

# **DESPITE COVID-19 CHALLENGES, CUSTOMER EXPERIENCE IS STILL A PRIORITY FOR BUSINESSES TO SUCCEED**

## **REPORT: STATE OF CX IN CANADA**

**August 2020**



"When COVID arrived, CX ground to a literal halt throughout too many organizations and industries across North America. It was shocking and amazing how quickly that happened. In April/May I saw dedicated CX leaders being the first group to get furloughed at senior levels throughout businesses. Some exited altogether while others "devolved" from progressive CX roles to traditional marketing or sales roles.



COVID was essentially a gut-punch to many going down the CX path. With revenue tail-spinning, many struggled to demonstrate clear and measurable successes pointing to ROI. The idea that when the war is over, we shall all be judged by how we acted during it holds true. The good news is that those that stayed the course through the thick and thin of this journey will come back stronger than ever...and their customers and employees will reward them for it!"

**Lawrence Levinson, Chair of CXPA Toronto**

## Introduction

Not every company in Canada focuses on customer experience (CX) and some don't even have a plan to improve it. But whether they do or do not – all businesses were hit by COVID-19 challenges in the first two quarters of 2020.

When the coronavirus struck in March, and many businesses went into lockdown, companies struggled to maintain or improve their customer experience. Some even decided it was not a priority in the face of the challenges of keeping their business afloat or dramatically and quickly changing service delivery.

Some worry that many corporations will pull funds away from CX initiatives. Financial pressures may drive executives to invest in areas where traditional metrics can quickly and clearly demonstrate impact on the bottom line. Some, like Lawrence Levinson of the CXPA are already noticing the de-funding

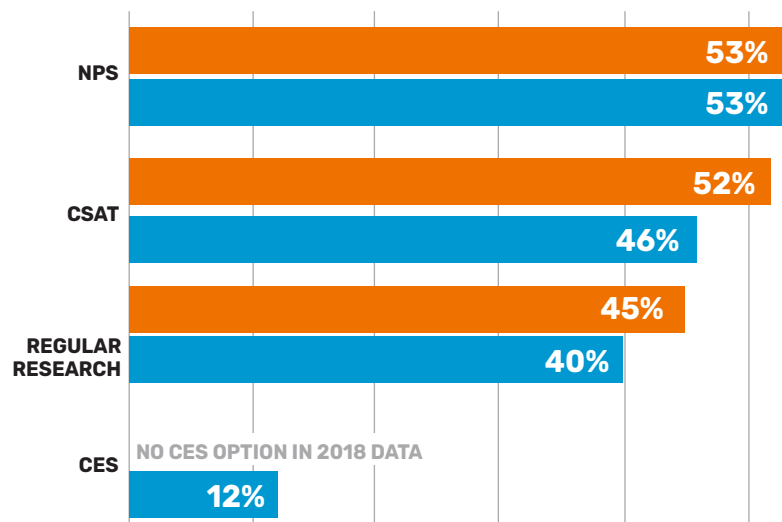
of CX taking place in Canada. However as the case studies in this report show, staying focused on customer experience pays off, even during challenging times.

Most organizations collect customer feedback in some shape or form. Some track CSAT (Customer Satisfaction), while others gauge customer experience and engagement using the popular NPS (Net Promoter Score). CES (Customer Effort Score) is also being used by a number of organizations. Voice of the Customer (VOC) programs are widespread.

The question remains – as it was in 2018 when TMG International together with Phase 5 did its inaugural customer experience survey - what do companies do with this data? Do they use it to improve customer experience?

### METHODS OF COLLECTING CUSTOMER FEEDBACK

2018 2020



## About This 2020 Study

Over the period of February to March 2020, Phase 5 and TMG International Inc. conducted a quantitative study, asking 83 medium to large-size organizations in Canada (private, public, crown corporations, government, and non-profit) a number of questions about their customer experience focus, strategy, and performance.

We also asked 1,000 Canadian customers to share their recent experiences with B2C (business to consumer) organizations across a range of industries. Some questions were the same on both sides (e.g. likelihood to recommend, likelihood to switch), while some were unique (e.g. whether an organization has a customer experience owner, what are the internal barriers to customer experience implementation).

To supplement those efforts, in June 2020 we followed up with one-on-one interviews with senior leaders from a number of Canadian organizations, or Canadian offices of international organizations. We dug deeper into some of the insights – and asked follow-up questions to expand on the post-COVID-19 customer experience plans and expectations.

“It is easy to compare yourself to great CX-focused organizations, but we don’t see all the behind-the-scenes work that they put into it.”

**Navin Singh, Director, Customer Journey Management, World Vision**



## About Our Inaugural State of CX in Canada 2018 Study

In our inaugural study, State of CX in Canada in 2018, we discovered organizations had surprisingly little definitive or proactive strategy with respect to CX. “*Somewhat*” was a prominent response to our questions: organizations were *somewhat* aligned on the importance of CX focus. They *sort of* had CX owners. They *kind of* had a cross-functional team. They *maybe* had a 3-year CX plan. Two years later, we are surprised at how much has remained the same.

While some metrics have improved, indicating a slow adoption of a customer experience focused approach, most organizations are still struggling to figure out a plan to track and improve customer experience. Furthermore, many seem to be struggling with the basics of running their business. Customer experience may not even be on their priority list until they get these basics right – in spite of intentions and claims to have a CX focused business.

When COVID-19 struck, it exacerbated these challenges even further for a lot of organizations with CX aspirations. That said, research suggests that successful companies maintain a consistent focus on CX in any environment, incorporating it as an ongoing part of all initiatives, as well as a factor in performance measurement. Two years later, we are surprised at how much has remained the same.



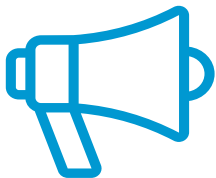
## The Three Legged Stool of CX

Some say that the success of an organization starts with a well defined (and internalized) brand promise.

Others insist that hiring and engaging the right people is the most important thing on the path to success.

Yet another group of thought is centred around customer experience, toting it as THE secret ingredient of it all.

In reality, it is all three. All three need to be developed, built, and nurtured. It's a three legged stool, where CX is intricately inter-connected with employee experience and the brand promise of an organization.



**The brand promise** creates employee understanding and alignment, and generates customer interest, engagement and acquisition.



**Customer experience** requires employees to deliver on customer needs and expectations, while aligning with the brand promise to generate customer loyalty.



**Employee experience** needs to empower, engage and motivate employees to deliver on the brand promise via the optimal customer experience.



## Leg One: Brand Promise

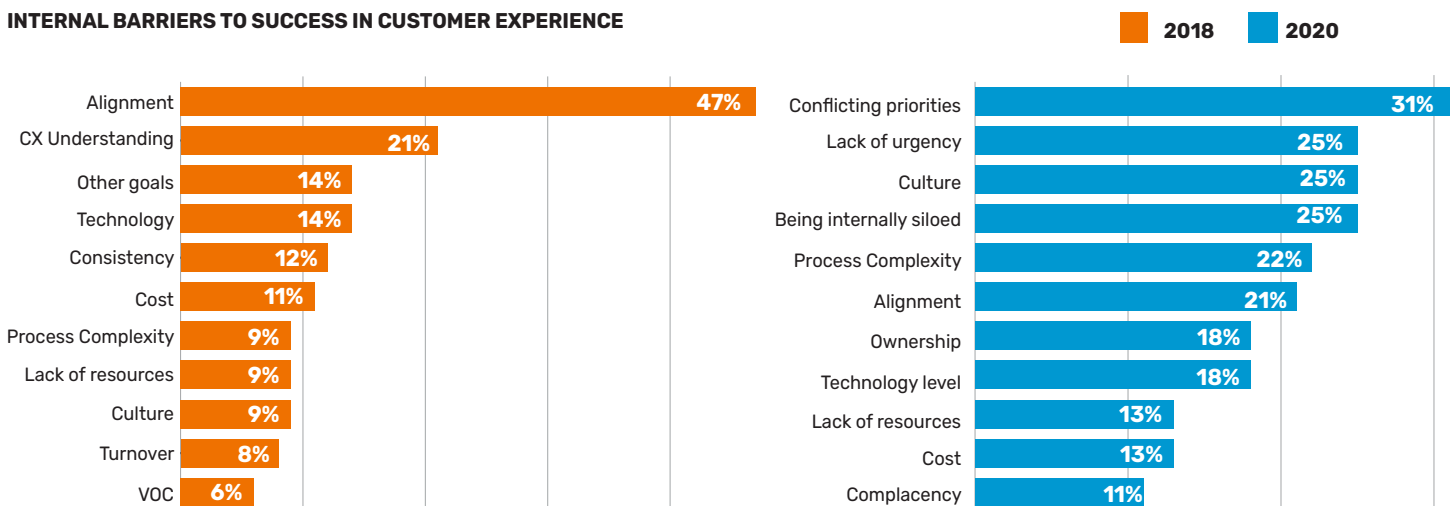
The importance of brand has been widely accepted by organizations large and small, private and public, non-profit and government. However, its ties to customer and employee experience are not always well understood – let alone integrated or managed.

“Our customers’ experiences start before they even want to sell their home. We offer Canadians a modern approach to real estate and it’s our job to establish a positive perception, educate them, instill trust and prove to the customer that our method works. And then, we continue building that positive experience by answering their questions – instead of trying to sell.”

**Chris Ladouceur, Purplebricks Canada**

Two years ago, 47% of our survey respondents agreed that a lack of internal alignment around the importance of CX was the leading barrier to CX success, with the next closest being CX Understanding (at 21%). Since then, it appears organizations have experienced a broader array of barriers on their journey to CX excellence, with no clear and distinct front-runner. Top rated barriers in 2020 (selected by 25%-31% of respondents) include Conflicting Priorities, Lack of Urgency, Culture, and Being Internally Siloed, with Process Complexity following close behind. These results suggest that for these organizations, CX is not yet a clearly articulated part of the brand promise. Instead, working towards CX success sounds like a difficult and sometimes confusing task.

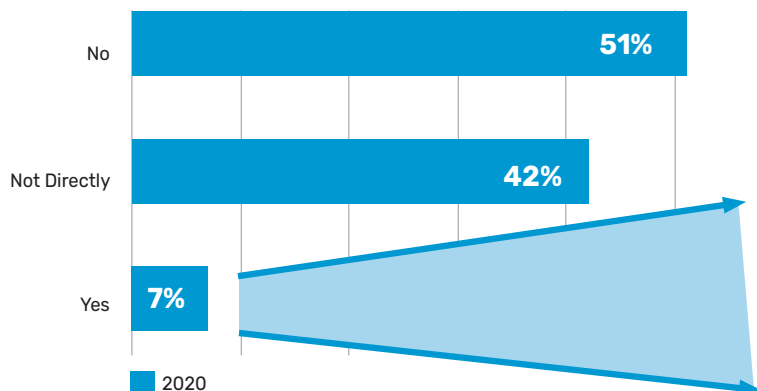
### INTERNAL BARRIERS TO SUCCESS IN CUSTOMER EXPERIENCE



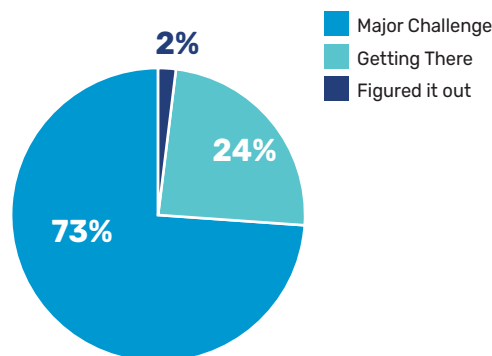
“Other goals” in 2018 and “Conflicting priorities” in 2020 are the same.

Quantifying the impact of CX would make it easier for businesses to prioritize it. However, even CX leaders within organizations find it difficult to tie investment in CX and EX (Employee Experience) to growth and retention. Few (7%) survey respondents say they calculate the ROI of CX, and 73% of those say the calculation is a major challenge. Traditional success metrics such as ROI, FTE savings, stock return, and customer conversion may be contributors, but don't tell the whole story, and that can prevent leaders from committing to CX.

## DOES YOUR ORGANIZATION CALCULATE THE ROI OF CX?



## NATURE OF CHALLENGE FOR THOSE CALCULATING ROI



## CASE STUDY: Softchoice & Conflicting Priorities

Three years ago, Softchoice was a very sales and product-focused organization. The focus was more biased towards creating products and services that would drive margins, rather than satisfy customer needs. And while the business was still growing, they were hit with the realization that the products and services they sold were commoditized, and easily replicated. The cost for a customer to switch partners was negligible. The question was: how do we look for a white space, where others are not playing, so we can differentiate from our peers, retain our customers, and attract new ones? Wrapping their products and services with the best customer experience was their answer.

As is common with many organizations making this shift, Softchoice experienced the “big” barriers – conflicting priorities, need to change the culture,

and to be purposeful in terms of how they show up to customers. Like most sales organizations, there existed a culture of “making your numbers,” occasionally making the sales teams feel like they must choose between general profit and customer experience. *Today, the sales teams focus on customer experience as an integral part of creating success for the customer and themselves.*

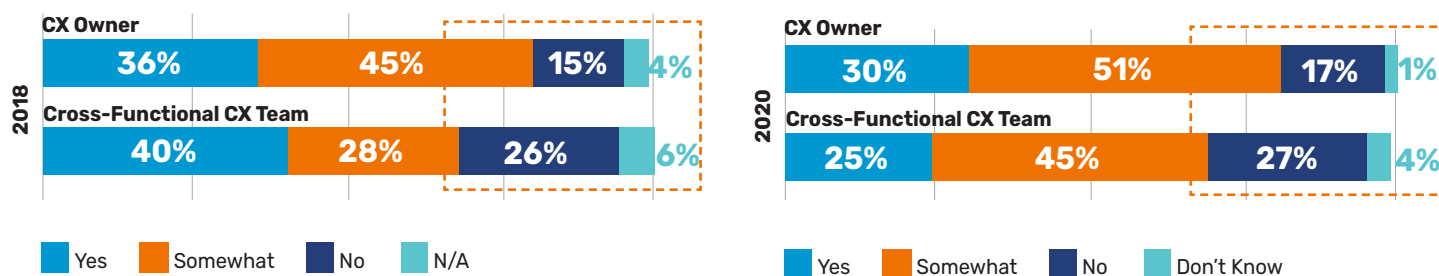
Today, Softchoice is a very different organization. The culture is shifting, with CX, Marketing, Sales and People & Growth teams at the helm – and the NPS score is reflecting that, having gone from 28 to 44 in the span of a year – and, with a renewed focus on the customer and building a culture that supports the right outcomes, the organization is on track to achieve its NPS goal of 52 this year.

**“Focusing on Customer Experience is like eating healthy. Everyone agrees that eating healthy is important, no one debates that. The tough part is making people put down the bag of chips and commit to eating more broccoli.”**

**John Dumo, Vice President of Customer Experience, Softchoice**

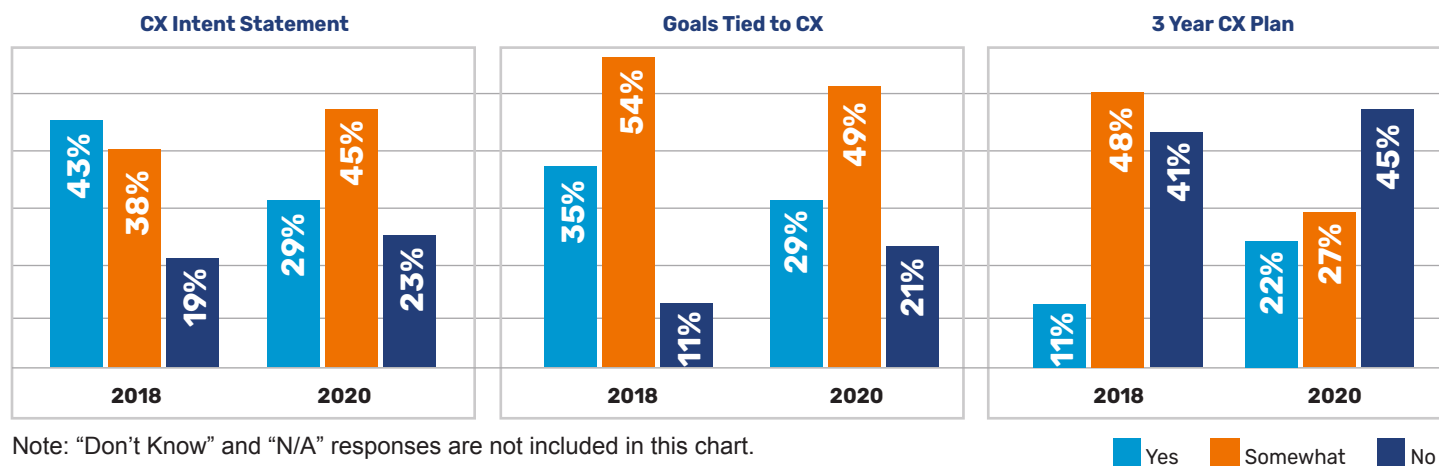
While organizations are likely to have a vision, mission, and/or brand promise statement (which have become widely accepted as necessities over the past couple of decades), just 29% of companies confidently report having a CX intent statement (Chart B), which is key to aligning internally on the ideal customer experience and how it should be reinforced via the brand promise. Less than a third of organizations (30%) have a dedicated CX Owner, and just 25% have a definitive Cross-Functional CX Team in 2020 (Chart A).

## CHART A - CUSTOMER EXPERIENCE OWNERSHIP



On the positive side, “partial owners” of CX has grown (45% to 51%), and the existence of less definitive (“somewhat”) Cross-Functional CX Teams has grown (28% to 45%), suggesting a growing sense of accountability for CX across all departments, but uncertainty about how to act on it (Chart A). Related to that uncertainty, nearly half (45%) of survey respondents said they have no 3-year CX plan (Chart B). That being said, while still too low the number of companies that do report having a 3-year CX plan has doubled (from 11% in 2018 to 22% in 2020, Chart B).

## CHART B - CUSTOMER EXPERIENCE STRATEGY





## **CASE STUDY:** **World Vision & Silos,** **Early Days**

A non-profit organization with 70 years experience in humanitarian aid and emergency relief, World Vision created a CX division 3 years ago. One of the bigger challenges is driving CX in an organization with longstanding processes, legacy technology that is not optimal for CX, and a data environment that is not optimal to understand how customers are behaving.

World Vision decided to place the focus on investing in journey design and analytics to support this transformation. It allows a more cost-effective and data-driven approach to improving personalization and engaging donors with relevant content. They invested in VOC platforms and want to make customer feedback a core part of the organization.”



**“If you don’t invest in technology (moving toward AI and machine learning), you will find yourself behind the game. It is a key CX enabler and will impact personalization and how we engage”**

**Navin Singh, Director, Customer Journey Management, World Vision**



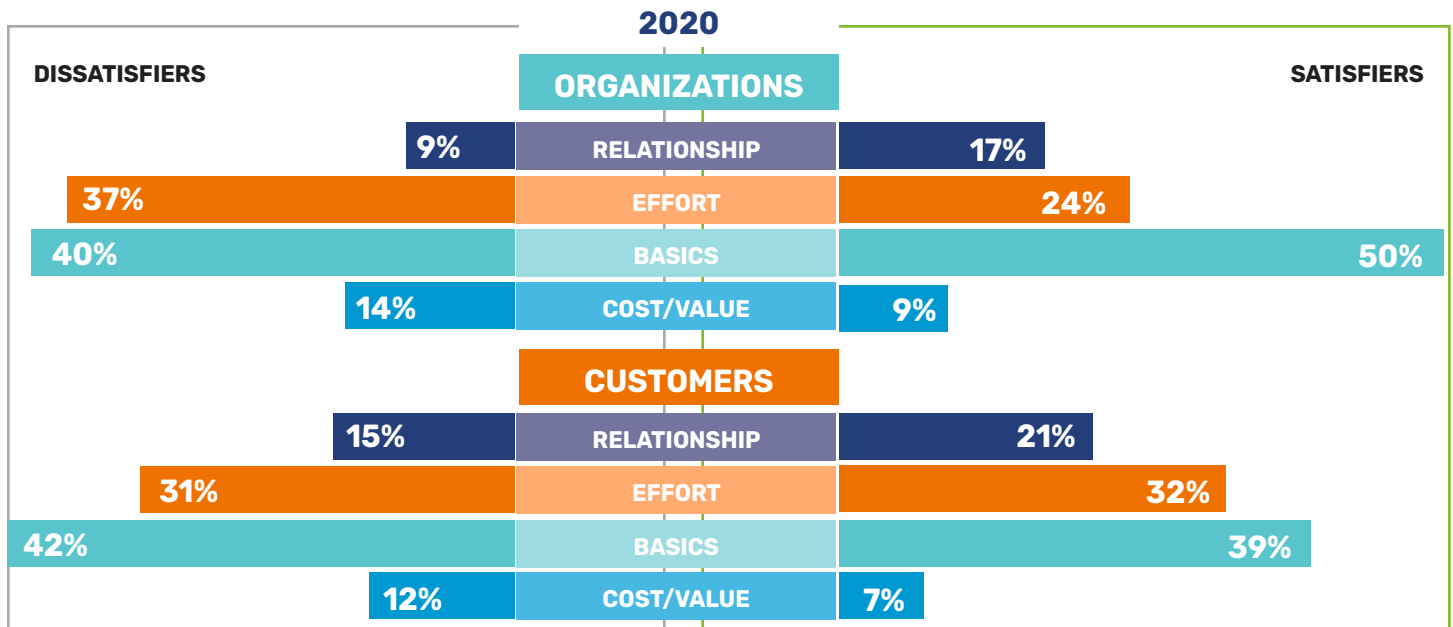


## Leg Two: Customer Experience

In 2018, organizations were struggling to make things easier for customers, working to address challenges such as flexibility, complexity, communication clarity, lack of follow-up, and slow turnaround. The amount of effort required of customers to complete transactions was a leading dissatisfier.

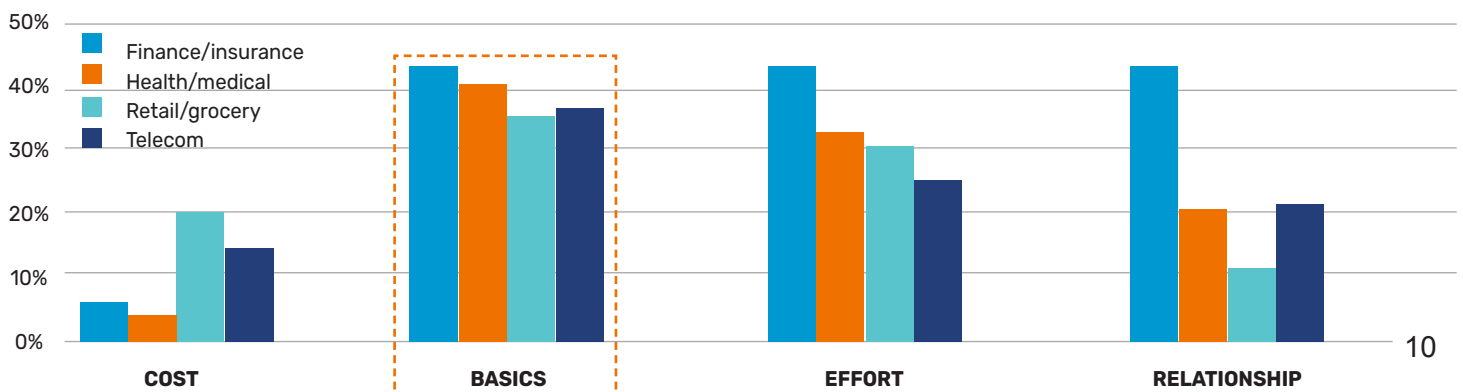
In 2020, organizations' struggles have shifted more towards the basics of running a business, such as accuracy, issue resolution, product quality, and technology issues. When asked about which elements have the greatest impact on the customer experience in 2020, both customers and organizations indicated that the Basics carry the most weight.

It is also interesting to note that Cost/Value has the lowest impact according to customers, while organizations perceive Relationship to have the lowest impact. This mismatch suggests organizations may want to explore shifting some resources from pricing strategies to customer relationship strategies.



Externally, customers also see and feel how organizations across a variety of industries in 2020 are struggling with the basics of their businesses (far more than in 2018). And despite professing otherwise, businesses can't be CX-focused if they feel a need to prioritize elsewhere.

### DISSATISFIERS BY INDUSTRY



Two years ago, customer responses suggested organizations were lacking the “wow factor” (making them feel pleasantly surprised and valued, and impressing them with the quality of service). In 2020, customer responses suggest the experience has slipped further, indicating that basic elements such as “helpful staff” are not meeting expectations.

2018		2020	
Top Rated Factors	Bottom Rated Factors	Top Rated Factors	Bottom Rated Factors
Hours of operation	Pleasantly surprised	Hours of operation	Helpful staff
Got what you needed	Went the extra mile	The company responded in a timely manner	Went the extra mile
Met your needs	Felt like a valued customer	Readily accessible information	Felt pleasantly surprised
Friendly Staff	Impressed with the quality of service	Got what you needed	Felt like a valued customer

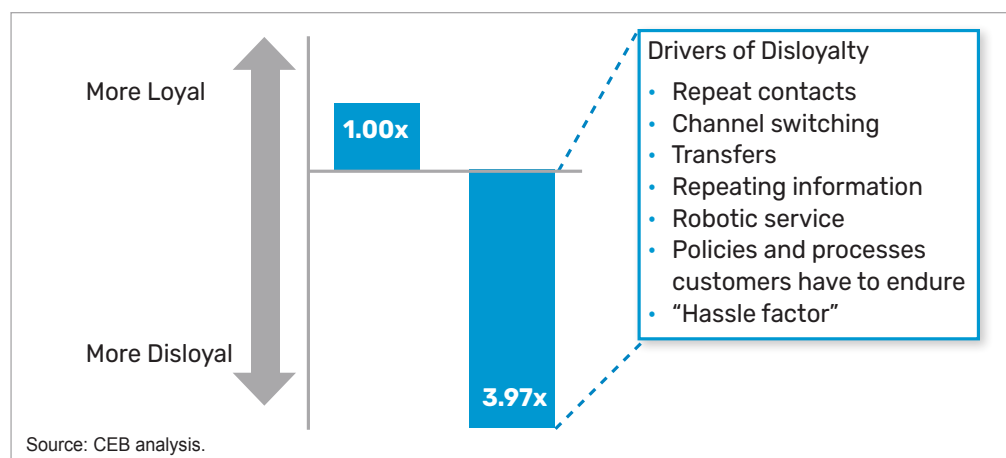
Customers perceive those services offering little human interaction as CX leaders. Buying online, home delivery (even in pre-COVID-19 answers!), and online video streaming services are among the top rated experiences.

## 2020 BEST AND WORST EXPERIENCES

Best Experiences	NPS	SAT	Worst Experiences	NPS	SAT
Made online purchase delivered to your home	#1	#1	Used public transit	#18	#18
Used an online video streaming service	#2	#3	Used a ride sharing service	#16	#17
Ordered or picked up a prescription	#7	#2	Paid a utility bill at your home	#17	#15

It is not surprising. According to a broad research study of over 125,000 people by CEB (now Gartner), any customer service interaction is four times more likely to drive disloyalty than to drive loyalty. The things that customer service does to drive disloyalty, according to CEB, are largely associated with the amount of effort the customers must put forth to get their issues resolved.

## CUSTOMER SERVICE IMPACT ON LOYALTY



## CASE STUDY: TD Bank & CX Metrics Driving Performance

TD Bank has changed dramatically in how they are measuring and using insights to drive CX. Years ago, TD created a proprietary CX metric, the Legendary Experience Index (LEI) that measures experience. While the measure itself was valuable, the measurement system varied by business. Front lines had access to information but not real actionable insights, and surveys were being done via phone.

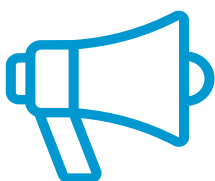
In 2016, TD took a full step back to look at the program. Over time, they introduced the Medallia VOC platform, which provided access to insights that the frontline now uses to drive CX. This tool also aligned the entire organization to the same set of behaviours that quantitatively have shown to move CX in the right direction

With these changes, TD Bank can now quantitatively define top opportunities to change CX with a proven correlation to business results. TD feels they successfully changed the way the frontline thinks about CX, arming them with the right tools so they know what they need to do in any situation.



**“Our colleagues at TD value the insights that they get from the system today. It has been a step change in terms of coaching and understanding high priority actions.”**

**Tyrrell Schmidt,  
VP, Global Brand and Customer  
Experience Officer, TD Bank**





## Leg Three: Employee Experience

As CX experts Roy Barnes and Bob Kelleher wrote, it all starts with the employees:

**Engaged employees...**

**operating effective and efficient processes...**

**with sound enabling technology...**

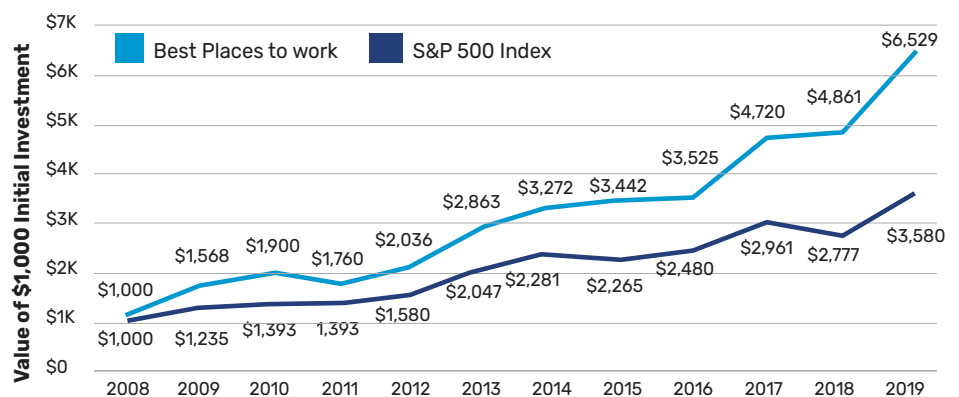
**results in engaged customers...**

**who provide the company's financial results.**

And indeed, if you look at the data – Glassdoor's best places to work outperform the S&P 500

### Value of \$1,000 invested in Best Places to Work vs. S&P 500 Index

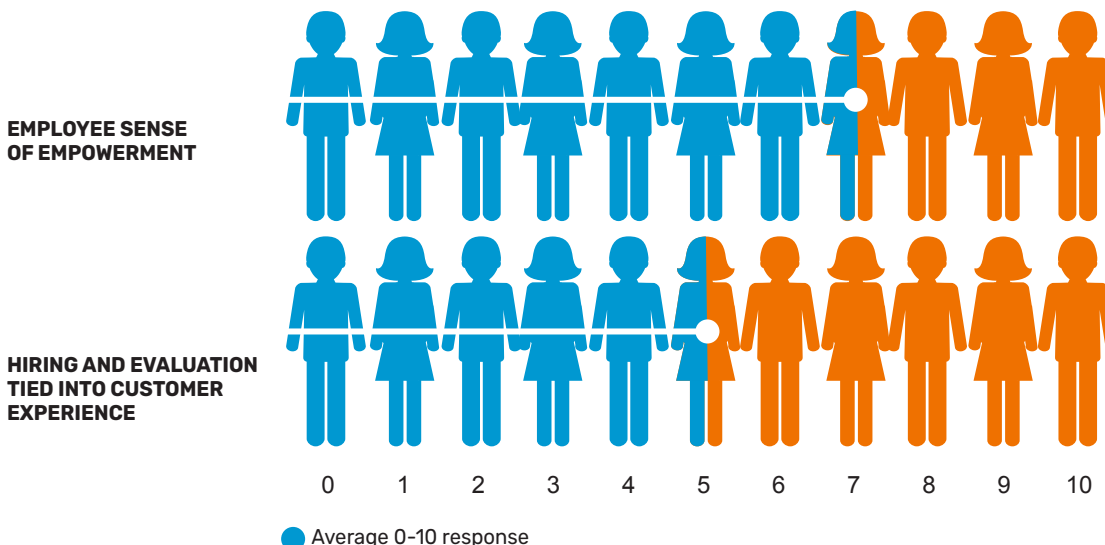
An investment of \$1,000 starting in 2008 in each year's BPTW winners would've grown to \$6,529 by the end of 2019



Source: Glassdoor Economics Research ([glassdoor.com/research](https://glassdoor.com/research))

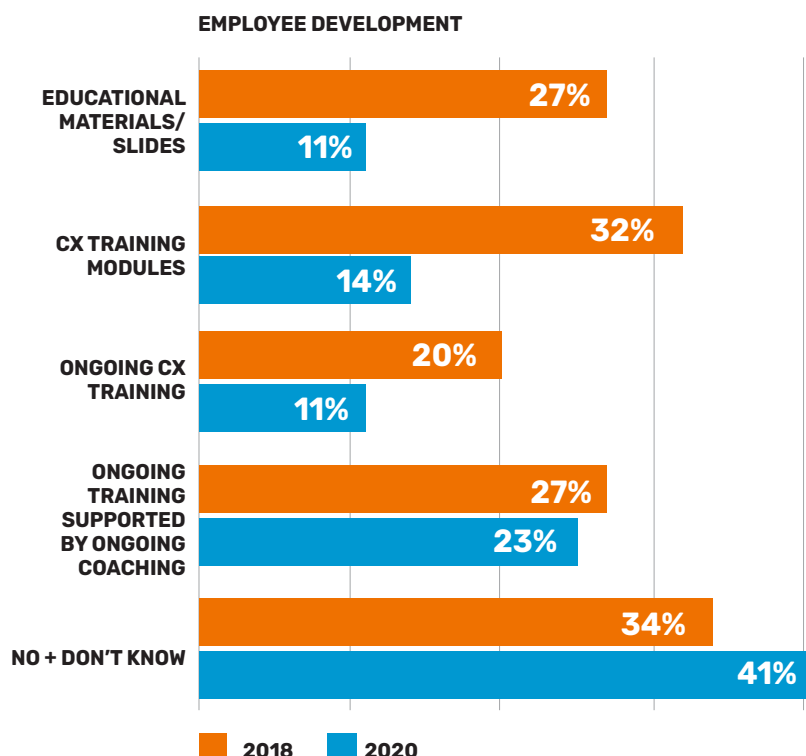
However, while many employees report having a sense of empowerment, most organizations are still not hiring based on CX values and goals, and still lag on providing CX training and coaching to their employees.

### EMPLOYEE EXPERIENCE (ON A SCALE OF 0-10)





And there is still insufficient employee support to develop CX expertise. If anything, the level of investment in CX training and development has declined over the past 2 years. The percentage of organizations reporting that they have CX educational materials, modules, and/or ongoing CX training has dropped to as low as 11%.



## CASE STUDY: Ricoh Canada & Employee Experience

Over a decade ago, Ricoh defined the need to differentiate themselves in a highly commoditized marketplace. CX was deemed critical and it was quickly understood that it required a culture change to accomplish success. Shifting culture became the platform for Ricoh's CX strategy.

Today, Ricoh hires on customer service focus and skills, people who recognize the CX mantra. The organization became very good at being able to innately recognize those who fit the culture.

Ricoh then trains them to take ownership of the customer and live by the core values of the organization. They even issued a tool to identify people who are running afoul of CX rules and expectations – like in soccer, they get a yellow or a red card.

**"Employee engagement is a forebearer of what may happen to CX, NPS, and customer retention"**

**Glenn Laverty, recently retired CEO, Ricoh Canada**

The result? NPS went from 25 in 2006 to 74-76 these days. And Ricoh's customers went from "I didn't know you were doing that" to "what else do you have?" That's a derivative of the organization's CX focus, it shows customers' trust to let Ricoh transform other parts of their business.

## Customer Experience Post-COVID-19

We conducted our quantitative surveys pre-COVID, and so we decided to supplement those results with qualitative findings on what organizations are doing now, post-COVID, as it relates to CX. The predominant themes from CX leaders were:

- Accelerated digital capabilities - New app functionalities, expanded virtual offerings, better support – these are some of the things organizations have focused on to better deliver on CX.
- Employee health & well-being - Taking good care of their people during these times
- Stepping into an advisor role - Some are developing and proactively offering solutions, e.g. addressing b2c customers' financial needs, or educating b2b customers on how to leverage the tools they already have (rather than upselling).

According to a post-COVID study within the financial sector, Phase 5 discovered that digital experience tended to be the highest ranking performance element. And although customers are most likely to miss the personal touch of in-person banking, they appear to be reasonably comfortable moving to the digital channel to conduct basic banking activities (though less so with sharing personal ID to verify identity). As the financial industry overall has been at the forefront of online services, it is not surprising that 70% of Financial Institution customers reported their perceptions unchanged.

Interestingly, the majority of Financial Institution customers want additional communications about products and services, regardless of whether they are related to COVID-19 (incidentally, proactive communications tended to get the lowest score for investment and insurance providers).

Those that invest heavily in EX, aren't sure at this point how the advance of working from home will affect their existing culture – and the organization's ability to drive it. It's a new territory.



**“One thing we will do more of post-COVID-19 is virtualization. We’ve been working on our app and virtual experience since 2017, adding groups within our online social community, continuing to evolve science around food, introducing meditation and in-app fitness activity. When COVID-19 struck, we accelerated some of the changes. We added sleep and water tracking before we planned to – as an added value to our members.”**

**Kevin O’Brien, President & GM,  
WeightWatchers Canada**

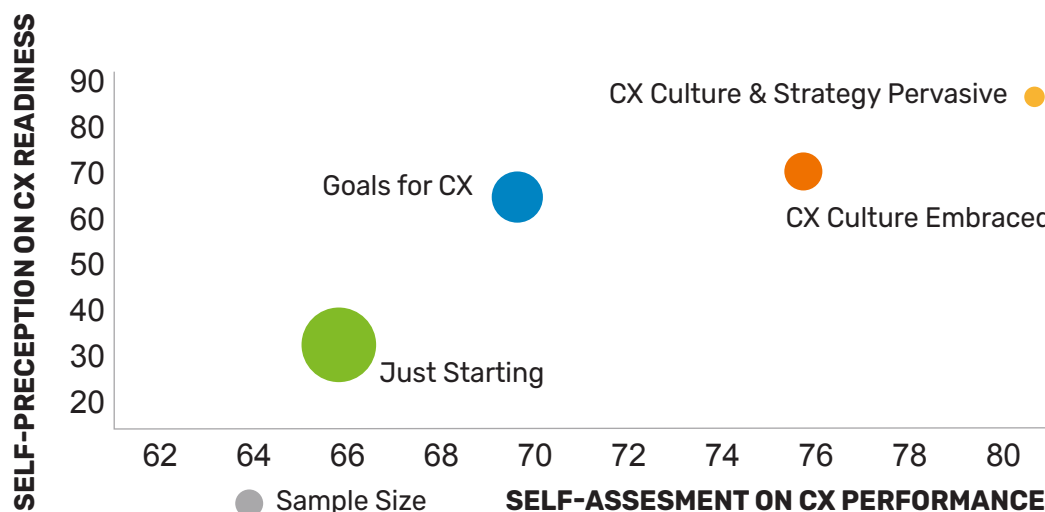
## Conclusion

If organizations previously felt that their lack of internal alignment was the main barrier to becoming CX-focused, now they realize how large, complex and interconnected CX is.

“There’s no beginning and end to CX. That’s why it’s difficult. Most projects have a beginning and an end. There’s maintenance in the end, but that’s all. CX is forever, there’s never an end to it – you always have to be aware and focused on what has taken place and how it can affect your business.”

**Glenn Laverty, recently retired CEO, Ricoh Canada**

Barriers like lack of urgency, culture, and process complexity have gained in size. Leaders are realizing that CX is not a department, not a person, and, most importantly, not a project. It is an asset, just like people and just like your brand. It requires a cultural shift, working across siloes, and reviewing internal processes around customer needs vs. operational necessities. It requires ongoing work and investment.



Organizations may be focused on delivering their basic, core services to customers, and feel that CX strategy presents too many obstacles at the moment. However case studies and research have shown that a CX focus pays off. Customers in 2020 have indicated the great impact that the “Basics” can have on their experience, so now may be an opportune moment for organizations to address (and even rebuild) CX.

Furthermore, post-COVID investments in digital capabilities and employee experience redesign may also lend themselves to the application of a CX lens. From a business perspective, perhaps the best thing to come out of 2020 can be your newly customer-experience focused organization, poised to survive and thrive for the long term based on the strength of its customer relationships.

## KEY TAKEAWAYS



In his book “Delivering Happiness: A Path to Profits, Passion, and Purpose,” the CEO of Zappos Tony Hsieh described how in the early days of the organization, on the brink of bankruptcy, with no money to spend on marketing, they made the decision to go all in with customer service. That’s when the organization’s culture was born: they discovered that investing in great customer experience pays off. They not only survived those tumultuous times, but also became one of the most-cited customer-centric organizations in the world, with 365-day return policy, no call centre scripts, and 24/7 service. They moved their headquarters to Nevada, where Customer Service jobs are not seen as transient, and they hire on attitude/values first. They even give Zappos Experience Tours which anyone can take!

CX success is like personal fitness. A lot of separate, but related actions are needed to make real progress, inputs and techniques matter, long-term dedication is critical, and in the end, it pays off.

<input checked="" type="checkbox"/>	CX focus pays off
<input checked="" type="checkbox"/>	CX is not a project, it is ongoing
<input checked="" type="checkbox"/>	Successful CX is integrated into brand promise and employee experience
<input checked="" type="checkbox"/>	Getting the basics right impacts CX
<input checked="" type="checkbox"/>	Sometimes digital service = best CX
<input checked="" type="checkbox"/>	Sometimes human interaction = best CX
<input checked="" type="checkbox"/>	Redesigning post-COVID? Be CX informed.



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## ABOUT PHASE5

Founded in 1991, Phase 5 brings together expertise in marketing research, user and customer experience, innovation, design, and analytics. This unique, collaborative approach drives business results by applying strategic insights to clients' product development, go-to-market and customer relationship decisions.

To learn more, visit [Phase-5.com](http://Phase-5.com).



## ABOUT TMG

Founded in 1998, TMG International Inc. is a consulting firm focused on customer experience, strategy development, and change management. Unlike most other strategic consulting firms, our customer experience consultants are proficient in both development and execution of customer-focused strategic business plans, marketing plans, sales channel plans and overall brand strategy. Our strong corporate track records and depth of "real world" experience make us unique and benefit our clients in a number of ways, such as implementation support and focus on tangible results.

To learn more, visit [TMGInternationalInc.com](http://TMGInternationalInc.com)

