# Addressing the Midmarket's Requirements for Customer Experience Management

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### Highlights

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CEM is imperative for business success

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Superior CEM combines software, services, and company culture

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#### Understanding the midmarket's CEM requirements

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Conclusion – reducing complexity





## **Executive Summary**

Thanks to the forces of digital disruption – such as mobility, social networking, and ubiquitous connectivity – consumers have rapidly developed an appetite for engaging, differentiated, and consistent interactions with companies and brands. Firms of all sizes suddenly need to adopt or develop the tools, skill sets, and strategies that will allow them to create, deploy, measure, and optimize digital experiences across multiple channels and touchpoints. These technologies and processes constitute customer experience management (CEM), a discipline that is hard, complicated, new, and – above all – unavoidable. Nine out of 10 consumers say that they have abandoned brands due to poor customer experiences.

Midmarket companies may find it particularly challenging to master CEM. Consumers expect such firms to deliver the same quality of experience as enterprises, yet midsize companies lack the resources of an enterprise, whether that's in terms of cash, funding, expertise, or a large, redeployable workforce. Nevertheless, studies show that top-performing midmarket companies exhibit the core qualities of superior customer engagement: a focus on innovation, strong and engaged management, and a customer-centric culture.

A complete solution for CEM combines such qualities with a growing ecosystem of software applications, plus services that include user research, design, and engagement strategies. These service teams must also provide experts with technical expertise and new skill sets, such as the "marketing technologist." To deploy and operate a CEM solution while avoiding added complexity, midmarket companies should look for:

- Broad functional capabilities that can be deployed over time as required
   but that also integrate easily with existing systems
- Services teams with proven expertise with the chosen products, as well as non-technical design and strategy resources
- Demonstrated ability to work well with internal teams and other service providers
- Proven success serving the needs of midmarket firms, which can be verified by multiple references from current or former customers

# The CEM Imperative

The forces of digital disruption have created unprecedented turmoil for companies of all sizes. From a family-run bookstore to a midmarket manufacturer to a global enterprise - all find their established business models, their product strategies, and their very existence threatened by the speed and unpredictability of digital innovation. Above all, businesses need to come to terms with consumers' transformation from largely passive buyers into an empowered, vocal, and capricious force that can influence or even determine a company's messaging and brand identity. Customer experience management (CEM) has rapidly become an imperative for virtually all businesses simply because digitalization has suddenly granted voice and choice to previously powerless customers and prospects.

## Empowered and demanding consumers

Information is power, and consumers have seized the advantage the digital disruption has granted them in

ways that many companies may not yet fully appreciate. Above all, they have become incredibly demanding and fickle. According to a recent Harris Interactive study, only 1% of U.S. consumers feel that their expectations for good customer service are always met.<sup>1</sup> And when companies fail to live up to expectations, consumers don't hesitate to take action: 89% report that they have switched their business to a competitor after a poor experience.<sup>2</sup> Think about that, as a business owner or employee: *Virtually none* of your customers are fully satisfied with the experiences you provide and *nine out of 10* will switch allegiance due to an unsatisfactory interaction.

It hardly seems fair. But then consider this final statistic: 86% say that they will pay extra for good customer experience – and pay up to 25% more.<sup>3</sup> In short, the social and mobile web has made consumers so demanding and exacting that *they will pay you* to improve the quality of the experiences you provide. (See Figure 1.)

Figure 1



Source: Harris Interactive survey of U.S. consumers, 2011. Sponsored by Right Now.

CEM is not a "nice to have" that can wait until the economy improves, budgets increase, or a new factory is funded. It must be a top priority today – and we can in fact quantify that priority. More than 1,000 senior executives worldwide recently estimated that failing to provide "positive, consistent, and brand-relevant" customer experiences ultimately costs them *20% of total revenue.*<sup>4</sup> That's a depressing \$50 million for a company with \$250 million in revenue – and it's very likely an *underestimation*, since only 49% of the same executives believe that customers will abandon a brand due to poor experiences, whereas the true number is almost twice that much.<sup>5</sup>

Finally, CEM isn't just a concern for massive, brandname enterprises. In fact, 74% of the executives in the same survey represented midmarket companies with less than \$1 billion in revenue. Every company has to focus on great customer experiences, and midmarket firms may find it particularly challenging. Compared to the start-up or very small company, midmarket firms cannot simply "pivot" into a new market segment or instantly revise a major business process. On the other hand, midmarket companies typically lack the resources of an enterprise, whether that's in terms of cash, funding, expertise, or a large, redeployable workforce. In the next section, we'll review the software and service offerings that support customer experience management before analyzing what midmarket companies should look for in a CEM solution.

# Meeting the CEM Challenge

At Digital Clarity Group, we believe that the definition of customer experience management necessarily begins with the notion of customer experience, as follows:

Customer experience is the totality of a customer's interactions with a company or brand. Note that in this definition, "customer" refers equally to prospects – those who have not yet conducted a transaction with the company – and that the "totality" of interactions includes all channels and touchpoints over the entire life of the relationship.

As a business discipline, customer experience management refers to *the strategies, processes, skills, technologies, and commitments that aim to ensure positive and competitively outstanding customer experiences.* 

With reference to technology, *CEM includes the array* of software tools that organizations use to create, store, deploy, analyze, and optimize the aggregations of digital assets that make up the user experiences on digital channels. Because these experiences ultimately rely on digital content, web content management technologies occupy the center of the CEM software ecosystem.

Several important insights follow this definition:

• CEM is not just sales enablement. Increasing the percentage of interactions that convert into sales can be a highly desirable outcome of CEM for many companies. CEM, however, extends far beyond demand generation and "contact-toconversion" to include brand awareness, social presence, customer support, advertising, packaging, and *the totality of a customer's interactions* with a company.

- CEM extends beyond digital. A consumer's perception of a company or brand is obviously influenced by many non-digital interactions, whether they take the shape of face-to-face exchanges, call-center conflict resolution, the color of the envelope in which the bill is delivered, or the public utterances of the CEO. This means that delivering great customer experiences requires a company-wide cultural commitment to customer centricity. On the other hand, "analog" interactions are increasingly replaced by, or supplemented with, digital assets and media. At some Home Depot stores, for example, shoppers can scan QR codes to instantly view product details, instructional videos, and user reviews on their mobile device.<sup>6</sup> Because so many interactions are either conducted in digital channels or at least draw on digital resources, companies can turn to a broad ecosystem of technologies to support most aspects of CEM.
- There is no single CEM software category.
  Despite the suggestions of some vendors, CEM is not the name of a software solution that can be purchased, plugged in, and turned on. The ecosystem of applications that can be deployed for CEM is diverse, growing, and rapidly shifting.
  Determining the appropriate combination of purchased or owned software also depends on the particular needs, contexts, skills, and goals of a given organization. A few vendors now offer suites

that combine many of the key functionalities for CEM, including web content management (WCM), analytics, personalization, marketing campaign management, and mobile enablement.<sup>7</sup>

 A CEM solution requires far more than software. Understanding your requirements and selecting the appropriate technologies is only the beginning. The software becomes a "solution" only when it has been *implemented*, *integrated* with other systems, and *incorporated* into ongoing business processes. These "three I's" do not begin with the installation of software on a server, nor do they end when the project is made available to consumers. Rather, they can include very early-stage user research and design activities, and should extend into constantly optimized engagement strategies.

Few organizations of any size harbor all of the skills and resources necessary to execute the "three I's" and maintain an effective platform to support superior customer experiences. Midmarket companies in particular rarely have in-house designers, usability experts, or large IT teams – let alone the emerging skills required for CEM, which are reflected in the advent of such job roles as social engagement strategist, marketing technologist, and "big data" analyst.<sup>8</sup> Digital agencies and other types of service providers increasingly play an indispensable role in the delivery operation of solutions for customer experience management.<sup>9</sup>

## Understanding the Midmarket for CEM

There are about 200,000 midmarket companies in the United States, defined by having an annual revenue of \$10 million to \$1 billion. Although widely overlooked by press and policy discussions that focus on "Main Street" small businesses and large enterprises, midmarket companies pull in \$9 trillion in revenue, employ more than 40 million people, and account for one third of private-sector gross domestic product (GDP) – equal to the GDPs of Russia and India combined. They have been called "America's critical growth engine."<sup>10</sup>

Defining midmarket companies by such metrics as total revenue or number of employees, however, provides no information about their requirements for the software and services that support customer experience management. This imprecision is the main reason why virtually every software vendor claims to "serve" the midmarket. Lightweight, shrink-wrapped products are positioned as adequate for the "limited" needs of midsized businesses. At the other extreme, vendors that serve large, global enterprises adopt the attitude that, "If it's good enough for General Motors, it must be good enough for the rest of American businesses as well." When these sales strategies work, midmarket companies can end up feeling like Goldilocks, with solutions that are too small or too big for their actual requirements.

## Midsize does not diminish the CEM challenge

In one important sense, vendors of enterprise-grade solutions are justified in targeting the midmarket. CEM at midsized companies is not inherently simpler, easier, or more lightweight than it is for enterprises. Consumers hold all companies to the same high standards for customer experiences, regardless of their size. Whether a firm should have a Facebook presence, a mobile app, a platform for coordinated marketing campaigns, or an overall digital strategy is determined not by its size, but by the expectations of its customers and prospects. In principle, the only difference between enterprise and midmarket CEM is scale. (Recall that three quarters of the executives who judged the price of failing at CEM to be 20% of revenue worked at midsized firms.)

### The key characteristics of topperforming midmarket companies

Given that midsized firms must deliver competitive customer experiences, what combination of software and services are appropriate for the "typical" midmarket company? To be clear, midmarket firms differ in many respects. However, there are shared characteristics of all midsized companies – especially among the best performers – that influence what they should look for in a CEM solution.

First, midmarket companies are overwhelmingly privately held; only 14% are traded publically. This freedom from investor scrutiny means that midsized business owners and executives are more likely to invest for the long term, and this in turn encourages an emphasis on innovation in the development of products, services, and markets.

Midsized companies are also typically leaner in several respects. There are fewer organizational layers, which means that executives are more in touch with employees, and customer service issues are more quickly identified, communicated, and addressed. It is also easier to secure senior management buy-in and participation in new initiatives such as customer experience management. Also, a lean organization means fewer resources and a more tactical, pragmatic focus on business issues and outcomes. Finally, leaner budgets mean that midmarket companies cannot afford lengthy implementation cycles for new projects or costly missteps, such as selecting the inappropriate software products or an inexperienced service provider. In fact, the National Center for the Middle Market found that the top three strategic priorities for topperforming midmarket companies are:

- 1. Focus on innovation
- 2. Strong management culture
- 3. Sharp customer focus

Compared to midmarket companies are a whole, these "growth champions" are 80% more likely to say they perform well on innovation; 43% more likely to invest in improving sales and marketing; more than twice as likely to have a social media strategy; and 70% more likely to have an overall digital engagement strategy<sup>11</sup> (see Figure 2).

More likely have a

digital engagement strategy

Figure 2

### Top-performing midmarket firms are:

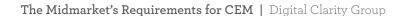
80% 105% 70%

More likely to have a

social media strategy



Source: National Center for the Midmarket.



More likely to say they

innovate well

## What Should Midmarket Firms Look for in a CEM Solution?

Top-performing midmarket companies have the ingredients for effective customer experiences: engaged, forward-thinking executive leadership; a customer-centric company culture; and a penchant for innovation, agility, and new ideas. In order to "bake" these ingredients into positive, consistent customer experiences, what should the midmarket look for in products and services that contribute to a complete CEM solution? Broadly speaking, the midmarket should seek offerings that provide relief from any complexity that distracts from their focus on business issues and customer service. Specifically, this means:

- Product feature fit and customizability. The . ability to respond rapidly to sudden shifts in customer expectations or market dynamics makes it more important than ever for midmarket companies to avoid buying solutions that are either inadequate or overkill for their business processes. Midmarket companies cannot afford to limp along with an overly simple web content management product, for example. However, they also cannot waste time with a heavy enterprise-grade solution that requires programming just to set up a review workflow, and generally does not fit the relatively more streamlined process of the midmarket. In the era of digital disruption, any company may get only one chance to select the appropriate software - and midmarket companies need one that is *just* right for their operations. Historically, midsized firms have favored out-of-the-box solutions. The complexity and unpredictability of CEM means that they should seek products that offer out-ofthe-box fit and the ability to easily customize when necessary.
- Integrated CEM product suites. Midmarket companies typically do not have large IT departments or extensive technical skill sets. This will increasingly hamper midmarket firms, since mobility, social networks, pervasive video, and other forces of customer empowerment require additional software applications. For example, only a few years ago, a WCM product was sufficient to run a decent corporate web presence. Now, WCM needs to be supplemented by or integrated with analytics, testing and optimization tools, video hosting platforms, marketing campaign management solutions, CRM, and much more. To avoid time-consuming vendor evaluations for each additional piece of this growing software ecosystem, midmarket firms may prefer a suite or platform offering with integrated modules that can be plugged in as the need arises. For similar reasons, midmarket companies will increasingly look to move some or all of the required technology into a cloud and/or hosted environment.
- Supplementing and enhancing internal skills and resources. As noted, software alone does not provide a CEM solution. Service providers must not only implement and integrate the applications prior to launch, but they must also provide specialized or new skill sets and advice that incorporate those tools into ongoing CEM business processes. Midmarket companies should look for providers that can work closely with internal teams, supplement current skills, and provide effective training and knowledge transfer for long-term operation of CEM initiatives.

- Seamless fit between products and services. Because of the importance of services to the CEM solution, all companies should immediately end the common practice of selecting a product vendor and then looking for an implementation partner. Rather, the service provider should be evaluated in conjunction with the product selection. This is the best way to ensure that the services firm has proven mastery of the technology. Furthermore, when engaging multiple service providers - say, one for creative and design services and another for technical aspects – firms should ensure not only that they can work well together at the company level, but also that the team members can think outside of their own areas of expertise. For example, it is increasingly important for designers to understand the capabilities and limits of the technology - and thus avoid submitting creative briefs that look great but can't be realized on the chosen product set. For this reason, hybrid firms that can offer much if not all of the required software, as well as technical resources and typical digital agency services - such as user research, design, and digital strategy - may be ever-more attractive to midmarket companies. Careful, however: Companies need to be sure that the vendor has proven experience and skills in all claimed areas of expertise.
- Dependable partner. Midmarket companies know from bitter experience what it means to pick the wrong vendor partners. Enterprise vendors focus on their large clients; midmarket customers have little influence over product roadmaps or the priority of fixes and enhancements. Vendors focused on the consumer or small-business

markets, meanwhile, are understaffed and overwhelmed. The rapid pace of change means that agility and flexibility are primary business requirements – and midmarket companies need to ensure that their vendor partners exhibit those qualities, and will remain a "trusted advisor" for the long term.

# Conclusion

Thanks to the forces of digital disruption – such as mobility, social networking, and ubiquitous connectivity – consumers have rapidly developed an appetite for engaging, differentiated, and consistent experiences across multiple touchpoints. Companies of all sizes can no longer afford to ignore these expectations if they wish to remain competitive and viable. Indeed, it is no exaggeration to say that virtually all businesses, regardless of the products or services that they offer, are today actually competing at the level of customer experiences. The CEM Imperative simply names the critical necessity to manage and optimize superior experiences and interactions.

The midmarket enjoys the dubious distinction of being the most volatile and stressful business environment. Losing a single customer or a momentary lack of focus on execution can mean financial ruin. Midsized companies do not have the time or attention to evaluate, vet, and manage numerous potential product and service vendors for their CEM solution.

Given the overriding need to *reduce complexity*, midmarket companies should look for CEM product and services vendors that:

- Offer multiple solutions that can be deployed over time as required – but that also integrate easily with existing systems
- Provide services teams with proven expertise with the chosen products, as well as non-technical design and strategy resources
- Work well with internal teams and other service providers

• Have proven success serving the needs of midmarket firms, which can be verified by multiple references from current or former customers

Midmarket companies have survived and even thrived in the recent very challenging economic conditions. The new challenge is to master CEM and consistently meet or beat the demands of empowered consumers. Those midsized firms that get it right will continue to be "America's critical growth engine."

# Endnotes

- 1 This survey was conducted by Harris Interactive in 2011 and commissioned by RightNow. Selected findings are available at http://www.slideshare.net/ RightNow/2011-customer-experience-impact-report.
- 2 Ibid.
- 3 Ibid.
- 4 O'Keeffe & Company surveyed 1,342 senior executives in August and September 2012. The study was commissioned by Oracle. For a review of the findings in Forbes.com, see http://www.forbes.com/sites/oracle/2013/02/06/10reasons-why-ceos-dont-understand-their-customers/.
- 5 Ibid
- 6 Olson, Elizabeth. "The Bar Code That Tells You How Much Water, Light and Fertilizer." New York Times. May 5, 2011. See: http://www.nytimes. com/2011/05/06/business/media/06adco.html.
- 7 Digital Clarity Group's Customer Engagement Maturity Model outlines the technologies and processes that enable effective engagement. See Cathy McKnight's Insight Paper, "Assessing and Improving Your Customer Engagement Maturity," available at www.digitalclaritygroup.com.
- 8 For a useful overview of the marketing technologist role, see Scott Brinker's blog, www.chiefmartec.com. For more information on big data – and how to turn it into actionable "small data" – see various blog posts by Digital Clarity Group analyst Allen Bonde on the company website, such as http://www. digitalclaritygroup.com/blog/small-data-goes-big-time/.
- 9 For a detailed discussion of the CEM Imperative and the role of service providers, see Digital Clarity Group's "Guide to Service Providers for Web Content and Customer Experience Management (2013 North American Edition)." A sample of the report is available at www.digitalclaritygroup.com.

- 10 See "The Market That Moves America," the founding report of the National Center for the Middle Market. Available at: http://www.middlemarketcenter. org/middle-market-insights-perspectives-opportunities.
- 11 The National Center for the Middle Market's study (see endnote 10) identified the top 20% of midmarket companies by growth as the "growth champions." Between 2005 and 2010, these firms had annual growth rates of more than 26% -- about 10 times that of GDP growth during the period. Among these top performers, 70% said they perform well on innovation (versus 39% of all midsized companies); 50% said they invest to improve sales and marketing (versus 35%); 41% said they have a social media strategy (versus 20%); and 53% said they have a digital strategy (versus 31%).

## About DCG

#### Digital Clarity Group

With a global research-driven advisory team, Digital Clarity Group (DCG) helps business leaders navigate digital transformation in their organization. DCG works with its clients across four distinct themes – Consumer Engagement, The Social Enterprise, Innovative Change and Adaptive Technology. DCG provides independent research, customized consulting, events, and one-on-one executive advisory programs. DCG also provides guidance to technology companies and the service providers that implement their products to help deliver insight that can guide them to better strategic decisions and more useful products and services. For more information about DCG, visit www.digitalclaritygroup.com or email info@digitalclaritygroup.com.

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