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# Capture Market Share in a Down Economy:

Invest in Your Online Customers



## About this Paper

In Q4 2008, BusinessWeek Research Services (BWRS) invited US executives at companies with revenue of \$100 million or more to participate in an online interview regarding customer experience on the web. Specifically, the goal of the survey was to better understand organizations' perceptions of the customer experience they are delivering online, as well as discover companies' goals and priorities for improving the online experience in the coming year. The survey was commissioned by Tealeaf, but data was gathered and tabulated independently by BWRS. The following report represents findings from 350 completed interviews.

## Executive Summary

2009 promises to be an interesting year. On the one hand, there is great optimism given our newly elected administration. On the other hand, there is great skepticism given the economic recession. For businesses, uncertainty dictates common maneuvers: Hunker down. Harbor cash. Return to basics. Survive.

It's important to remember that lean years are also the dawn of new prosperity and growth, so it's critical to weigh cost-cutting and investment decisions wisely. For example, one worthy enterprise to be made during lean years is to invest in your current customer base. Increasing customer value and building customer loyalty is more important now than ever. Further, despite a slowdown in growth, ecommerce is still expected to grow in 2009 by capturing market share from brick-and-mortar stores.<sup>1</sup> Why? Because the web continues to be a channel of convenience where consumers believe they can find the most favorable prices. So, although investing in unproven site features may not be practical now, certainly investing in web site optimization efforts is a worthy endeavor.

Given these conditions, it's surprising that so many companies are being neglectful of their online customers. In this study, for example, although most executives say that it's extremely or very important to maintain their current online customer base (70%) and find new ways to generate revenue from online customers (63%), only 1 in 3 executives said these tasks are of the utmost priority for their organization.

It seems the disconnect stems from the fact that many executives (40% - "**Online Laggards**") are likely to have misperceptions about the online experience and its ultimate impact on their business. Specifically, a large percentage of executives are blind to:

1. Their online customers' true web site experiences;
2. The impact these experiences have on corporate revenue; and
3. The financial benefits that could be reaped by improving the online experience.

For the executives who have seen the light (35% - "**Online Leaders**"), this study reveals these leading online companies are focused on investing in building a Customer Experience Management

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<sup>1</sup> "US eCommerce Forecast, 2008 to 2013," Forrester Research, Inc Feb 2. 2009.

competency. These companies are taking a disciplined approach to increasing customer value and loyalty by investing in the tools, resources and processes necessary to ensure they are delivering a positive online experience to their customers every time.

In contrast, those organizations that mistakenly believe short-term cost cutting is better for their business than prudent investment decisions like Customer Experience Management solutions are at great risk for three reasons:

1. They will find themselves forever playing catch-up against organizations that are actively adopting new technology and investing in the online experience.
2. When the economic recovery does begin, they won't be able to accelerate growth as strongly as their competitors.
3. And, finally, as described below, today's consumers are more empowered than ever to share their experiences—positive or negative—with their peers, and this will have major implications on future brand affinity and revenue growth.

Of course, some companies may find it difficult to devote attention to improving customer experience, especially during a recession. But those that find the resources to address these issues will have a better chance of thriving than simply surviving. In fact, several studies of prior economic recessions reveal that the companies that devoted resources to increasing customer value and loyalty during these times experienced exponentially higher increases in growth after the recessions, as compared to those that were not able to devote these resources.

Building a Customer Experience Management competency will transform how you think about your customers. Building a Customer Experience Management competency will also help you capture market share even in a down economy.

## Executives vs. Consumers: Mismatched Perceptions

Before we can improve the customer experience, we need to define it. According to Bruce Temkin, noted Forrester VP and thought leader, customer experience encompasses all of the perceptions customers have of their interactions with an organization. In addition, Customer Experience Management is defined as the discipline of increasing customer loyalty by exceeding customer's needs and expectations.<sup>2</sup>

In order to become truly competent in Customer Experience Management, companies need to understand both the offline and online experiences they deliver. Unfortunately, many organizations are in the dark about the experiences they deliver online. In fact, by comparing executive opinions from this study with consumer opinions from a recent Harris Interactive study<sup>3</sup>, several perception chasms are exposed.

The good news is that executives do seem to be aware that online experience problems exist for

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<sup>2</sup> Bruce Temkin's Blog, "What the Heck is Customer Experience" August, 6 2008.  
<http://experiencematters.wordpress.com/2008/08/06/what-the-heck-is-customer-experience/>.

<sup>3</sup> 2008 Harris Interactive survey of online consumer behavior, sponsored by Tealeaf.

their customers. Typical problems include: endless loops; difficulties with site navigation; confusing error messages; and log-in problems. Specifically, 9 in 10 executives say that consumers run into problems while conducting business on their web site, and about the same amount of online consumers concur.

Group agreement on that point aside, the bad news is that a number of executives may not fully appreciate the implications.

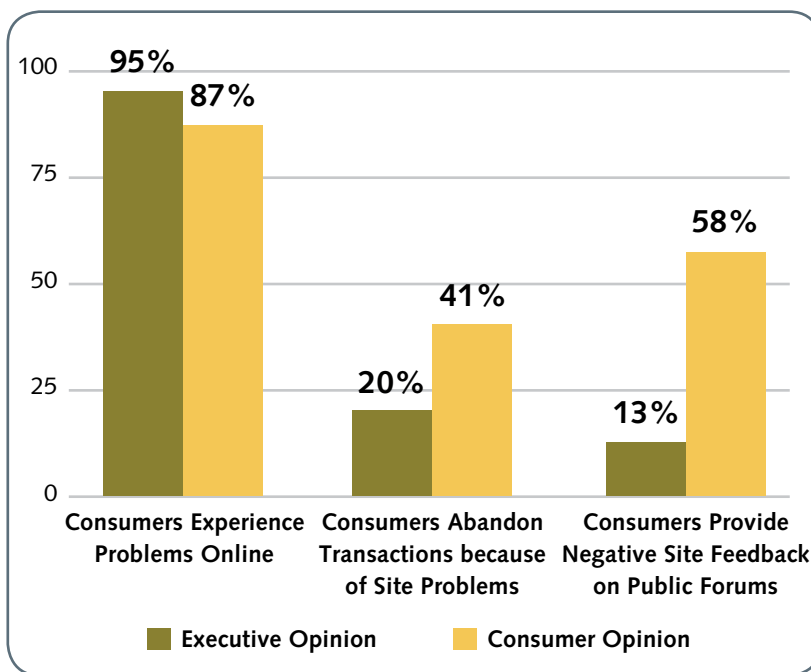
For example, 4 in 10 consumers say that they would **abandon their online transactions** if

they encounter a problem, with many taking their business to a competitor. Additionally, 6 in 10 consumers say that poor online experiences can cause them to **avoid doing business with a company again**—either online or offline. However, only 2 in 10 executives think that customers abandon their online transactions when they confront problems. To top it off, 1 in 10 executives even think that their customers feel “understanding” when they experience problems on their web sites.

In spite of what executives believe, the fact of the matter is that customer experience issues can be devastating to a business' top line. In fact, the Harris Interactive study estimated that online retail sites alone can recoup at least \$57 billion in annual incremental revenue just by making sure that their sites operate properly and effectively for their customers—and this is just the tip of the iceberg.

Interestingly, executives also have a significant lack of understanding about the effect a negative customer experience can have on other potential customers. Only about 1 in 10 executives say that their customers share their negative transaction experiences in public online forums like review sites, message boards, and blogs, but 58% of consumers say that they have done this. In fact, 3 in 10 consumers say that they create public feedback specifically to discourage other customers from doing business with these companies!

It's important for organizations to recognize and manage the possibility that a poor online experience may cause customers to not only abandon their transactions and take their dollars elsewhere, but also cause customers to vent their frustrations and influence the behavior of others.



## Why Does the Perception Gap Exist?

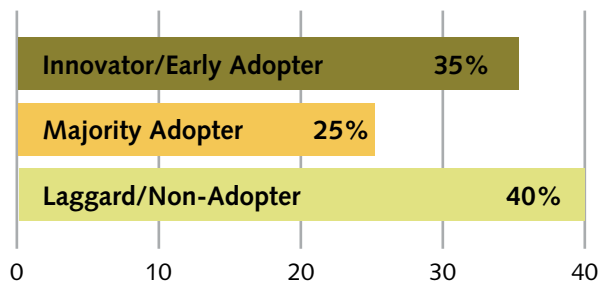
As we've seen, many executives are likely to have misperceptions about the online experience and its ultimate impact on their business. Specifically, a large percentage of executives are blind to:

1. Their online customers' true web site experiences;
2. The impact these experiences have on corporate revenue; and
3. The financial benefits that could be reaped by improving the online experience.

It's possible that many executives are blind because they lack the appropriate tools—tools that can capture everything customers see and do during every visit to a web site—to generate an accurate picture of reality. Further, they lack the necessary resources, processes and wherewithal to build a Customer Experience Management competency within their organization.

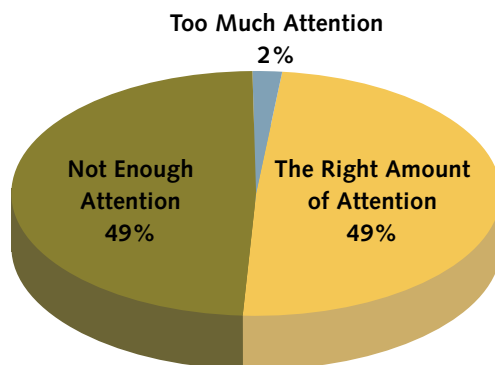
### Question:

**Describe Your Organization's Position on Measuring and Analyzing the Online Customer Experience:**



### Question:

**How Much Attention and Resources is Your Organization Devoting to the Online Customer Experience?**



For example, only one-third (35%) of executives identify themselves as "*Innovators/Early Adopters*," meaning that they believe they are on the forefront of measuring and analyzing the online experience. Meanwhile, 40% categorize themselves as "*Laggards/Non-Adopters*," meaning that they tend to take a conservative approach toward adopting tools to measure the online experience or they have no plans to adopt these kinds of tools.

It should be no surprise that the current study found a strong correlation between "*Innovator/Early Adopter*" companies—online leaders who are on the forefront of measuring and analyzing the online experience—and companies that devote attention to this experience. And even though many executives still lack the necessary tools, nearly half of them (49%) admit their organization should devote more resources to improving the experience.

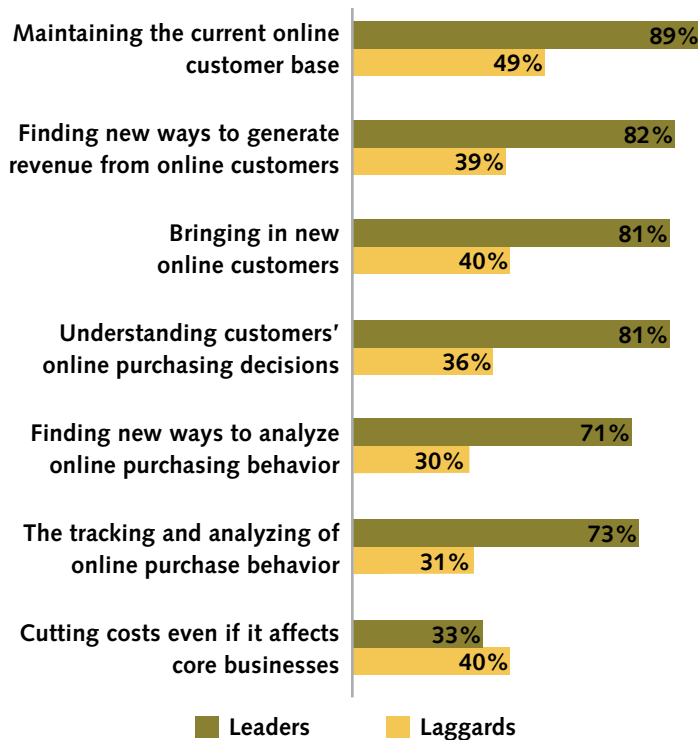
## Walking the Walk or Just Talking the Talk?

Interestingly, executives seem to be talking the talk—realizing that they need to devote more resources to improving the online experience—but are they really walking the walk?

While most executives say that it's extremely or very important to maintain their current online customer base (70%), find new ways to generate revenue from online customers (63%), and to bring in new online customers (63%), "online leaders" are **twice as likely** to agree with these statements as "online laggards." Meanwhile, executives from "online laggards" are **20% more likely** than those from "online leaders" to say they tend to cut costs even when doing so affects their core business. It's clear who's walking the walk here.

### Question:

#### How Important are Each of the Following Tasks to Your Organization?



"Online laggards" are allowing customer experience improvement initiatives to take a back seat to other priorities even though customer experience analysis is a critical tool for increasing online revenue and deflecting costs from more expensive channels like the contact center. Companies who believe short-term cost cutting is better for their business than prudent investment decisions are at great risk for three reasons:

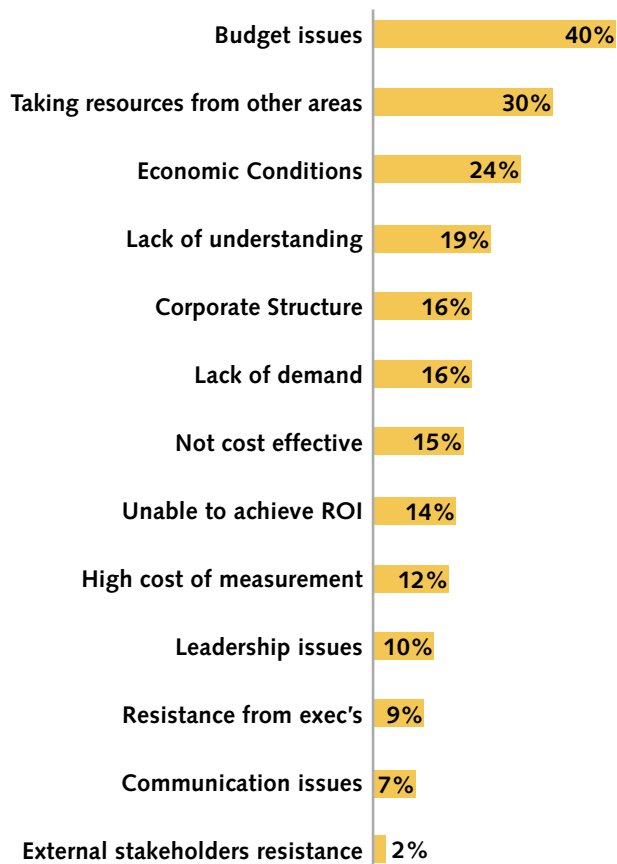
1. They will find themselves forever playing catch-up against organizations that are actively adopting new technology and investing in the online experience.
2. When the economic recovery does begin, they won't be able to accelerate growth as strongly as their competitors.
3. And, finally, as described above, today's consumers are more empowered than ever to share their experiences—positive or negative—with their peers, and this will have major implications on future brand affinity and revenue growth.

## Barriers to a Better Online Experience

Misperceptions and competing online priorities are not the only challenges for organizations that hope to have effective online operations; there are other general barriers that prevent organizations from investing in understanding and improving their customers' online experience. These additional barriers are focused on a few areas of concern, including organizational budgeting (40%) and resource allocation (30%), the state of the general economy (24%), a general lack of understanding about the online experience (19%), and the basic nature of the corporate structure (16%). Given the current state of the economy, it's not surprising that some of the biggest barriers are related to finance, but companies that can find some funding may experience significant ROI and maintain a competitive advantage that will help them survive and thrive

### Question:

**Which of the Following Barriers Most Prevent Your Company from Investing More Money into Understanding the Behavior of Your Online Customers?**



One further challenge, or barrier, may exist for companies interested in focusing on improving the customer experience and that is deficient C-suite support. For example, when compared to other executives, the members of the C-suite are:

- Less likely to think that online consumers encounter transaction problems;
- Less likely to think that consumers are bothered by online problems;
- Less likely to believe that online problems will have a negative impact for the organization;
- Less likely to say that their organizations are interested in measuring online behavior and increasing online revenue;
- Less likely to say that their companies are not devoting enough resources to the online experience; and
- Less likely to say that "budget issues" are a barrier that prevents their organization from investing in the online experience.

# Invest Now to Thrive

Companies may find it difficult to devote attention to improving customer experience, especially during a recession. But those that find the resources to address these issues will have a better chance of thriving than simply surviving. In fact, several studies of prior economic recessions reveal that the companies that devoted resources to increasing customer value and loyalty during these times experienced exponentially higher increases in growth after the recessions, as compared to those that were not able to devote these resources.

Increasing customer value and loyalty is the very goal of Customer Experience Management. From an online perspective, it means investing in the tools, resources and processes necessary to ensure you are delivering a positive online experience to your customers, one in which they come to your web site and successfully complete their intentions every time.

Building a Customer Experience Management competency is not a one-time initiative, but rather an evolving, incremental process. Earlier in this paper, we introduced that fact that there is a subset of organizations, "online leaders," who are on the forefront of improving customer experience. And, there are a variety of specific factors that tend to be associated more with online leaders than with "online laggards." Companies struggling to impose a customer experience discipline should look to emulate these factors in order to give themselves a greater chance of success. These factors include:

- **Attitude:** A belief that online customer transactions should be completed without any problems;
- **Priority:** A commitment to both measuring the online experience and increasing online revenue;
- **Resources:** A belief that their organization is devoting enough attention and resources to the online experience; and
- **Lack of Barriers:** A belief that the organization is united around building a Customer Experience Management competency.

Further, there are a number of valuable strategies companies can use to get on the right track. For example:

- Organizations can increase their knowledge and awareness of the consumer experience. Those that can spread this insight throughout their organizations may experience greater success;
- Organizations can define a broad team to take the lead in analyzing and resolving consumers' online problems. This team should include the C-suite, as well as members of the ecommerce, marketing and customer service organizations;

- Organizations can attempt to devote some financial resources toward the online customer experience, even if they need to start small. As the current study shows, organizations that implement cost-cutting that impacts their core business tend to be “online laggards;” and
- Organizations can seek outside help and guidance from other organizations that specialize in enhancing the online customer experience. These specialists can offer expertise in gathering both quantitative and qualitative insight into actual site behavior and converting this data into a common language that can be used to develop a customer experience competency across the entire enterprise.

Building a Customer Experience Management competency will transform how you think about your customers. Building a Customer Experience Management competency will also allow you to transition from an “online laggard” to an “online leader,” and in return, bring rewarding results to your business.

## Conclusion

As the world economy continues to grapple with an ever-changing landscape, it is important to realize that the companies that spend wisely can position themselves to take full advantage of an upcoming economic recovery. The proliferation of e-commerce both in the US and around the world, and its associated high ROI, has increased the need for executives to understand the online customer experience.

The online customer experience has changed drastically since its infancy. Customers are more engaged and less tolerant of problems as technological advances make online transactions easier than ever. Therefore, companies that fail to understand the online customer experience risk their future revenue streams. In contrast, companies that become “leaders” of the online customer experience will enjoy success on a number of fronts.

Even though executives are aware of some online problems, a surprising percentage of executives are blind to: their customers’ online experiences; the impact of these experiences on corporate revenue; and the financial benefits that could be reaped by improving the online experience. These disconnects could lead to negative publicity and permanent customer abandonment.

The good news for organizations is that they can address these challenges in ways that are often more cost-effective and profitable than it would be to achieve similar gains in the traditional brick-and-mortar setting. In fact, online revenue growth can provide opportunities for companies to survive the current economic downturn and thrive when the economy improves.

# Smart Investment: Customer Experience Management

By Geoff Galat, Vice-President of Marketing and Product Strategy, Tealeaf

In order to become truly competent in Customer Experience Management, companies need to understand both the offline and online experiences they deliver. However, it's quite challenging to understand the online experience when you are delivering your 'storefront' or marketplace into the one place you cannot see—the browser of the customer. The fact that the majority of executives from this survey are 'in the dark' about the online experience they deliver and its ultimate impact on their business is not surprising.

## Addressing the Knowledge Gap

Tealeaf helps executives address this knowledge gap by providing the visibility, insight and answers required to ensure web sites are consistently delivering a positive and, ultimately, successful experience for customers. Using groundbreaking, patented technology, Tealeaf captures and records what each customer is doing and seeing in real-time on every page and across all site visits. By offering a real 'view' of online customer behavior, Tealeaf enables organizations to understand how to deliver better online solutions and provide more effective online service.

## Measurable Benefits

When companies use Tealeaf to understand and eliminate the obstacles that block successful online interactions, they realize real, measurable benefits.

1. Nearly two-thirds of executives in this survey said it was extremely or very important to find news ways to generate revenue from online customers. And, when companies use Tealeaf, according to Forrester Consulting<sup>1</sup>, they can expect to increase their site conversion rate by 2%.
2. Meanwhile, 70% of executives from this survey said it was extremely or very important to maintain their current online customer base. Again, when companies use Tealeaf, they can improve their customer retention rate by 1%<sup>2</sup>.

Other benefits of Tealeaf include the ability to reduce IT costs for problem identification and resolution by 60%<sup>3</sup>, as well as benefits for the customer service center such as a reduction in call volume and the elimination of call escalations, to name a few.

*"Tealeaf very positively impacts our company culture by opening lines of communication on customer experience and providing truly actionable information. Now, when we get together to discuss our customer experiences, we can actually see them and fully understand why they are or are not working. We've had a lot of 'eureka' moments since deploying Tealeaf that are all feeding back to the ultimate success of our business."*

- Christian Friedland,  
President, Improvement Direct

<sup>1</sup> Forrester Consulting, "The Total Economic Impact™ of Tealeaf CX and cxImpact." June 2007.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

## The Case for Customer Experience Management

It's always critical to weigh investment decisions wisely. And, as this survey highlights, although you may have constrained budgets and resources today, that doesn't mean you should avoid making smart investments. The average Tealeaf customer, who is dedicated to improving customer experience, for example, realizes an ROI of 477% with a payback of less than 5 months<sup>4</sup>. Devoting resources now to increasing customer value and loyalty will allow you to realize real benefits today and position your company for accelerated growth in the future.

### About Tealeaf

Tealeaf provides enterprise-class Customer Experience Management software solutions that enable unprecedented visibility into every visitor's unique online interactions. Our technology is used by nearly half of the Fortune 50, including leading retailers and travel companies, to increase conversion rates, reduce IT and service costs, and improve customer service. Find out how Tealeaf gives you the visibility to understand exactly why specific aspects of your business are succeeding or failing visit: [www.tealeaf.com](http://www.tealeaf.com)

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<sup>4</sup> Ibid.

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