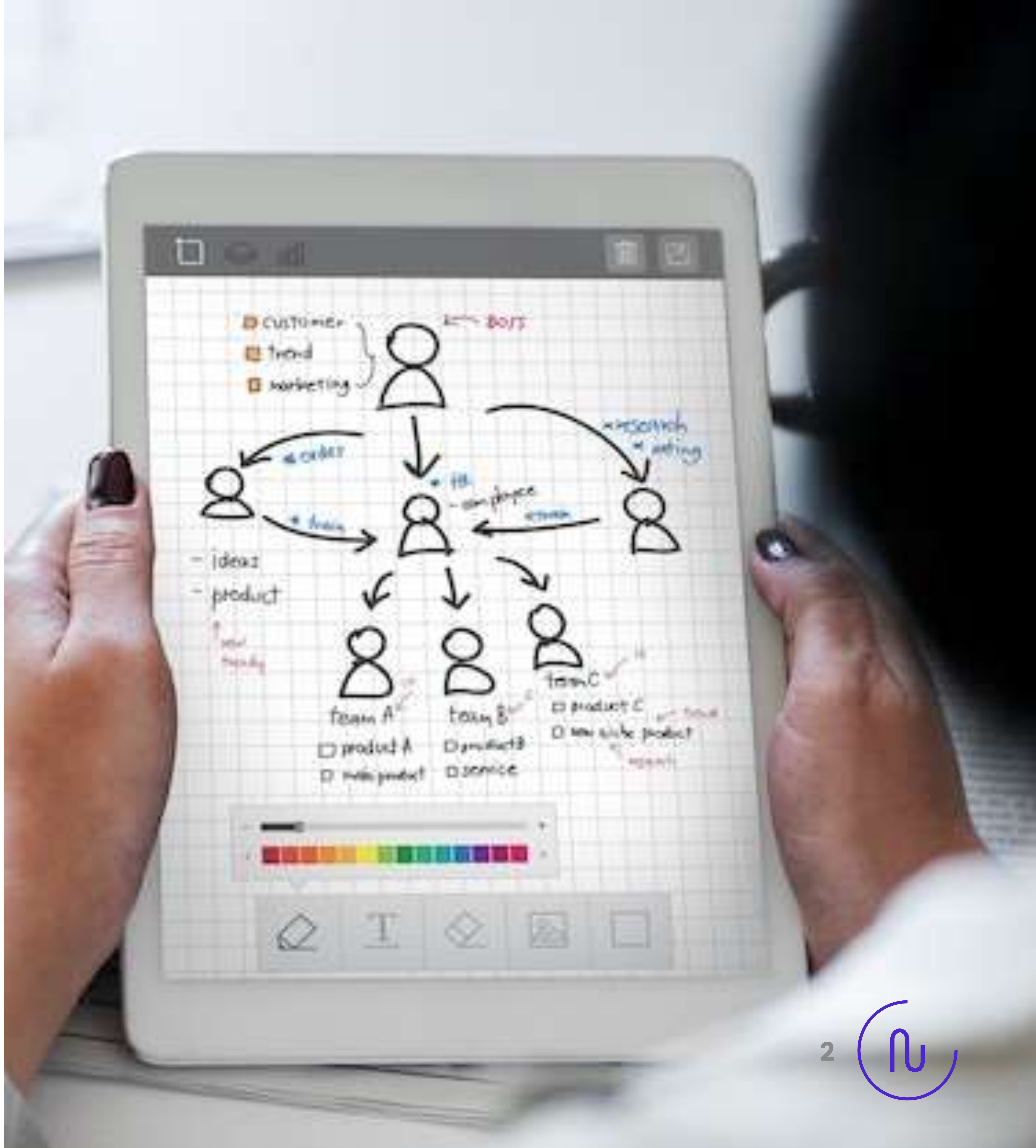
CLIENTSHIP

Organization and Sizing of the Customer Experience Area

▪ 2022

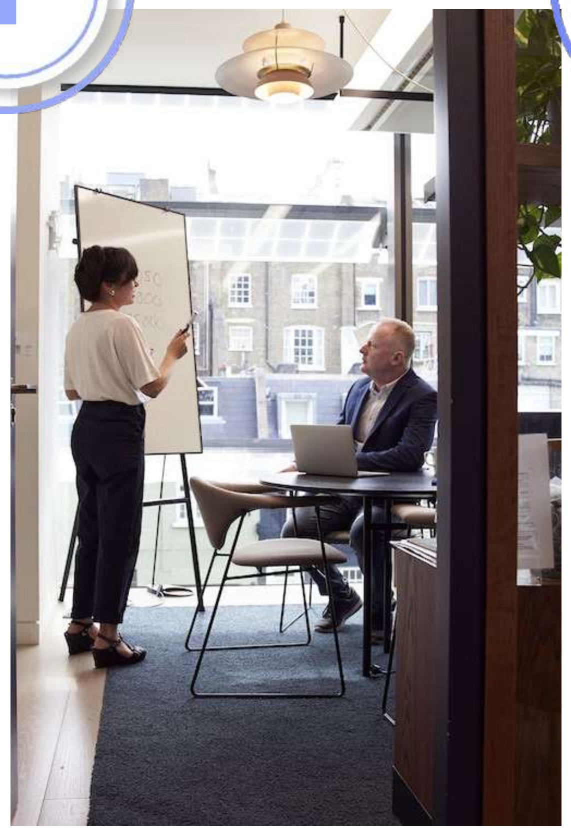
Location of Customer Experience areas

Customer Experience Departments have different locations within companies at the moment, the most frequent being the following:



Location of Customer Experience areas

1



Reporting directly to the Chief Executive Officer.

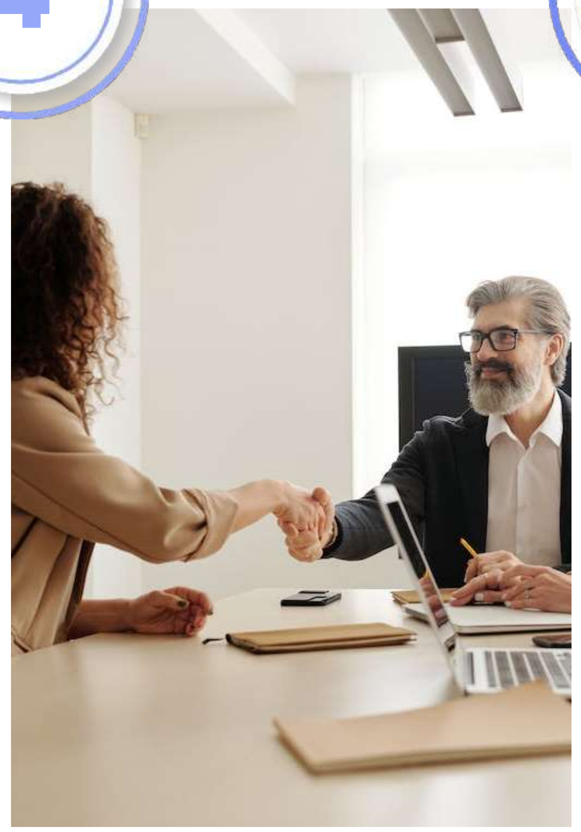
2

Reporting to the Marketing Director.

3

Operations Unit.

4



Dependency on Human Resources

5

Internal consulting area

1

Reporting directly to the Chief Executive Officer.

With the growing importance of customer trust from a regulatory and brand image point of view, some companies have considered that this area should have total independence from the business line, reporting directly to the chief executive, together with other, such as Internal Audit or Legal Counsel.

2

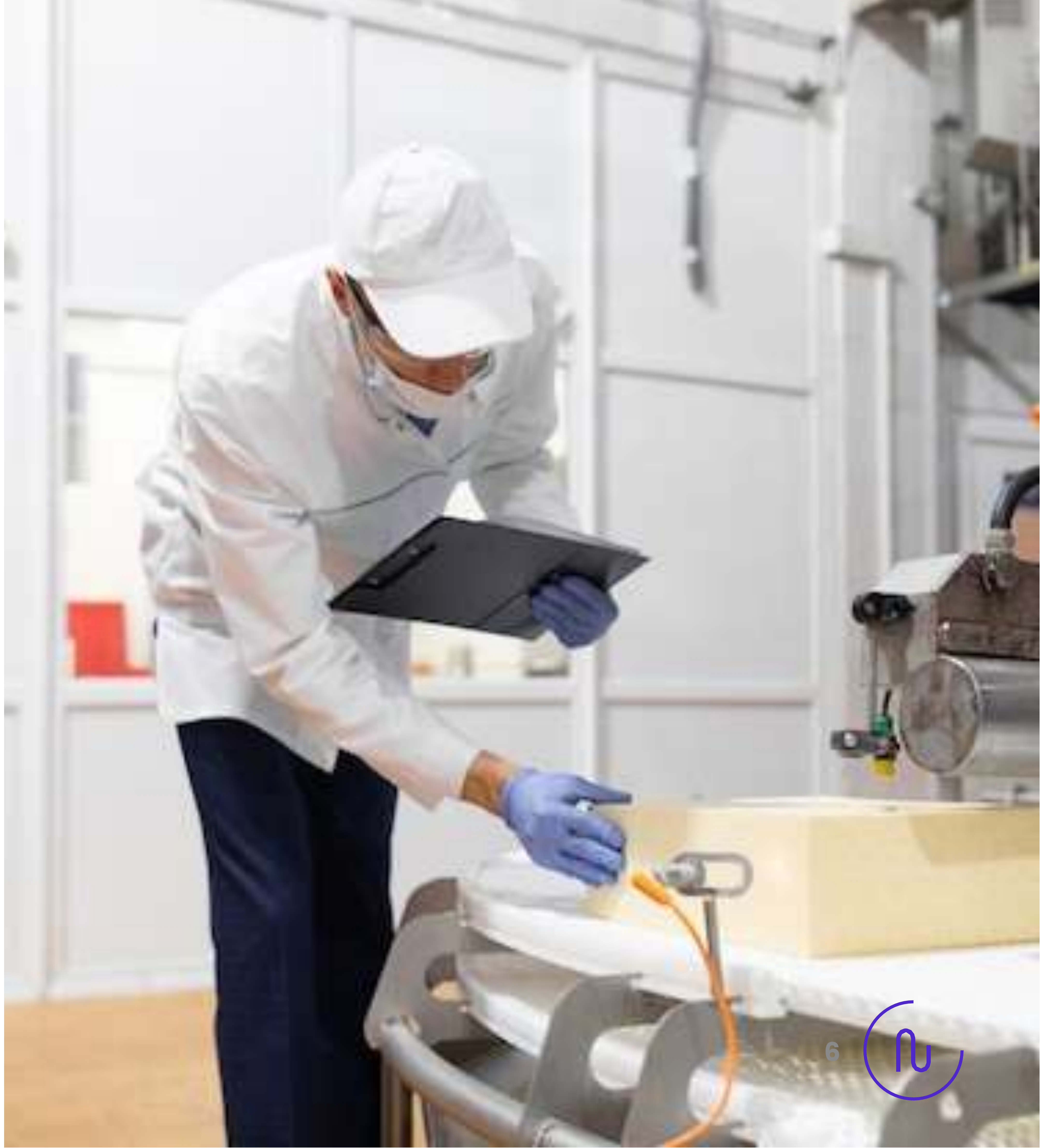
Reporting to the Marketing Director.

There is a strong and growing integration between the areas of intelligence and customer experience. “Customer-centricity" has led some companies in banking, telecommunications, energy, retail, etc… to place under a single responsibility what has to do with the brand and its projection (brand and customer experience); as well as with the value proposition and what we know about the customer (intelligence and marketing-mix).

3

Operations Unit.

In many companies (industrial, hotel chains, airlines) it is understood that quality is a substantial part of operations, so the person responsible for it reports directly to the COO. This approach, although it allows the Quality area to have a natural influence with other equals in the Operations area (such as Systems, Purchasing, manufacturing managers, Customer Service, etc.), has the clear disadvantage that Quality loses autonomy and the ability to "criticize" the way in which the product is delivered or the service is provided to end customers, so its role and voice are somewhat reduced in strategic impact.



4

Dependency on Human Resources

This occurs in some companies in the automotive sector, where the Quality area is perceived as a technical source to generate materials for training actions in customer service for sales and workshop personnel in the agencies. It is a very operational approach, usually linked to the strong centralization that automotive manufacturers have regarding the design of the customer experience architecture in their headquarters, often outside Mexico. It is also common in the insurance sector.

5

Internal consulting area

Some banks and other companies have eliminated the hierarchical role of the area, leaving it exclusively as a "pull department" that, at the request of other areas, provides advice and consultancy on customer experience and service quality. For this, of course, the Quality area must restructure its operation and processes, making them more structured and oriented to concrete deliverables.

Is there an ideal location?

All locations have pros and cons, there is no optimal solution. In each case it will be necessary to analyze which one is the most convenient for the company in the competitive and internal context in which it finds itself:

Location	For	Against
General Management	• Maximum strategic visibility • Ability to impose processes and projects	• Distance from the real business situation • The area falls into a sometimes-bureaucratic role.
Marketing Management	• Integration of all customer processes and resources in a single area	• Process improvement is no longer a priority • Certain "cosmetic" character in the customer's vision
Operations Management	• Immediate day-to-day implementation of improvement recommendations • Ability to "attack" the redesign of the customer journey	• Real time (complaints) have too much influence on the job • Loss of vision of the company's strategic direction
HR Management	• Theoretically closer to being able to developing cultural transformation and change management projects.	• Quality often becomes an internal supplier of slides for training and induction courses.
Internal Consulting	• Work is done with departments genuinely interested in improving the experience they offer to customers (internal or external)	• Almost no capacity to impose solutions or guarantee the implementation of its recommendations to the areas.

2. Capacity of Customer Experience Departments

Modern vision of Customer Experience Sizing

Logically, hierarchical dependence is of great importance when considering the size of a quality department.

For example, they tend to be much more numerous in the Operations areas, where they often have representatives in areas or factories in the territory, and less numerous when they report to the Chief Executive Officer, who tends to look for staff teams that are not too numerous. However, there are always exceptions.

What can be observed across all sectors internationally is a very strong reduction in the size of these teams. In other words, the theory of "customer centricity" bears no resemblance to the budgetary reality when it comes to Customer Experience teams.

Reasons for the progressive reduction of teams in Customer Experience Departments

There are many reasons for this trend, the main ones being, in our opinion, the following:

NPS: The wide acceptance of this benchmark indicator (not improvement) makes some companies associate its improvement to external communication actions or "image washing" much more than to what is typically done by a Customer Experience area, so that its justification as a department with a sufficient human team in the eyes of Senior Management is partly lost.

Strategic commitment: Linked to the above, the Management Committee does not perceive Quality as a key element of the company's competitiveness, as simple as that (and as serious for the company's survival). This leads to not providing it with the resources it really needs to carry out its work.

Technology: CFM (Customer Feedback Management) solutions have automated tasks that were previously performed by several people (activities of little added value), and which have not been replaced by internal consulting work of more strategic content for the business with other types of profiles.

Decentralization: Although all companies oscillate between centralization and decentralization, the general trend in the world is to reduce corporate areas, including Quality, transferring these competencies to areas closer to the business but also with much less strategic weight and even less human and material resources.

A vision for the future: The business case approach to project profitability

In our opinion, the only way to overcome this trend is to change the rules of the game that operate in this and practically all corporate areas, i.e., the principle of the impossibility of measuring return on investment.

In the case of Customer Experience, it must be possible to evaluate the direct business impact of your interventions in one of the following ways:

Above all, point a) is quantifiable, and should be the solid foundation on which to base the budget (purchasing and internal team) of a modern Customer Experience Management.

This would lead to the logic of: *To reduce attrition by % and generate a $ million-dollar improvement, the following material and human equipment investments must be made. Of course, there are other factors that influence attrition levels (...)*

A) By a certain percentage reduction in churn and churn rates, which, applying a certain average margin, results in millions of pesos not lost in the income statement year after year.

B) By increasing the average margin and/or number of products due to a better experience.

C) By increasing the recommendation of customers in their environment.

D) By reducing the number of customers who speak ill of the company, driving other potential customers away from us.

A vision for the future: The business case approach / Project profitability

(...) *such as the intensity of competition, brand image or macroeconomic evolution, but* the mere attempt to translate the Customer Experience Management budget in terms of Business Case, constitutes in itself a radical change in the traditional incremental budgetary approaches, which turn the annual discussion about them into an economic negotiation often unrelated to the real challenges of the business towards the future.

Of course, and this is an absolute belief held by the best international experts and academics in the field, a Customer Experience area must be well, very well, resourced (quantitatively and qualitatively). The promise of a WoW experience cannot be achieved by cutting resources and weakening these areas.

But beyond this, Customer Experience must be able to keep pace with the business with its own mechanisms for evaluating and measuring return on investment, as a natural way to access much-needed resources aimed at truly building a customer experience that is a solid and sustainable competitive advantage.

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