The Economist Intelligence Unit

EXECUTIVE SUMMARY Asia-Pacific

The value of experience:

How the C-suite values customer experience in the digital age

An Economist Intelligence Unit report

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Executive summary

"There is only one boss—the customer," Sam Walton once said. "And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

The fundamentals of business have remained unaltered in the half-century since Mr Walton delivered this blunt assessment after founding retail corporation, Walmart, in 1962. What has changed is the way in which companies interact with their customers. The rise of company websites, email, SMS and social media has firmly shifted the interaction between customer and company towards remote communication, but research by the Economist Intelligence Unit (EIU) shows that in-person communication remains an important channel for customer engagement in an otherwise digital world.

Companies who fail to respond to these changing modes of communication are vulnerable to large-scale customer flight. Not only is the commercial environment becoming more competitive in many industries, the proliferation of customer contact points and the frequency of customer interaction have swelled potential sources of dissatisfaction. With no personal touch to smooth things over, one bad experience can lead a customer to happily decamp. To make matters worse, that same customer can instantaneously contact many thousands of others and regale them with a thorough appraisal of the reasons for their disenchantment.

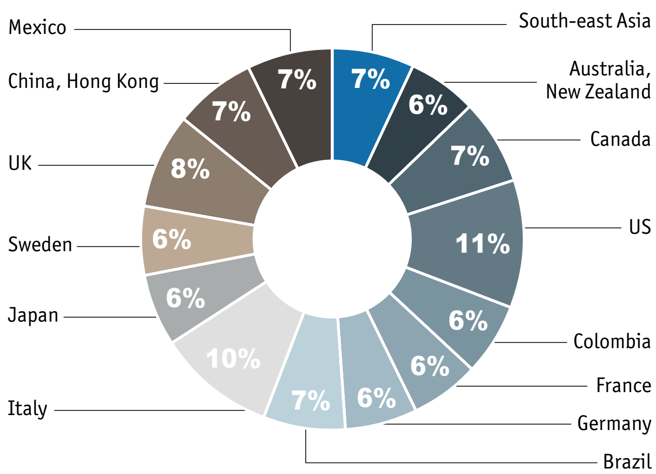
However, if done well, customer experience (CX) initiatives can reduce costs, increase revenues and improve customer satisfaction. To learn how companies in Asia and Australasia manage their CX programmes, the EIU conducted a global survey of 516 senior-level executives in April 2015, including 139 respondents from the Asia-Pacific region. The majority of these (111) were C-suite executives—of whom 45 were CEOs—with the remaining 28 respondents heads of a business unit. The research focused on four key questions:

- What importance is attached to CX within companies?
- Who leads CX initiatives?
- How is the success of CX measured?
- Which CX channels are most favoured?

The responses were divided into four geographical groups; Japan; China and Hong Kong; Australia and New Zealand and South-east Asia (Indonesia, Philippines, Singapore, Thailand and Vietnam).

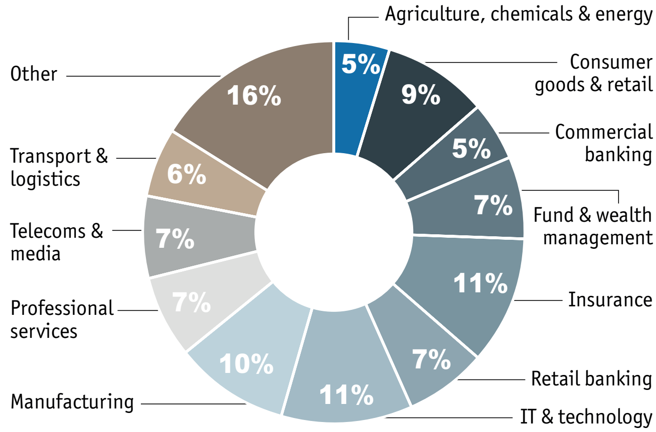
Respondents by country

(%)



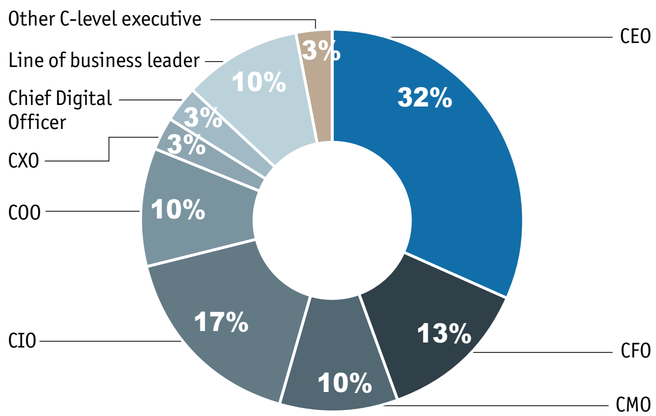
Respondents by industry

(%)



Respondents by job title

(%)



1 Benefits of prioritising

Figure 1

Difference between companies that prioritise future investment in CX and those that don't.

(% of global respondents)

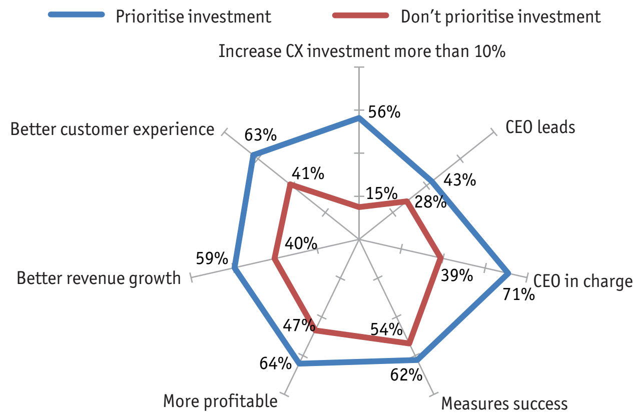
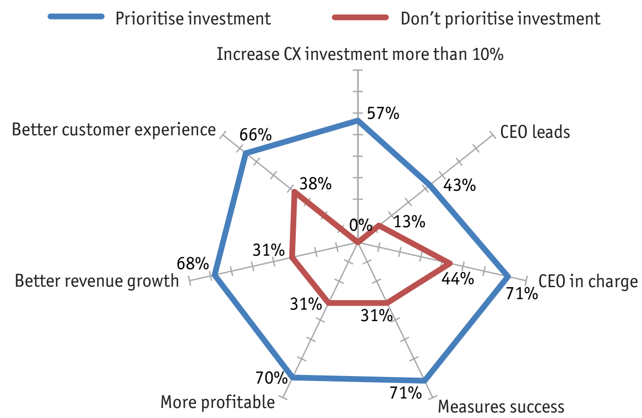


Figure 2

Difference between companies that prioritise future investment in CX and those that don't.

(% of respondents in Asia-Pacific)



Most companies who prioritise future investment in CX believe they benefit from better revenue growth and profitability and are more likely to invest heavily in future CX initiatives.

According to the EIU's global survey results, 64% of executives who said CX is important to their organisation's future investment priorities believe their company is more profitable than their competitors. Almost two thirds (64%) of these respondents also believe they have better revenue growth than their competitors, and 83% believe they offer a more positive customer experience. Among companies that don't prioritise CX investment, only 47% of executives believe they are more profitable than their competitors, 40% said they have better revenue growth and 41% believe they offer a more positive customer experience. (Figure 1)

The benefits of CX are not going unnoticed by company leaders, with CEOs in companies where CX investment is prioritised more likely to directly lead CX initiatives (43%) or be in overall charge (71%) than in companies where CX investment isn't a priority (28% and 39% respectively). The benefits are also likely to be forming the basis for a strong business case to invest more in the future, with the majority of respondents (56%) in companies that value CX investment planning to increase investment by more than 10% over the next three years, compared to 15% of companies who consider CX less important.

Asia-Pacific firms experience similar benefits when prioritising CX, but the trend there is more acute in terms of planning for future investment.

Globally, companies that don't consider CX an important priority are missing out on the revenue and profitability benefits that prioritising CX can bring. As a result, they are struggling to build a business case for significant new investment—no respondents from companies that don't prioritise CX expect to increase CX investment by more than 10% over the next three years. (Figure 2)

How to improve customer experience

Make CX a priority

Across the board, companies that prioritise future investment in CX believe they are reaping the benefits of better revenue growth and improved profitability more than companies that consider CX less important.

Place the CEO in charge

CEOs in China, Hong Kong and South-east Asia, are more likely to have the final say on CX initiatives than CEOs anywhere else in the world. This is important because survey responses indicate that companies where the CEO is in charge of CX initiatives are more likely to believe in them, and invest in them.

Find the evidence

A third of companies globally don't measure the success of CX initiatives. This poses a problem, as naysayers will have more sway if the evidence in favour of CX investment is not compelling. This is less prevalent in the Asia-Pacific region, where almost two thirds of companies measure the success of their CX initiatives. The principal reason given for not measuring CX is that companies find it difficult to differentiate between the impact of CX and other factors that may improve performance. They urgently need to find a convincing method of isolating this impact, and measuring it accurately.

Look at your industry peers

Our global survey reveals wide disparities in the CX channel preferences of various industries. Some cling to face-to-face communication; others, such as those in Asia-Pacific, focus more on newer channels like web self-service or social media. Fashion should not be all-pervasive. What is right for one industry may not necessarily be the best choice for another.

2 Importance of customer experience

● Most companies in Asia-Pacific consider CX to be a very important investment priority, but Latin America and Europe are more enthusiastic.

More than half (57%) of the Asia-Pacific C-suite executives surveyed said that CX is a "very important" investment priority for their company today. However, while Asia-Pacific respondents are marginally more committed to investing in CX than those in North America (55%), they are less likely to think CX is a "very important" immediate priority for their firm when compared to their counterparts in Europe (66%) and Latin America (71%). (Figure 3)

An overwhelming proportion of Asia-Pacific executives are happy with the progress of their CX strategy and more than four in five respondents (82%) believe their customers would view their overall experience positively.

● The proportion of companies that invest heavily in CX in Asia-Pacific is set to rise considerably over the next three years and this increase owes much to China and Hong Kong.

More than a third (39%) of Asia-Pacific respondents said they have boosted investment in CX by more than 10% over the last three years, and exactly one half (50%) will increase it by the same margin over the next three.

Much of this increase can be attributed to companies in China and Hong Kong, where 84% of respondents said their organisations would boost spending by more than 10% in the next three years. Large scale investments are also set to increase substantially with 22% of respondents from China and Hong Kong saying their firms would be increasing investment in CX by more than 25% over the next three years—up from 3% over the previous three years. (Figure 4)

Figure 3

Q How important is CX to your organisation's investment priorities today?
(% of global respondents)

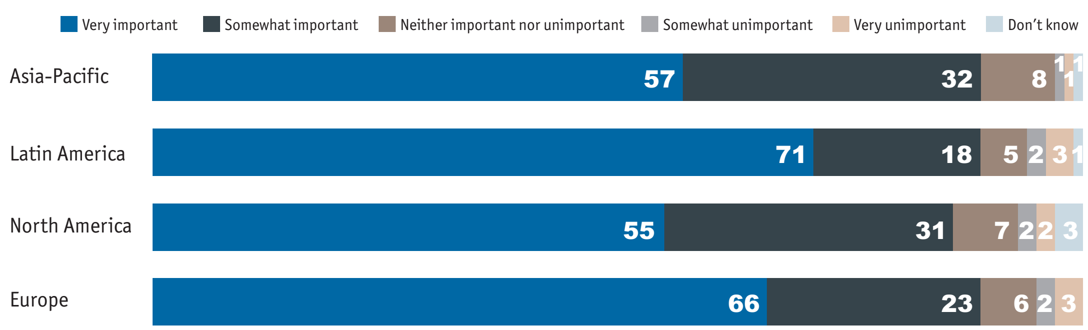
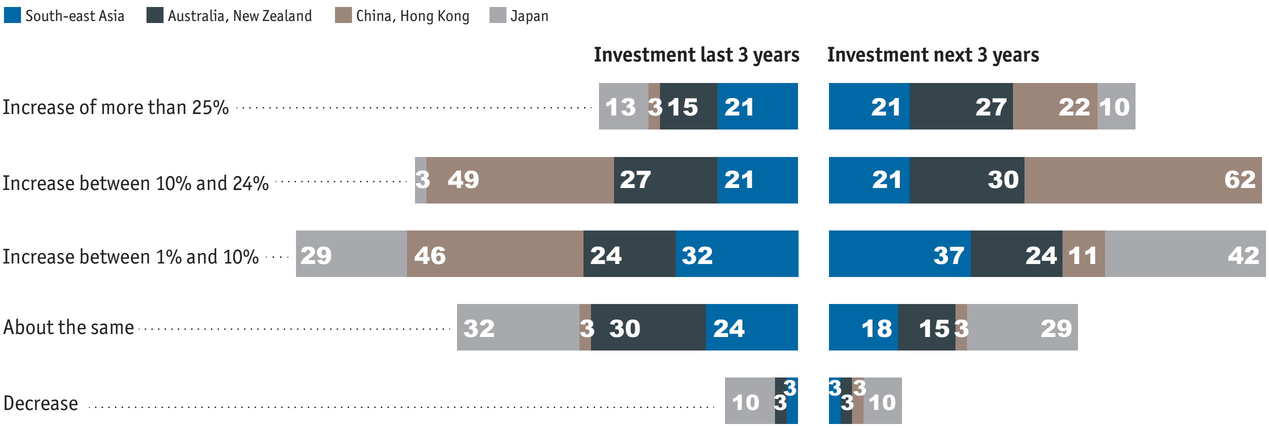


Figure 4

Investment in CX in last three years and next three years

(% of respondents in Asia-Pacific)



The desire to improve customer retention appears to lie behind this upsurge in investment. Almost two thirds of companies (65%) in China and Hong Kong say that increased customer retention is one of the primary benefits of investment in CX, almost double the global average of 33%. The apparent rise in investment in China and Hong Kong may also result from the disproportionately high number of retail respondents for this survey in these countries (although the sample of companies in each industry in each country is too small to reach a definitive conclusion on this possible explanation). However, according to the EIU survey, the retail industry throughout the world is gearing up for a substantial increase in CX investment over the coming years.

● Japan is decidedly unimpressed with the customer experience concept.

According to several metrics, there is more scepticism in Japan about the commercial importance of CX than anywhere else in the world.

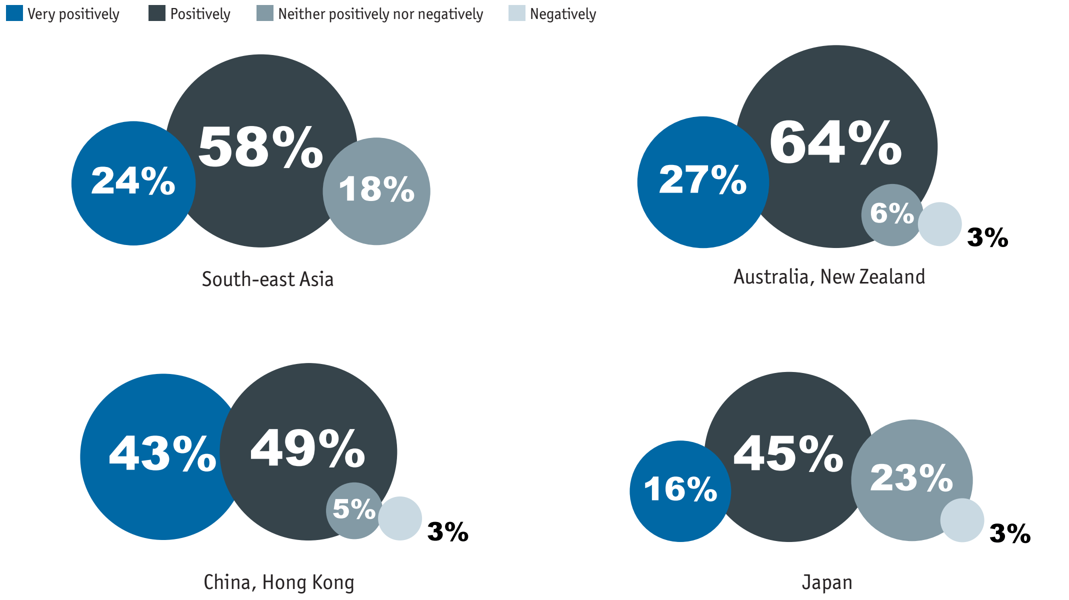
The first is investment and only 39% of Japanese respondents said that investment in CX is a "very important" priority for their company, considerably lower than the 63% global average. Just 16% of Japanese executives surveyed said their firm had increased spending on CX by more than 10% over the last three years, compared to 42% in both South-east Asia and Australasia, and 51% in China and Hong Kong. This proportion is set to decrease further, as only 10% of Japanese respondents said they planned to boost CX spending by more than 10% over the next three years, a mere fraction of the 84% of respondents in China and Hong Kong, 58% in Australasia and 42% in South-east Asia contemplating a similar rise.

Japanese executives are also lukewarm when asked how their company's CX is viewed in the marketplace. Whereas 92% of respondents in China and Hong Kong, 91% in Australasia and 82% in South-east Asia believe their customers have a positive experience, only 61% in Japan have a similar opinion. (Figure 5)

Figure 5

Rating of overall CX

(% of respondents in Asia-Pacific)



3 Who leads customer experience

● Japanese companies are less likely than those in other Asia-Pacific sub-regions to have the CEO in charge of CX transformation initiatives; China and Hong Kong firms favour the CIO.

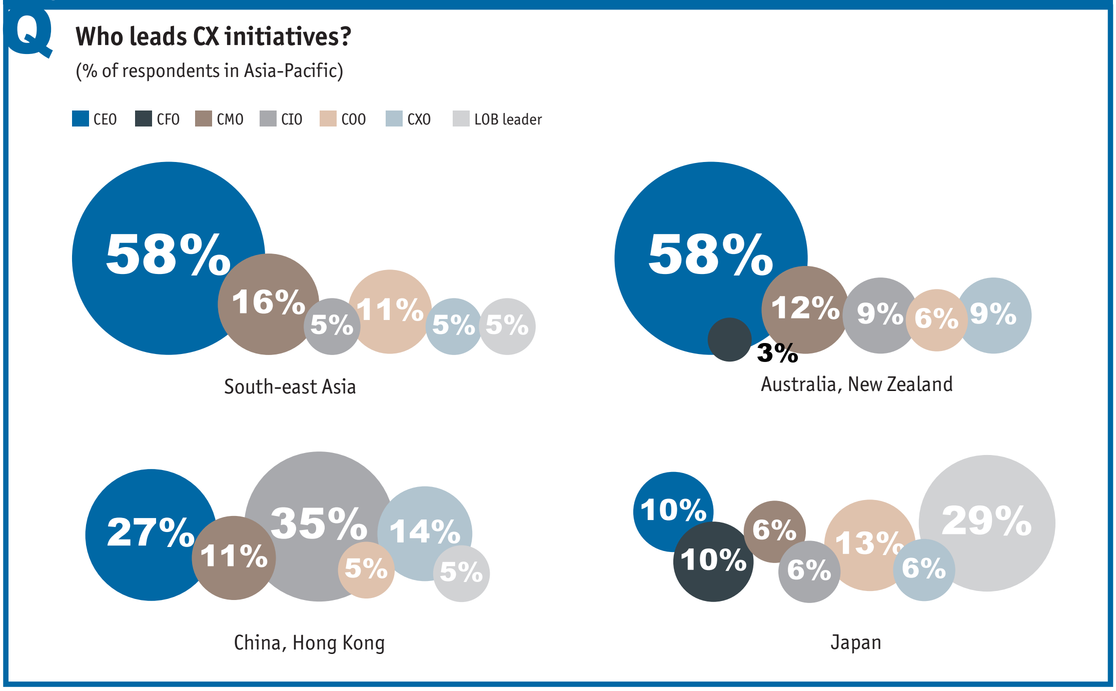
Reflecting or perhaps causing the relative lack of importance of CX, Japanese companies are less likely than those from any other country or region in the world to place their CEO in charge of CX initiatives.

Only 10% of Japanese executives surveyed said their CEO leads CX transformation initiatives, a far cry from South-east Asia and Australasia, where more than half (58%) of respondents said their CEO is in charge. Responsibility for the initiatives has instead been shunted further down the organisation, outside the realm of the C-suite. More than a quarter (29%) of Japanese companies say that a business unit head is spearheading the initiatives, a larger proportion than in any other country or region.

China and Hong Kong were the only other countries in the survey where the CEO was unlikely to be leading CX initiatives. More respondents (35%) from these countries said the Chief Information Officer (CIO) was in charge than those who named the CEO (27%). (Figure 6)

Figure 6

Who leads CX initiatives?
(% of respondents in Asia-Pacific)



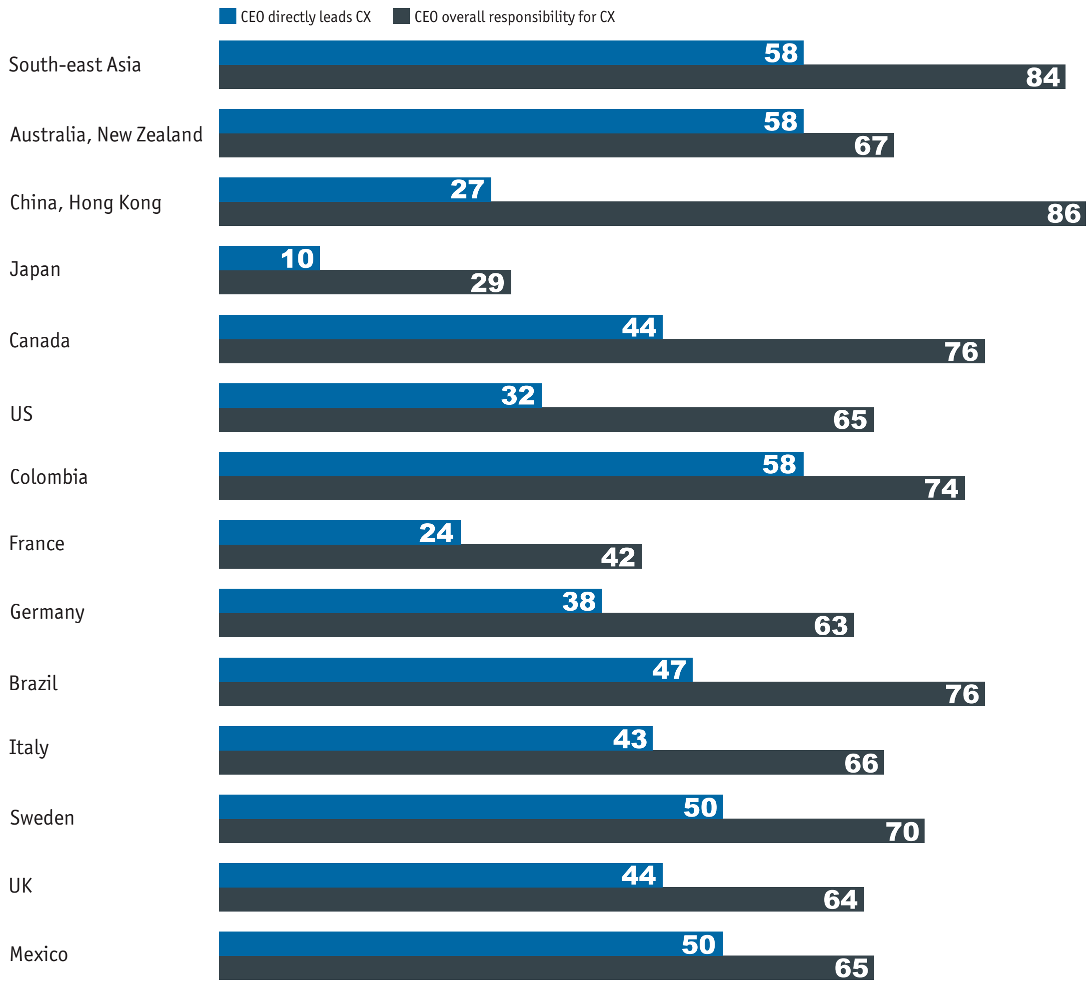
- **CEOs in China, Hong Kong, and South-east Asia are more likely than anywhere else in the world to have the final say on CX initiatives.**

Although CEOs are less likely to be leading initiatives in China and Hong Kong, they are not excluded from the process—far from it, in fact. A larger proportion of CEOs in China and Hong (86%) have the final say on CX transformation initiatives than anywhere else in the world. It appears that CEOs in these countries, while stepping back from day-to-day involvement, are keen to oversee the significant rise in expenditure that is set to materialise in the coming years.

South-east Asia (84%) is the next most likely sub-region or country in the world to say that the CEO has ultimate authority over these initiatives. It could be that companies in China, Hong Kong, and South-east Asia may want the CEO to stamp out any internal discord. Almost half of the executives in these regions (49% and 45% respectively) said that "lack of cross-organisational coordination" is one of the biggest barriers to the successful implementation of CX initiatives, more than anywhere else in the world. (Figure 7)

Figure 7

CEO role in leading CX initiatives
(% of global respondents)



4 Measuring customer experience

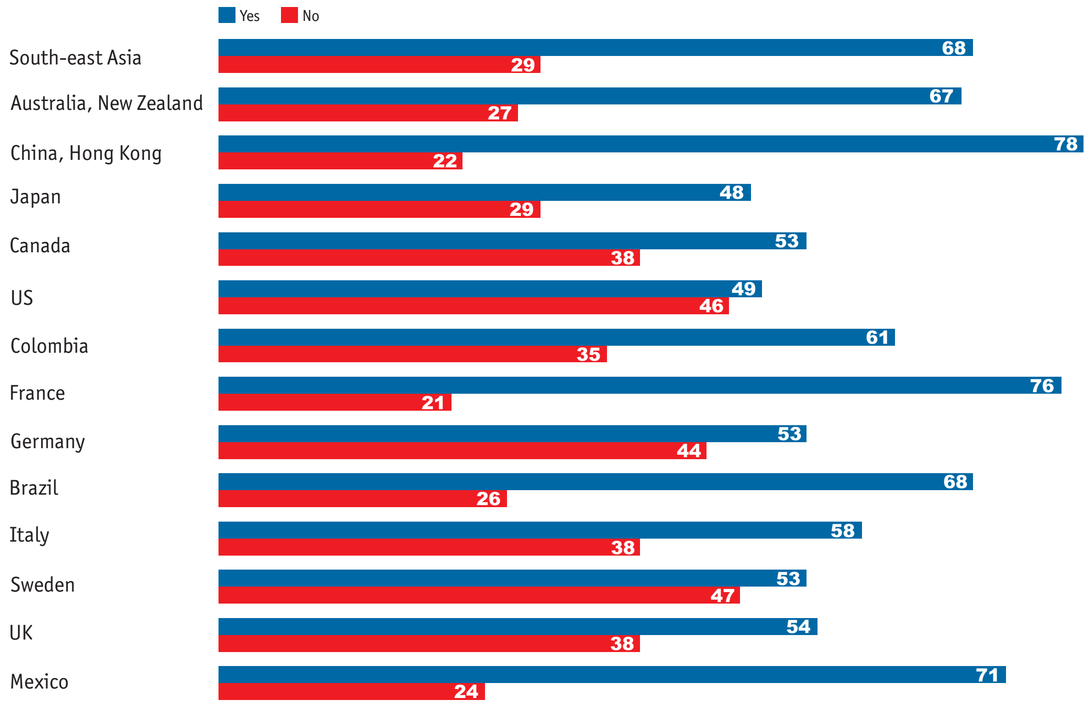
● Asia-Pacific companies are more likely to measure the success of CX initiatives than those in Europe or North America; China and Hong Kong most likely to measure, Japan least likely.

Two thirds of companies (66%) in the Asia-Pacific region say that they measure the success or return on investment (ROI) of CX initiatives. This compares favourably with Europe (59%) and North America (51%), and is very similar to results in Latin America (67%).

Once again, we see a similar trend emerging within the region, with respondents from China and Hong Kong the most likely in the world to measure their CX success (78%), and Japan the least likely (48%). It could be that more measurement leads to more enthusiasm, with companies investing more in CX once they believe they have proven its effectiveness. Or it could be that more enthusiasm for CX leads to more activity in general, including more measurement. (Figure 8)

Figure 8

Q Do companies measure the success of their CX initiatives?
(% of global respondents)



Note: excludes respondents that answered "don't know"

5 Customer experience channels

● In Asia-Pacific, social media is a more important CX channel, and telephone communication a less important one, than in any other region.

More than a third of companies in Asia-Pacific (37%) said social media is one of their most important CX channels, compared to just 23% in the rest of the world. The region also stands out in its attitude to telephone operations, with only 13% of respondents believing it is important, a significantly lower proportion than in the rest of the world (22%). It could be that this fast-developing region has had the advantage of skipping a phase, and been able to jump directly to social media without being tied down by legacy systems. (Figure 9)

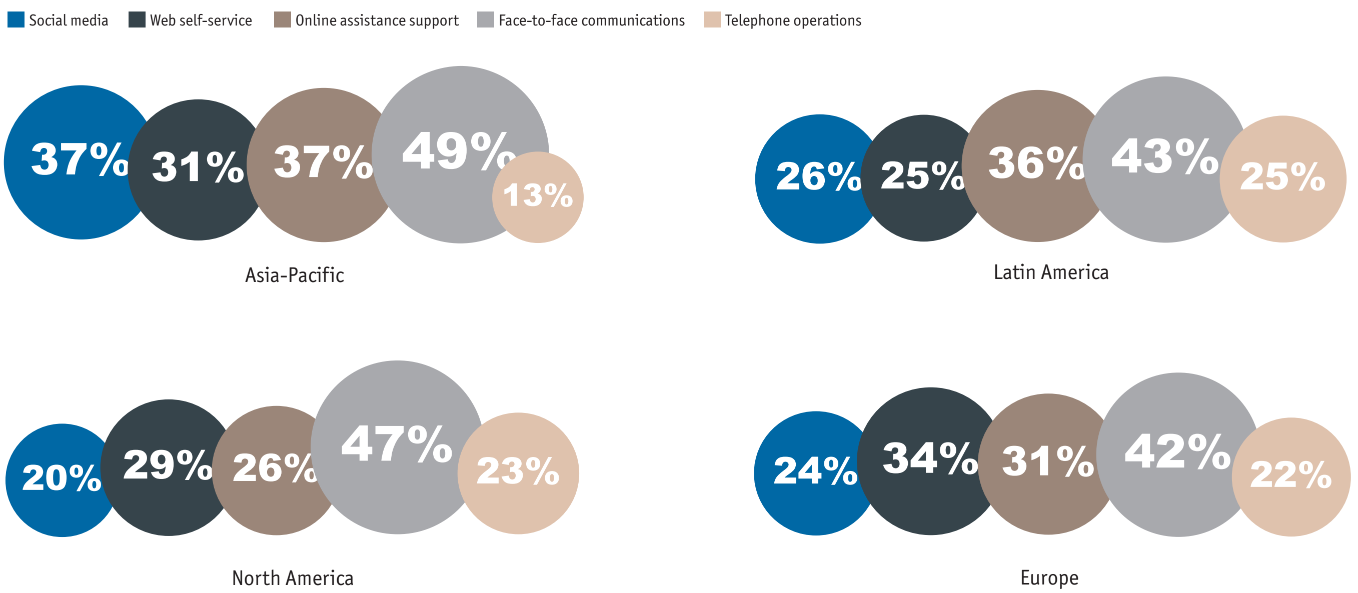
● China and Hong Kong especially keen on social media but now turning attention to web self-service.

Executives in China and Hong Kong are particularly enthusiastic about social media, with 70% saying it is important, way ahead of respondents anywhere else in the world. However, that proportion is set to drop to 51% within three years, as Chinese and Hong Kong companies divert more attention to web self-service (such as web transactions without human assistance). Whereas only 24% of executives in

Figure 9

Most important CX channels for companies

(% of global respondents)



these countries said it is presently an important channel, more than half (54%) believe it will be important three years from now.

As companies in China and Hong Kong are planning to substantially boost their CX investment over the next three years, we can surmise that much of this investment will be directed towards web self-service.

- **Australasia and South-east Asia value face-to-face communication; but this attachment is set to wane in Australasia in the coming years.**

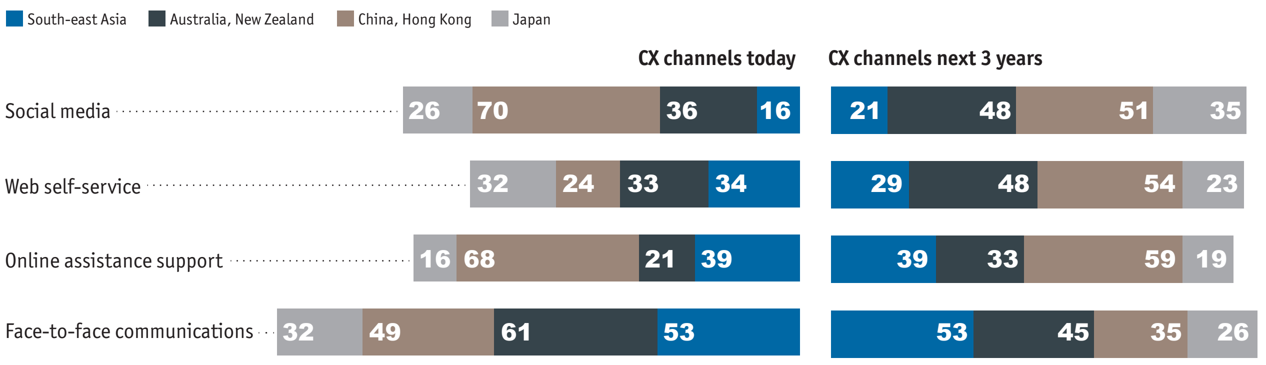
Companies in Australasia still lay great store in face-to-face meetings, with 60% of executives saying they are an important CX channel for their organisation. South-east Asian respondents also favour in-person communication, with 53% saying meetings are an important CX channel.

Although South-east Asian respondents believe face-to-face meetings will remain important three years from now, the proportion of executives in Australasia who believe they will still be important in three years shrinks to 45%. It seems that attention in Australasia will switch to web self-service, as only 33% of respondents said web self-service is important now, but 48% believe it will be important in three years. (Figure 10)

Figure 10

Most important CX channels for companies now and in three years

(% of respondents in Asia-Pacific)



Conclusion: No time for complacency

Companies who prioritise future investment in CX initiatives believe they are more profitable and have better revenue growth than their peers, according to the EIU's global survey of C-level executives. Recognising this, one in two companies in the Asia-Pacific region are boosting investment in CX by more than 10% over the next three years, a clear indication of the perceived contribution CX makes to financial performance.

However, if this focus is to be maintained over the long term, lines of responsibility need to be clarified and more effort needs to be made to isolate and measure the impact of CX initiatives.

The EIU survey indicates a level of confusion within companies about who is leading the CX drive. Although 72% of CEOs surveyed believe they own the CX initiative, only 27% of senior executives believe the CEO leads it. This can only be to the detriment of a robust decision-making process. Similarly, one third of companies in Asia-Pacific shy away from measuring the success of CX initiatives, potentially giving succour to those internal cynics who doubt their effectiveness.

These areas for improvement may be particularly applicable for Japan. The survey reveals that Japan lags behind the rest of the world in its attention to CX, and consequently in its CX investment. In a globalised world these results may serve as a much-needed wake-up call to the management of Japanese companies.

Elsewhere in the Asia-Pacific region, complacency may be the greatest enemy. An overwhelming proportion of companies currently believe their customers have a positive view of their experience. If their customers continue to support this judgement, then all is well and good. But companies should be wary of the gap that is emerging between their own perception and how their customers view their experience. After all, companies may not know that things are going wrong, as Sam Walton prophesises, until customers start spending their money elsewhere.

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