



# Why Great Customer Experience Requires Experimentation

By Thomas Dority and Will Schrensky

*How to unleash the full potential of CX by constantly being ready to change.*

In today's macroeconomic environment, it is tempting to slash budgets to maintain margins. However, it is equally important to know where in your company to invest during a recession. In this article, we will argue that investments in customer experience (CX) during an economic downturn are critical to emerging from a shrinking economy on top. We will also demonstrate that by experimenting, organizations can invest in CX while maintaining financial prudence and mitigating risk.

## **Prioritizing Customer Experience: Key Strategies to Thriving in an Economic Downturn**

In 2019, Harvard revisited the 2008 financial crisis to better understand how a few select companies not only survived the recession but also thrived — exiting the downturn ahead of the competition.<sup>1</sup> The

study found that the most resilient companies were no more protected from the recession than their peers with regard to the products or services they provided. Rather, they all implemented two common strategies early in the crisis:

**1** The most resilient organizations pursued more cost savings than their peers. For example, we saw many companies during the COVID-19 epidemic quickly freeze hiring for new positions, consolidate office workspace, and suspend business travel. In addition, these organizations were the most flexible when it came to investment and operational planning.

**2** Organizations that prioritized growth and retention of existing customers not only came out of the recession ahead of the competition but also experienced significant EBITDA growth.<sup>1</sup>

Based on the strategies identified in the study, it's evident that prioritizing customer experience and loyalty was a key component to building resilience during rocky economic times. True, cost-saving measures are vital to maintain financial stability, but neglecting to invest in the customer proved far more costly in the end.

Furthermore, additional research indicates that customer retention not only drives growth but also significantly reduces costs in the long run.<sup>2</sup> According to some estimates, acquiring a new customer can cost a company between five and 25 times more than retaining an existing one. Meanwhile, a mere 5 percent increase in customer retention can yield 90 percent growth.<sup>3</sup> The significant cost savings realized by retaining existing customers rather than acquiring new ones underscore the importance of maintaining strong relationships. As such, organizations should strategically invest in initiatives designed to differentiate themselves from competitors by more deeply understanding the voice of the customer and creating experiences designed to foster loyalty among their most important customer segments.

### **Risk Mitigation and Exceptional Experiences: The Power of Experimentation**

Experimentation empowers organizations to strike a balance between mitigating risk and delivering exceptional customer experiences. By conducting small-scale pilots and leveraging data-driven insights, companies can identify repeatable processes and scalable strategies that drive predictable results. Not only does this approach limit downside risks and require minimal upfront investment, but it also enables organizations to align customer experience initiatives with financial goals.

Through strategic experimentation, organizations can also become more flexible as they continuously refine their approaches and adapt to changing market conditions. By embracing a culture of innovation and learning, companies can position themselves for success even in challenging economic times, cementing their reputation as customer-focused and financially prudent leaders in their industries.

To harness the full potential of experimentation, executives must develop robust business cases that demonstrate how customer-centric

initiatives contribute directly to financial outcomes. By tying customer experience improvements to key financial metrics, organizations can garner support and secure resources for initiatives that drive both customer satisfaction and bottom-line growth.

### **Foundations of Experimentation**

If you have been involved in marketing or digital design over the past two decades, you are likely familiar with A/B testing, a powerful technique that has become synonymous with improving a customer's digital experience. By applying the principles of the scientific method, A/B testing compares two variables to determine which more effectively achieves a desired outcome. By carefully controlling the variables tested — such as audience, criteria, or channels — organizations can extract valuable insights from complex consumer behaviors and make data-driven enhancements.

Historically, A/B testing has demonstrated an ability to optimize customer engagement and conversion rates, particularly in the realm of digital UI/UX design. Two examples include:

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# AAA / B

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- By conducting over 1,000 split tests to optimize their users' mobile and web experiences, BBVA Bank grew its customer base by 20 percent and achieved a 50/50 split between online and traditional customer communications.<sup>4</sup>
- AAA achieved top rankings in nationwide digital satisfaction surveys, a 45 percent increase in online memberships, and an 11-fold return on investment by utilizing member feedback to perform 450 real-time A/B tests on their website.<sup>4</sup>

A common drawback of A/B testing is its limited application in marketing and digital design. However, the broader concept of experimentation, which utilizes many of the same principles, can extend the benefits of A/B testing to a wider variety of business functions

and yield more impactful outcomes. Furthermore, if your organization is one of the 77 percent that currently leverages A/B testing<sup>5</sup> then you have already taken the first step toward embracing experimentation at an organizational level.

Experimentation involves a systematic approach to testing and refinement similar to A/B testing, allowing organizations to learn, adapt, and make informed decisions based on data. It empowers companies to explore innovative solutions, identify the most effective strategies, and mitigate risks associated with uncertain economic conditions.

In the next section, we will explore how organizations can leverage the overarching concept of experimentation to tackle diverse business challenges, with a particular focus on enhancing the customer experience. We will also show that by embracing experimentation as

a fundamental strategy, companies can unlock new opportunities, outpace their competitors, and thrive in both prosperous and challenging economic times.

## **Customer Experience to Business Impact: Unleashing the Full Potential of CX**

It is easy to fall into the mindset that good customer experience creates satisfied customers, which is the goal of CX interventions. But shaping the journey of your customer can be leveraged beyond simple satisfaction. As with other internal projects, customer-focused improvements should either increase revenues or decrease costs — it's that simple. Possible ways of achieving these goals may include increasing sales generated by any single interaction, increasing

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the frequency of your regular customers, decreasing refunds or support issues (which are costly both from labor and brand image lenses), or decreasing marketing expenditure.

A great example of using designed customer interactions to achieve corporate strategic goals is the Capital One Café initiative. While the number of traditional brick-and-mortar bank offices has decreased due to the rise of mobile banking, Capital One has invested in select locations that focus on more casual interactions such as offering reservable rooms for students and charities or providing handouts/flyers on financial literacy — not to mention providing beverages and pastries. These cafes are designed to host workshops and other events that improve their customers' financial health. Since Capital One benefits from financially healthy

customers who maintain larger account balances and make on-time payments, the cafes promote awareness and provide financial education rather than simply adjusting rates to incentivize higher balances.

While building new brick-and-mortar locations is an intense example of experimenting with CX as a lever for revenue or cost-cutting goals, it is not a necessary tool for success. For an organization that faces high costs when a faulty service occurs, such as product returns or lawsuits, risk, and therefore cost, may be mitigated by focusing on the customer. Whether it be returning an item, or filing a lawsuit, a customer's perception of the company's efforts and expected product/service are vital indicators of their willingness to place blame on the company. To cut costs associated with errors, it may be more cost-effective to improve

the customer experience through clear communication rather than narrowing down on already strict quality metrics.

For example, one of the driving factors that lead victims of medical malpractice to pursue litigation is how they perceive their treatment as a patient.<sup>6</sup> When a doctor does not maintain clear communication, or a patient feels lost in the health care process, they are more likely to file a claim after an issue arises. Engaged patients, on the other hand, rarely do. With this understanding, several health care providers have begun crafting templates for how a doctor can deliver both the diagnosis and simplified take-home documentation to the patient during an appointment. By comparing the end-of-treatment satisfaction rates of these patients to the larger control group, it is possible to estimate the reduced risk of a malpractice lawsuit. In this way, something as simple as a newly designed pamphlet or a communication workshop with practitioners can reduce the legal costs of a health provider.

## **Experimentation Mindset: Cultivating a Culture of CX Innovation and Testing**

Executives can add an experimentation mindset to an organization in several ways: creating a dedicated team for testing, hiring a cross-functional data analyst to a marketing team, or infusing an organization-wide philosophy of customer focus through regular workshops and internal content sharing. And while each involves a different approach, all require you do to two key things: embed experimentation within your culture

and provide employees access to the right tools.

To foster a company mindset that allows running experiments, executives must also embrace the fact that not every idea needs to work, and that all dollars are equal. Much as a chef can't fear trying new spices in a dish, a company cannot be afraid of editing the way they interact with customers at even the smallest level. Similarly, the safest way to reduce the risk of damage is to experiment in small groups or test scenarios. Failure in these environments will be less impactful and cheaper to manage.

To embrace innovation at a granular level is to accept that only a fraction of ideas must work to see a payoff. Additionally, that payoff needs to be valued as it would anywhere else. For example, to utilize CX as a lever to improve profits, you must value a cost reduction from altering a customer's decision tree the same way you would value an equal cost reduction in IT licensing or warehouse management. Once all dollars are treated equally, and the financial impact of customer touch points can be traced, then you can easily plan how to pull the CX lever.

Adding tools is the easiest part of experimentation, as many companies already have the capabilities built in. Several current customer relationship management (CRM) platforms offer default A/B testing, so it simply becomes a matter of employees understanding how to best use it. Additionally, focus groups or surveys can be cheap and reliable tools to gather customer feedback or observe differences. Every CX intervention will be different, but the tools needed typically revolve around the

ability to identify individuals and track their next moves after a touch point. The best toolsets will include a CRM, some form of statistical software (even Excel can be used to an extent), and/or survey forms.

### Conclusion

In today's highly competitive landscape, organizations cannot afford to overlook the power of experimentation in delivering exceptional CX and driving sustainable growth. Most organizations already leverage experimentation to some capacity. But by further embedding it into the broader organization's culture, companies can scale their customer experience initiatives and achieve long-term success. It might seem difficult to invest at a time when many in the organization are pushing to cut costs; those who do, however, will be best positioned to come out on top. 💧

### Thomas Dority

*thomas.dority@jabian.com*

### Will Schrensky

*will.schrensky@jabian.com*

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