in terms of their buying habits, preferences, and patterns?

AN ACCURATE UNDERSTANDING OF YOUR CUSTOMERS ALLOWS YOU TO:

- Expand your market and ensure you aren't overlooking key customers

- Categorize customers into similar segments and personas to create more effective sales, marketing, and service strategies

- Identify the most profitable customer groups to effectively prioritize outreach and distribute resources
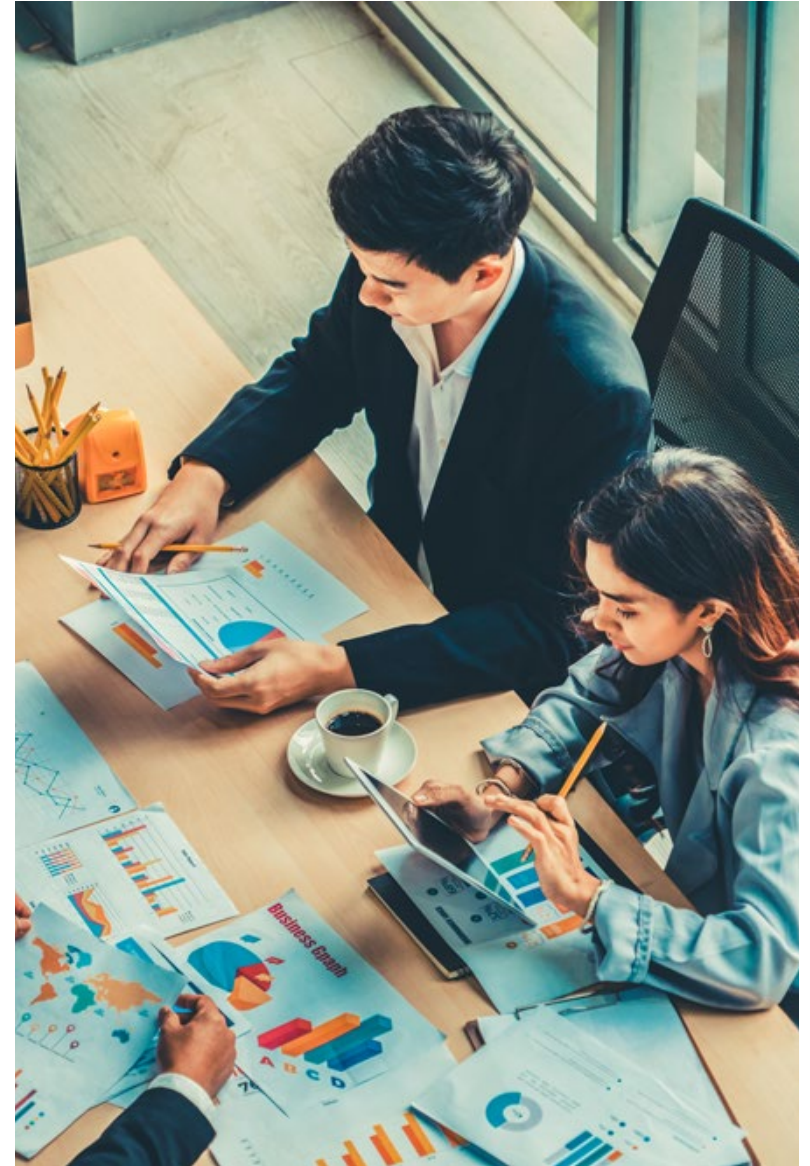
UNDERSTAND YOUR CUSTOMERS | WHERE TO START

New Customer Identification

Explore new and adjacent markets to identify new customers — including those you didn't realize had potential. This approach allows companies to not only expand their customer base, but also to build targeted experiences based on these customers' needs and expectations.
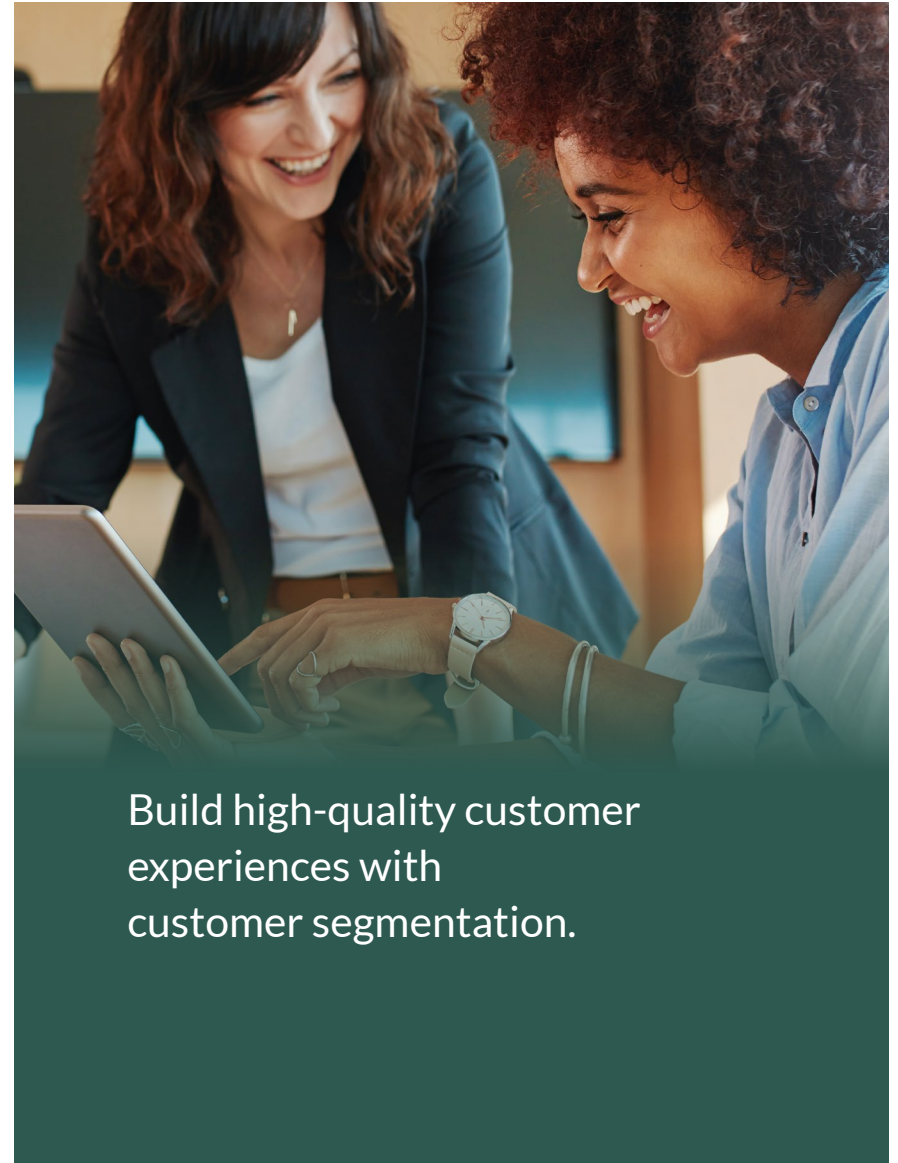
Customer Segmentation

Group customers based on meaningful behavioral, psychographic, and demographic characteristics. This allows you to develop touchpoints and messages that uniquely align with each customer group's expectations and needs.

Buyer Personas

Buyer personas allow you to go a level deeper and develop nuances within the characteristics of the groups you identify in segmentation research. Personas add rich detail to the perceptions, priorities, and preferences that guide customer's path to purchase. Combined with customer segmentation, buyer personas allow you to develop enhanced experiences based on specific customer types.

Customer Lifetime Value

This exercise calculates the worth of clients by evaluating their average purchase value, average purchase frequency, and average lifespan. Assessing customers by their expected value allows you to prioritize your time and resources to target high-value customers for a higher ROI. Companies can even assign personas to high value customers, allowing them to predict who their high-value customers might be based on the group's defining characteristics.

Build high-quality customer experiences with customer segmentation.

PILLAR 2: EVALUATE CUSTOMER BEHAVIOR

Mapping and analyzing real-life behaviors offer a critical perspective when evaluating the complete customer experience. Why do they make certain decisions? What influences their perceptions of your brand?

Many companies already have access to a major customer experience resource: customer usage data. By analyzing existing data (online behaviors and transaction history, for example) and combining it with qualitative data (such as interviews or focus groups), companies can get a holistic view of the customer experience, identify gaps, and uncover opportunities for improvement.

EVALUATING CUSTOMER BEHAVIOR ALLOWS YOU TO:

- Understand how customers interact with your offerings

- Track how customers progress down the sales and service funnel

- Identify what factors influence customers' decisions

- Determine how customers evaluate your products
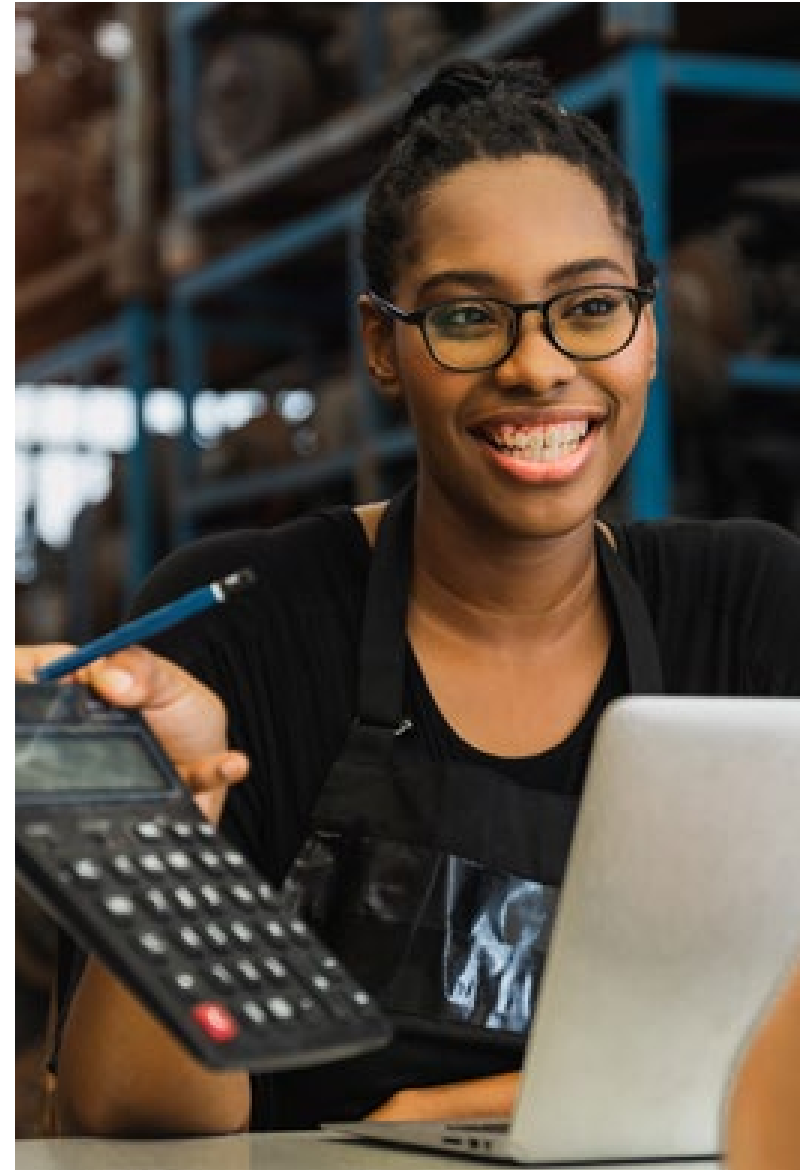
EVALUATE CUSTOMER BEHAVIOR | HOW TO MEASURE

Attitudes and Usage

Uncover gaps and flaws in your products and services — or even ideas for new offerings — by comparing how your perceive customers' usage of your offerings versus how they *actually* use it.

Path to Purchase

Understand how customers interact with your offerings, identify relevant stakeholders involved in purchasing decisions, and uncover key inflection points from initial interest to purchase.
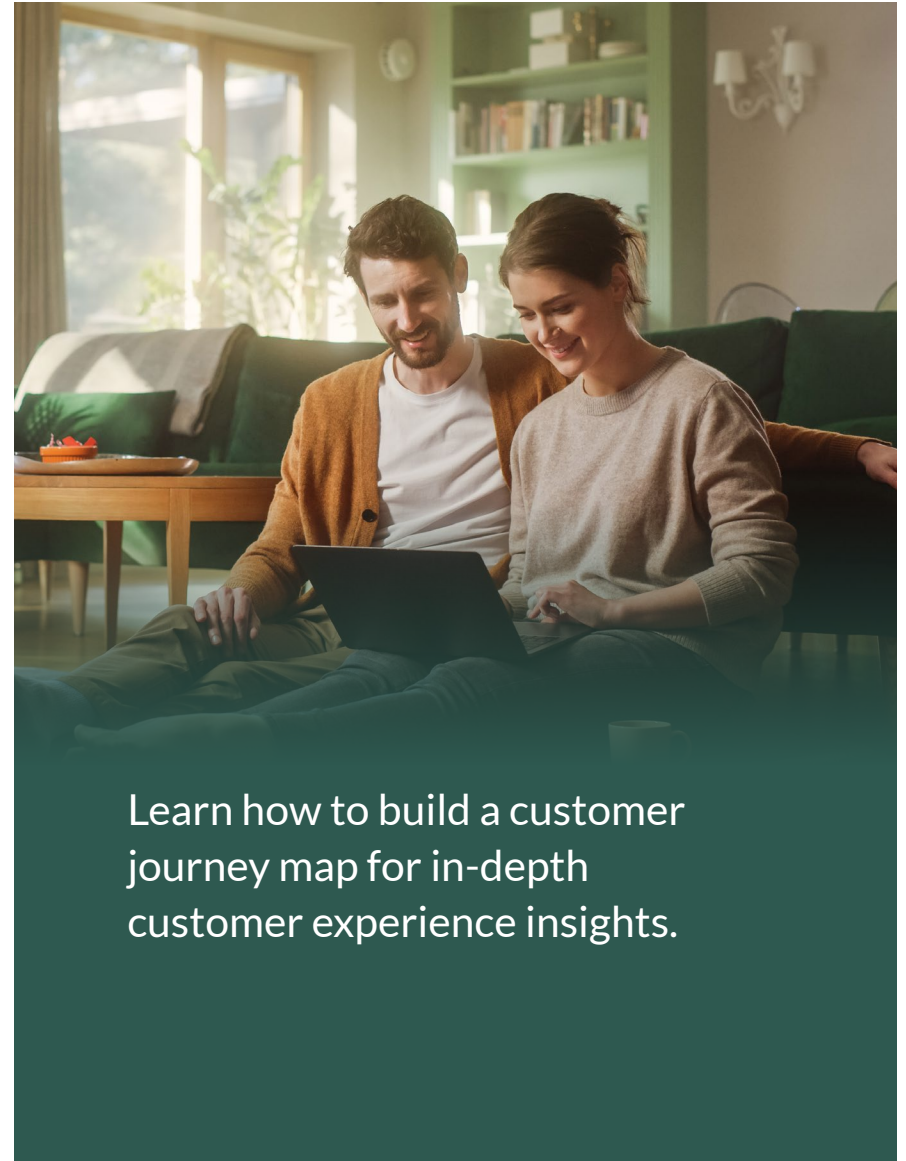
Customer Journey

Go a step beyond path to purchase for additional insight into how customers interact with a brand throughout their entire lifecycle, from awareness to consideration, purchase, and retention.

Customer Decision-Making Process

Explore the rationale behind specific purchases to reveal key purchase drivers and bring visibility to the "why" behind a sale.

Customer Churn

Go beyond identifying the rate at which customers do not return to the brand compared to those who return for repeat purchases and dig deeper to identify trends in dropped versus loyal customers. An assessment of product usage can provide initial insights into why customers are not returning.

Learn how to build a customer journey map for in-depth customer experience insights.
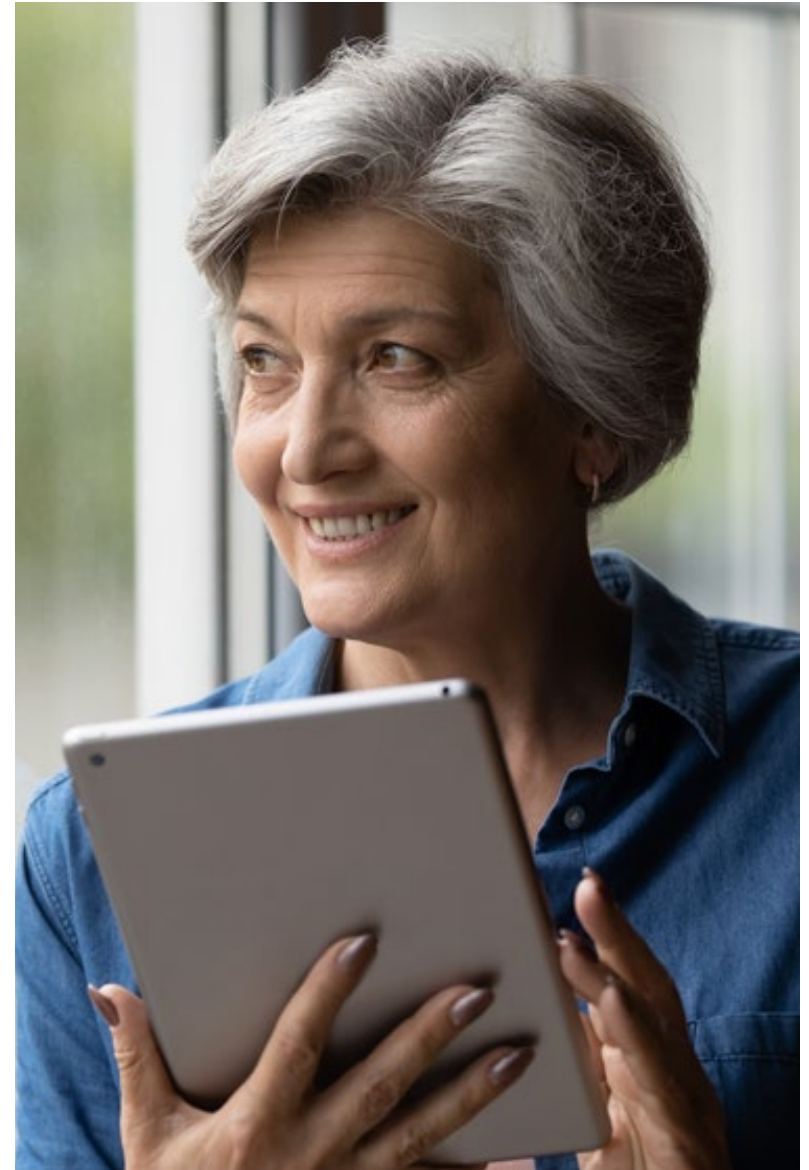
PILLAR 3: ASSESS CUSTOMER NEEDS

Customer needs drive customer decisions — including whether they choose you or a competitor — making those needs a key consideration when evaluating their experience. By understanding customers' needs and preferences, companies can build processes, products, and services that offer lasting benefits and solve customers' biggest challenges, all of which are critical to keeping customers loyal and motivated to buy more.

UNDERSTANDING CUSTOMER NEEDS ALLOWS YOU TO:

- Identify how customers view your brand and products

- Determine whether your marketing and positioning resonate with customers

- Uncover customers' biggest pain points and expectations

- Evaluate customers' satisfaction with your offerings

ASSESS CUSTOMER NEEDS | WHAT TO KNOW

Awareness and Perceptions

Measuring customers' awareness and opinions of your brand through surveys allows you to uncover strengths and weaknesses. This tactic also allows you to identify positive and negative perceptions that could help or hinder your brand's desired outcomes.

Value Proposition

Through focus groups and interviews, you can gather direct feedback from customers on your brand's value, including how they see its most critical attributes and whether they agree that your value proposition is relevant, believable, and unique. By evaluating their perceived brand value, companies can identify gaps between perception and reality, along with opportunities for improving brand positioning to resonate with customers.

Voice of the Customer Analysis

Voice of the customer (VOC) analysis involves carefully designed qualitative interviews and surveys that investigate customers' needs, concerns, and goals. VOC studies are ideal for identifying what drives customers to a brand and the benefits they expect to receive.

Customer Needs Assessment

A customer needs assessment identifies key elements of your buyers' experience with your brand, including whether and how your products or services address their needs, pain points, and challenges. It also assesses their purchasing behaviors and which product attributes matter most to them.

Customer Satisfaction

This approach identifies the factors that influence your customers' satisfaction. Using these insights, you can identify drivers of future purchase intent and use these insights to alter core aspects of your products, services, and experience to better meet customer expectations.

Net Promoter Score (NPS®)

NPS allows you to gauge customers' loyalty and their likelihood to recommend your offerings to others. In turn, you can also track how improvements to your customer experience alter customers' evaluation. NPS is commonly used to measure customer experience because it's easy to understand, calculate, and benchmark improvement.
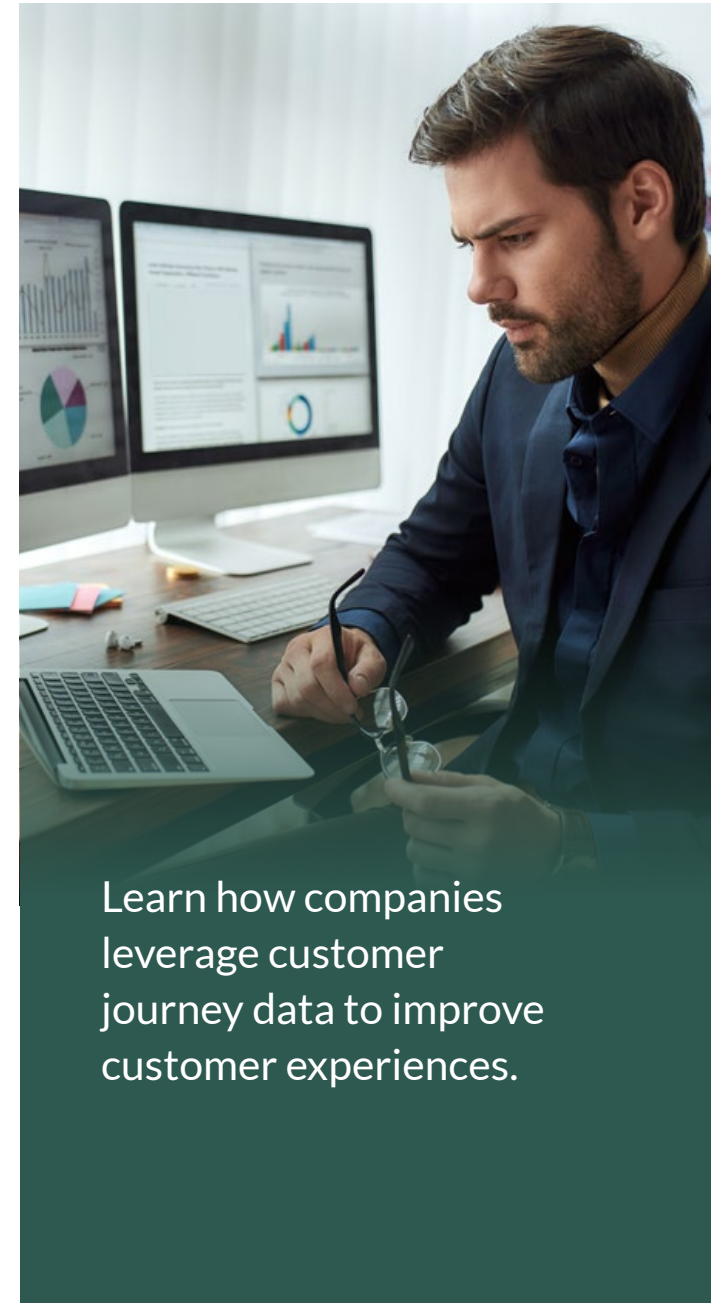
Learn how companies leverage customer journey data to improve customer experiences.

CUSTOMER EXPERIENCE MEASUREMENT CHECKLIST

Curating a customer experience that engages and delights your buyers is a must, but it also remains fraught with complexities. Despite a fiercely competitive market, continued economic disruptions, and shifting customer preferences, organizations must deliver an exceptional customer experience if they want to drive growth and success.

Whether you're looking to pinpoint gaps or identify potential opportunities, use this checklist to guide you as you begin gathering data to measure and optimize your own customer experience.

Engage customers, reduce customer churn, and attract new customers with comprehensive customer experience insights.

Identify Who Your Customers Are

Assess your total customer base

Categorize your customers into actionable segments and personas

Identify the most profitable customer groups

Evaluate Customer Behavior

Understand how customers interact with your products

Map and evaluate the customer journey

Uncover what influences customers' decisions

Understand Customer Needs

Identify how your products are perceived

Evaluate how your marketing and positioning resonates with customers

Uncover customers' biggest needs and challenges

Understand how customers evaluate your products

ABOUT HANOVER RESEARCH

We leverage a deep understanding of your business challenges to provide critical intelligence that helps you uncover new opportunities, minimize risk, and accelerate growth.
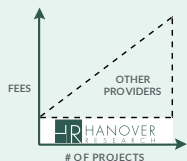
OUR BENEFITS

EXPERT
200+ analysts with advanced multiple methodology research expertise

FLEXIBLE
Ongoing custom research agenda adapts with organizations' needs

DEDICATED
Exclusive account and research teams ensure strategic partnership

EFFICIENT
Annual, fixed-fee model shares costs and benefits

OUR CORPORATE SOLUTIONS

MARKET ANALYSIS

Drive growth and outperform competitors through targeted exploration and analysis of hard-to-quantify markets.

- Market Entry Strategy
- Market Penetration Strategy
- Trend Analysis
- Market Share Identification
- Market Segmentation
- Merger and Acquisition Opportunity Analysis
- Competitive Analysis

PRODUCT LIFECYCLE

Optimize each stage of a product's lifecycle from ideation, development, launch, and marketing.

- Product Lifecycle Management
- Product Development
- Product Portfolio Review
- Package Design
- Pricing Strategy
- Product Message Testing
- Channel Strategy
- Customer Needs Assessment

CUSTOMER EXPERIENCE

Understand the complex customer journey to pinpoint problem areas and uncover opportunities for high-impact improvement.

- Voice of the Customer
- Consumer Decision-Making Process
- Customer Segmentation
- Customer Needs Assessment
- Buyer Persona
- Customer Satisfaction
- Customer Journey
- Lead Scoring
- Pathway to Purchase

BRAND STRATEGY

Identify and measure the most important metrics for assessing brand and cultivating effective messaging.

- Brand Equity
- Brand Awareness
- Brand Perception
- Brand Tracking
- Brand Development and Positioning
- Content Marketing

www.hanoverresearch.com   @hanoverresearch   linkedin.com/company/hanover-research

HR®

HANOVER
R E S E A R C H