Building Customer Experience for the Future
The customer experience is evolving

Why CEOs need to pay attention to their customer experience (CX)

01 Unlock short-term profitability gains while building long-term sustained advantage
   - Advanced digital and data technologies are advancing, creating new possibilities
   - The customer landscape is evolving fast
   - Competitor and new-entrant innovation is disruptive

02 Careful CX orchestration offers companies a huge opportunity to win

How customer-experience champions are outcompeting the market

03 CX is a top investment priority for CEOs
04 CX orchestration is aligned across the organization
05 Advanced CX innovators embrace data & AI
06 Winners build CX capabilities along each phase of the digital journey

Source: BCG analysis.
Customer experience is a fundamental way to drive growth and core business outcomes

Companies leading in CX ...

Create more value

<table>
<thead>
<tr>
<th></th>
<th>CX leaders</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>+55%</td>
<td>12.4%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

55% higher five-year TSR¹ growth

Generate more growth

<table>
<thead>
<tr>
<th></th>
<th>CX leaders</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>+190%</td>
<td>15.9%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

190% higher three-year revenue growth

Drive more trust

<table>
<thead>
<tr>
<th></th>
<th>CX leaders</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>+70%</td>
<td>28.2</td>
<td>16.4</td>
</tr>
</tbody>
</table>

70% higher Net Promoter Score across archetypes

Source: BCG Global Company of the Future Survey 2022; n=263.
Note: CX leader and peer scores refer to total shareholder return, revenue, and NPS scores based on the survey.
¹Total shareholder return.
By improving the customer experience, companies can realize short-term gains and unlock long-term opportunities.

**Enhanced customer satisfaction**
- Higher customer engagement; increased loyalty
- Personalized offerings; greater appreciation

**Efficiency gains**
- Efficiency of change delivery; greater productivity
- Increased automation; reduced cycle times
- Reduced IT and operating expenses

**Strengthened capabilities**
- Greater employee engagement
- Faster decision making
- A cadre of experienced journey practitioners

**Improved compliance**
- Lower risk through systems-driven checks
- Greater visibility of risks
- Enhanced compliance and risk monitoring

**Top-line growth**
- Lift in sales productivity; improved conversion
- Relationship deepening; greater consumer spending
- Faster time to cash

Source: BCG.
New data and tech are transforming customer journeys …

Sources: BCG Henderson Institute; Think with Google.

… creating new ways to interact with customers

**New ways to engage**
New touchpoints—digital and physical—are transforming how customers engage with businesses

**Two-way relationships**
New tech-enabled experiences are enabling customers to share feedback and shape their own relationships with companies

**Predictive & personalized experiences**
An explosion in data, combined with analytics & AI, is enabling brands to measure, predict, and personalize one-to-one experiences

### Average touchpoints across single journey

<table>
<thead>
<tr>
<th>Year</th>
<th>Multichannel</th>
<th>Omnichannel</th>
<th>Multiple touchpoints</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>9</td>
<td>9</td>
<td>?</td>
</tr>
<tr>
<td>2021</td>
<td>20+</td>
<td>20+</td>
<td>?</td>
</tr>
</tbody>
</table>

Sources: BCG Henderson Institute; Think with Google.
Consumer-experience winners conquer complexity by becoming an orchestration engine for all customer interactions.

From omnichannel to omnitouchpoint ... 
- Reinvention of traditional channels
- Emergence of touchpoints
- Nonlinear journey
- Mix of digital and human interactions to add more value in the customer journey
- Two-sided conversation
- Genuine engagement
Customer-experience winners succeed by transforming their businesses around the customer

FROM...

CX outcomes not explicitly linked to business benefits
Focus on incremental—not big-picture—innovation
CX delivered in silos, fragmented budgets & resources
CX not seen as the role of all leaders and employees
Disconnected channels & data; no single view of the customer

TO...

Everything a business does starts with the customer
Customer-focused design is embedded into all activities to reimagine experiences
Customer-journey objectives are used to deliver change across the business
People are rewarded for customer-centric behaviors
Next-generation data & tech truly personalize experiences

Source: BCG.
Customer experience is primed to remain a priority investment across industries

Leaders and peers are spending ~31% on CX, making it the highest spending area ...

Current spending across four outcome categories (%)

<table>
<thead>
<tr>
<th></th>
<th>Peers</th>
<th>CX leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement</td>
<td>22</td>
<td>30</td>
</tr>
<tr>
<td>Performance</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>Performance</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>Innovation</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Average: 31%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CX leaders focus more on customer experience and go-to-market (32%), while peers focus more on performance improvement in support functions (23%).

Future spending across four outcome categories (%)

<table>
<thead>
<tr>
<th></th>
<th>Peers</th>
<th>CX leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>Performance</td>
<td>21</td>
<td>28</td>
</tr>
<tr>
<td>Performance</td>
<td>24</td>
<td>38</td>
</tr>
<tr>
<td>Innovation</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>Average: 31%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CX leaders focus more on customer experience and go-to-market (32%), while peers focus more on performance improvement through the operational value chain (24%).

Future spending by industry (%)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Peers</th>
<th>CX leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto &amp; mobility</td>
<td>20</td>
<td>38</td>
</tr>
<tr>
<td>Media</td>
<td>25</td>
<td>38</td>
</tr>
<tr>
<td>Fashion &amp; luxury</td>
<td>19</td>
<td>31</td>
</tr>
<tr>
<td>Telco</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>Retail</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>Consumer products</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>Retail banking</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Travel &amp; tourism</td>
<td>20</td>
<td>34</td>
</tr>
<tr>
<td>Asset and wealth</td>
<td>21</td>
<td>35</td>
</tr>
<tr>
<td>Management</td>
<td>20</td>
<td>35</td>
</tr>
</tbody>
</table>

CX leaders focus more on customer experience and go-to-market (32%), while peers focus more on performance improvement through the operational value chain (24%).

Source: BCG Global Company of the Future Survey 2022; n=546.
Building customer experience for the future is a process of continual upward growth

Stagnating
Lay a foundation for the future via decentralized digital and CX initiatives

Emerging
Adopt point solutions to create business outcomes, including insights from data & engagement across all touchpoints (omnichannel)

Scaling
Build advanced capabilities to pivot to growth from innovation by orchestrating across all customer interactions (omnichannel)

Future-built
Foster continuous innovation in foundational capabilities and advanced digitization/tech to enable CX at the core; digitally enable new growth

DIGITAL TRANSFORMATION
Programmatic approach enabling companies to deliver on digital-transformation efforts with a focus on building CX capabilities

Re-engineering, fixing the core, and building a foundation for innovation

BUILDING FOR THE FUTURE
Blueprint to embed & scale cross-functional attributes critical for CX success while shifting to growth from innovation

Pivot to growth from innovation – focus on AI, new-business build, and advanced digital ecosystems

Source: BCG.
1Based on Build for the Future framework.
Leaders are finding new ways to engage their customers

Stagnating companies are still struggling to manage their transition to omnichannel …

AVERAGE CAPABILITY ON OMNICHANNEL USE CASES

<table>
<thead>
<tr>
<th>Omnichannel - foundation</th>
<th>Omnichannel - advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stagnating</td>
<td>Future-built</td>
</tr>
<tr>
<td>5.2</td>
<td>7.9</td>
</tr>
<tr>
<td>+53%</td>
<td>+47%</td>
</tr>
</tbody>
</table>

… while future-built companies are already embracing the CX shift toward omnitouchpoint

SHARE OF RESPONDENTS SEEING THOSE TECHNOLOGIES AS RELEVANT OR CRITICAL FOR THE FUTURE (%)

- **Web3/metaverse**: 48% (Stagnating), 73% (Future-built)
- **NextGen interfaces** (including virtual assistants or connected devices): 50% (Stagnating), 65% (Future-built)
- **AI/cognitive algorithmic**: 48% (Stagnating), 65% (Future-built)
- **Autonomous machines**: 47% (Stagnating), 62% (Future-built)

Source: BCG Global Company of the Future Survey 2022; n=546.
While stagnating companies are still struggling with omnichannel, future-built companies are already investing in new ways to engage

Average capability per use case and archetype (not exhaustive)

<table>
<thead>
<tr>
<th>From channels to touchpoints</th>
<th>Individualized customer journey</th>
<th>Continuous conversation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail</strong></td>
<td><strong>Travel &amp; tourism</strong></td>
<td><strong>Media</strong></td>
</tr>
<tr>
<td>AR/VR¹ or smart mirror to offer immersive in-store experience</td>
<td>AR/VR¹ or smart mirror to offer immersive in-store experience</td>
<td><strong>Rapid iteration based on real-time feedback</strong></td>
</tr>
<tr>
<td>2.7</td>
<td>2.5</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>+69%</strong></td>
<td><strong>+60%</strong></td>
<td><strong>+100%</strong></td>
</tr>
<tr>
<td>Immersive CX to visualize facilities or room</td>
<td>App/AR integration for wayfinding and enhancing in-store experience</td>
<td>Digital and biometric identification to access lounge or room</td>
</tr>
<tr>
<td>4.5</td>
<td>5.3</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>+60%</strong></td>
<td><strong>+60%</strong></td>
<td><strong>+61%</strong></td>
</tr>
</tbody>
</table>

**Source:** BCG Global Company of the Future Survey 2022; n=546.

¹Augmented reality/virtual reality.
The best-positioned companies are also automating CX through generative AI …

Generative AI applies predictive modeling to generate new content or elements across modalities

Training data is collected and centralized as input to a generative model

The model establishes complex correlations between data points embedded within a training data set

Based on a distinct user prompt, the model generates a new element

… resulting in multiple use cases

Select generative-AI use cases across functions

**Marketing**
- Generate visual marketing materials
- Write white papers, blogs, commercials, ads
- Create custom materials for each lead

**Sales**
- Generate personalized sales pitches
- Create demos tailored to customers
- Write client outreach emails

**Customer support**
- Use chatbots to answer customer queries
- Generate answers to customer FAQs
- Create web guides for onboarding, training

**Customer success**
- Build dashboards to track key metrics
- Run simulations to show customers how to maximize value
- Build account profiles to outline upsell opportunities

Source: BCG.
Leading companies put customers first, building comprehensive capabilities to support the customer journey.

- **M** Measure for impact
- **I** Innovate to be future-ready
- **D** Deliver journeys front-to-back
- **A** Activate a customer-first culture
- **S** Synchronize across channels

Human-centered design and an agile approach embedded throughout

Sources: Expert calls; desktop research; BCG analysis.
Companies can become customer-experience leaders by deploying the right capabilities at each step of their change journey.

**From Stagnating to Emerging**
Building foundational capabilities

- Deep customer understanding
- Rapid journey innovation sprint to prove value
- Customer segmentation & insights
- Journey analytics & mapping
- Omnichannel strategy
- CX strategy
- Journey design

**From Emerging to Scaling**
Building advanced capabilities

- Journey program scaleup and op model review
- Digital & measurement infrastructure
- Customer-centric innovation
- Journey-led transformation
- CX-led DDP,² CDP,² data streams
- CX-led organization activation
- Develop key digital channels
- Customer 360³
- Develop key CX programs (e.g., loyalty, memberships)

**From Scaling to Future-Built**
Continual innovation journey

- Transform @scale
- Integrate advanced tech across the organization
- @scale rollout of organization changes
- AI-driven orchestration & personalization engine (deep AI)
- Predictive CX measurement

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**Front-to-back journeys**

- E-commerce and channel excellence
- Loyalty & membership programs
- CX orchestration transformation

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Source: BCG.

¹Data and digital platform. ²Customer data platform. ³Using data analytics to create a 360-degree master view of customers.
## How a major motorcycle manufacturer developed a digital commerce and sales strategy

A US motorcycle manufacturer was working on a more sophisticated digital marketing measurement to perform marketing pilots.

The objective was to create a build, operate, transfer (BOT) approach to set up a digital ecosystem for increased value creation.

| 01 | Digital commerce program | Developed with specific features defined through BCG’s agile processes and customer research, in consultation with the steering committee and each of the workstream squads |
| 02 | Digital platform | Developed a best-in-class digital platform and online channel for parts & accessories and merchandise that drives growth and margin expansion |
| 03 | MVP\(^1\) development | Defined an MVP Alpha Build (“Alpha”) that delivered a functioning first version of the product, which can be tested with customers in a controlled environment |
| 04 | Internal training | Trained a newly hired client team on work product and team structure to ensure continuity of operations |

### Outcomes

<table>
<thead>
<tr>
<th>Digital experience</th>
<th>Development of state-of-the-art “white glove” digital purchasing experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shift toward direct model</td>
<td>Clear shift toward direct model in select markets with plans for broader domestic and international implementation</td>
</tr>
<tr>
<td>#1 pre-owned marketplace</td>
<td>Within one month of launch</td>
</tr>
<tr>
<td>30+ FTEs(^2) hired</td>
<td>to create new digital center</td>
</tr>
<tr>
<td>$140M+ gross margin yearly run rate</td>
<td></td>
</tr>
</tbody>
</table>

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Source: BCG.

\(^1\)Minimum viable product. \(^2\)Full-time employees.
How an Australian financial institution implemented a three-year transformation program

Client had ten-plus years of underperformance for shareholders, including lower TSR than other big Australian banks in any two-year period and ~60% lower ten-year TSR performance than the leading Australian bank.

CEO set a big ambition: reduction of 6,000 roles, $1 billion AUD cost savings in three years, and improved customer experience to achieve cost reductions without impacting revenue growth.

01 Strategy
Introduced customer metrics to set definition of purpose, leadership, and culture

02 Customer journeys
Deployed customer journeys, including Agile at Scale, to accelerate digitization

03 Workforce management
Deployed sophisticated workforce management levers in the frontline (e.g., dynamic rosters, lead analytics)

Outcomes
Best-performing TSR among the big four Australian banks
Became the third-largest Australian bank in market cap
~$800 million AUD cost savings
Line of sight to $1 billion AUD cost savings after two years
>400K banker hours saved
Record productivity in FY 2018 and again in FY 2019
30-point average NPS uplift
Ranked #1 in priority segments
96 digital customer releases
Deployed in year one
80%+ reduction
In end-to-end cycle times for onboarding customers
Ten minutes to open SME¹ account
Down from six days, for 90% of customers

Source: BCG.
¹Subject matter expert.