



# Making the Case for Improving the B2B Customer Experience.

A SPECIAL REPORT FOR CUSTOMER SUPPORT AND OPERATIONS  
EXECUTIVES



The Daniel Group

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# Making the Case for Improving the B2B Customer Experience

*A special report for Customer Support and Operations executives*

## Introduction

*“I preferred the other brand’s product... but I bought yours instead...” —actual feedback from an agricultural machinery customer, 2014<sup>1</sup>*

Why didn’t this customer buy the product he truly preferred? How did the successful company win his business?

The deciding factor was not price. Instead, the winning dealer gave the customer a more positive experience during the sale. In this case, customer experience (CX) trumped product.

This striking comment—and thousands like it from other B2B customers—confirms the importance of the CX. Before the sale, a positive CX can drive a purchase decision. After the sale, it can ensure brand loyalty, repeat business, and positive referrals.

## Why invest in improving the CX?

Most companies acknowledge the importance of taking care of their customers. But few apply the same level of resources to the CX as they do to other areas of marketing such as product, pricing, and promotions.

Until recently, there were good reasons for that:

- The CX was not well defined or understood
- Managers found it hard to evaluate its importance, compared to other pressing priorities
- It was difficult to justify investing to improve the CX

## The purpose of this white paper

This white paper has been published to help B2B customer support and operations executives understand CX and the benefits that flow from improving it.

This paper highlights a growing body of research that shows how improving the CX helps lower customer churn, create more engaged customers, and save money servicing accounts. All this adds up to more revenue, lasting competitive advantage, and profitable growth.<sup>2</sup>

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***Improving the CX helps lower customer churn, create more engaged customers and save money servicing accounts.***

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## What is the “Customer Experience”?

CX can be defined as the sum total of all the interactions a customer has with your company.

This encompasses every touch point, from the first time a prospect hears about your product or service, right through their research and buying decision. It includes any communications around the sale, plus your delivery. And it covers any time they ask for support through an in-person visit, phone call, e-mail, or web visit.

The CX encompasses every channel, person, and process your customers can use to interact with your company.

For B2B firms, this can be complex. That’s because business customers often have many different individuals, departments, and locations that can make purchase decisions and ask for support.

## It’s Not Customer Service

Customer service typically sees the customer through your company’s lens. CX turns this around to view your company through your customer’s eyes.

Some businesses consider customer service a necessary evil they’re obliged to provide after a sale. At best, they see customer service as a cost center to be managed as efficiently as possible.

But others recognize how the CX is linked to overall company goals, such as creating a satisfied and loyal customer base and driving profitable growth.

## **It's Not Customer Satisfaction or Loyalty**

While the CX includes all the interactions a customer has with your company, customer satisfaction or loyalty are the *outcomes* generated by those interactions.

In fact, these outcomes are often used as metrics to judge the success of any CX improvement effort.

## **How important is the Customer Experience?**

Since the CX includes all the interactions a customer has with your company, it follows that every interaction matters—even the smallest ones.

For example, a clean customer washroom often shows up on CX surveys. A recent newspaper article put it this way, “A clean bathroom can make or break a customer service experience if your company is in the hospitality or service industry.”<sup>3</sup> Of course, there’s much more to CX than just mopping your bathroom.

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***The customer experience is NOT customer service, customer satisfaction or customer loyalty.***

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## **Proving the connection**

Rules of thumb such as “take care of the customer, and the customer will take care of you” have become business clichés. But until recently, little data was available to prove the connection between CX and business performance. Does the CX, in fact, influence business performance? And if so, by how much?

Is a great CX simply a nice-to-have? Or can it actually move your company’s dials on customer churn, account servicing costs, and shareholder value? A growing body of research suggests the latter.

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***Can a great CX actually improve your company’s customer churn, account servicing, and shareholder value?***

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## CX builds long-term shareholder value

Great CXs can help you build customer loyalty and generate referrals, which in turn grow your business, as shown in Figure 1.

And a recent analysis of the stock performance of CX leaders versus laggards showed some startling results.

Leaders *outperformed* the S&P 500 by 35% in cumulative returns from 2007 through 2014. But laggards *underperformed* the S&P 500 by 45%.<sup>4</sup>



Figure 1.

Figure 2 shows the striking gap between CX leaders and laggards. This gap creates a profound difference in long-term shareholder value, which some consider the ultimate measure of management effectiveness.

The superior performance of CX leaders was most likely driven by a combination of top-line revenues and bottom-line profits, generated through effective partnerships between Sales and Marketing and Operations and Support.

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***One study showed leaders in CX dramatically out did laggards in long-term shareholder value.***

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Now let's look specifically at how Customer Support and Operations can benefit directly from improvements in CX.



Figure 2. Source: Watermark Consulting

# How Customer Support & Operations Benefits from Better CX

From a Customer Support and Operations perspective, a better CX can lead to:

- Lower customer churn
- Happier, more engaged customers
- Savings on account servicing

## Lower customer churn

*Customer loyalty is highly correlated with a good CX.*

For example, Forrester research found that firms with above-average CX have fewer customers looking to take their business elsewhere.<sup>5</sup> And that pays off in repeat business, and a higher lifetime value for the customer.

Without customer loyalty, your company's customer base is constantly eroding, which costs marketing dollars to restore. And today, Marketing and Customer Support are two sides of the same coin.

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***When your competitors are only a click away, customer service is the "new" marketing.***

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"In a world where your competitors are only a click away, customer service really is the 'new' marketing," says the blog for Help Scout, a Boston software firm devoted to customer loyalty. The company notes that research shows today's customers are "ready and willing to stop dating around and stick with companies who go above and beyond to create a fantastic CX."<sup>6</sup>

In other words, the better your Customer Support, the better your CX, the more loyal your customers, the more repeat business you gain, the more you save on marketing, and the better the bottom line.

## Happier, more engaged customers

It makes sense that happier customers tend to be more engaged, and to listen better to a supplier's advice.

For example, happier customers may be more likely to attend your customer training or other events. They may be more willing to take proactive action, such as bringing in equipment for scheduled maintenance.

And when they do call in for support, they may be more patient when they interact with your Customer Service team. Who wouldn't prefer to deal with happier customers, any day of the week?

## Savings on account servicing

As you may know, the Net Promoter Score (NPS) is a key performance indicator that shows whether an existing customer is likely to recommend your company to a colleague.<sup>7</sup>

The three main customer segments are:

- **Detractors:** those unlikely to recommend your firm, or likely to say something negative about their experience
- **Passives:** those who will likely say nothing
- **Promoters:** those who will likely recommend your firm, or say something positive about their experience

In effect, the NPS is an objective rating of your company's "referral power." And boosting your NPS through a better CX can save you money servicing customer accounts.

For example, Louisiana Machinery, the Caterpillar dealer for the state of Louisiana and a client of The Daniel Group, mapped its billing adjustment costs to its levels of customer loyalty. The company found that its average adjustment costs for Detractors were significantly higher than for Promoters.

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***Boosting your Net Promoter Score through a better CX can save you money servicing accounts.***

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As shown in Figure 3, the average Promoter cost the company \$400 a year less; a sum that went directly to the company's bottom line.

From this insight, Louisiana Machinery calculated that if it could improve the CX enough to move a reasonable number of Detractors to Passives, and Passives to Promoters, it could save more than \$1 million a year.

### Financial Benefits

- Work Order Cost to LMC Analysis
- Invoiced, backed out, adjusted, and invoiced again
  - Flat Rate variances
  - Gross Profit adjustments (Accounted for Labor Class)
  - Rework - expenses

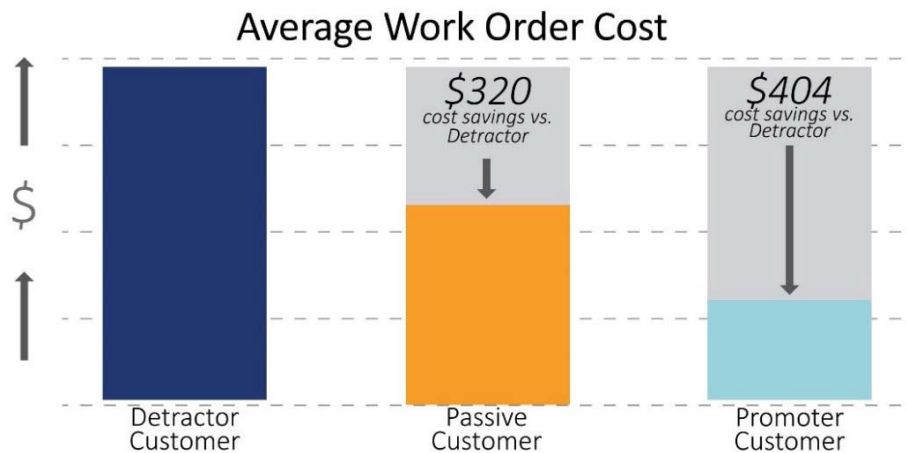


Figure 3: Source: Louisiana Machinery

## The bottom line for Customer Support & Operations

Improving the CX can help Customer Support and Operations build customer loyalty, save on marketing and account servicing costs, and quantify other benefits they deliver to the company.

These programs can also help to identify opportunities for service recovery and to optimize continuous improvement efforts based on customer feedback.

## The Hidden Opportunity in Smaller Customers

Here's one unexpected area where improving your CX can pay off: You can use it to retain more of your small- and mid-size accounts.

Many of your smaller customers may actually generate higher profit margins than your larger accounts. But in most companies, smaller accounts get less attention, and suffer lower retention rates.



“Companies often segment their customers... according to how much revenue each customer generates for the business,” advises the Deloitte Review. “Segmenting customers according to profitability can be much more useful in managing margins.”<sup>8</sup>

Even a modest improvement in retaining your most profitable customers—or boosting your “share of wallet” from them—can drive significant growth, as shown in Figure 4.

How can you achieve this? One option worth trying is investing to improve your CX. This usually doesn’t involve making any price concessions or offering any special terms.

So don’t let big, must-win accounts distract all your attention and take the lion’s share of your resources.

We recommend that B2B companies analyze the profitability and retention rates of your small- to mid-size customers. You may be surprised to find a hidden opportunity where CX could pay off.

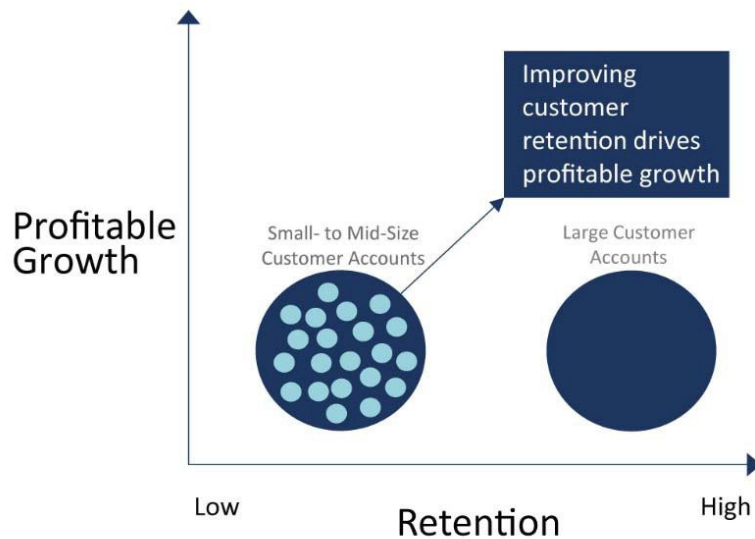


Figure 4: The Daniel Group

## Should Our Company Invest to Improve Our CX?

Many B2B companies have created formal CX improvement programs and are spending more on them.<sup>9</sup>

In a 2014 study by Accenture, more than 4 out of 5 B2B executives said CX is a strategic priority, and they would be investing more year-over-year in this area.<sup>10</sup>

This points to two possible course of action:

- If your competitors have not yet prioritized CX, your company has an opportunity to stand out and win market share by doing better
- If your competitors are already investing in this area, your company may need to do more to meet rising customer expectations

## Weighing the costs against the benefits

Of course, you must weigh the benefits of investing in CX against the cost, complexity, and risk.

CX improvement programs can be complex and demand a lot of effort.

“Putting the customer at the center is a more complicated, subtle, and arduous adventure than it sounds,” says one customer service author and consultant.<sup>11</sup>

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***Improving the CX can be complex and demand a lot of effort, but you can justify the investment.***

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And the most powerful benefits often take several years to realize.

But in our experience, you can structure these efforts in phases. You can start small and capture some early wins to justify expanding your investment.

Delivering consistently excellent CX requires focus, resources, and patience. But you can justify the investment by the resulting gains in referrals, customer loyalty, revenues, growth, and shareholder value.

## Taking the next step

The Daniel Group has helped more than 50 B2B companies implement customer feedback programs to improve the CX across a number of industries.

Some of these industries include heavy equipment, industrial compressors, machine tools, material handling, and transportation.

To find out more about how we can help your company to improve your CX, call Max Daniel at 704.248.9113 or email at [maxdaniel@thedanielgroup.com](mailto:maxdaniel@thedanielgroup.com).

## About The Daniel Group

The Daniel Group helps B2B clients measure, manage, and improve the customer experience. Since 1989, we have provided services to a wide range of companies from Fortune 500 companies to independent manufacturers, distributors, material handling companies, and technology companies. Our ServiceConnect voice-of-customer feedback program is deployed at many leading heavy equipment, industrial, and transportation companies including 75% of Caterpillar dealers in North America, AGCO Corporation, and Okuma America Corporation among others.

To learn more about how we may be able to help you improve your customer experience, please visit us at [www.thedanielgroup.com](http://www.thedanielgroup.com), or contact a member of our management team:

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