

Operational efficiency is a 'no go' to great customer experience

 By [Brent Haumann](#)

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Most organisations today understand the importance of customer experience (CX). In fact, [research](#) from Gartner shows that 75% of organisations are now able to show that customer satisfaction leads to revenue growth through increased customer retention or lifetime value. As much as they might recognise its importance, however, far too many are taking the wrong approach to CX.



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Perhaps the biggest misconception when it comes to CX is that it can be achieved through operational efficiency. It's easy to see why. In a business context, operational efficiency can be defined as the ratio between an output gained from the business and an input to run a business operation. When improving operational efficiency, the output to input ratio improves. Many of the output measures for operational efficiency (most notably revenue and customer growth) are also indicators of good customer experience.

But while operational efficiency can come as a result of customer experience, focusing on the latter requires a wholly different approach to the former. Taking a CX-led approach can, however, reap substantial benefits.



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Organisations that view operational efficiency as a shortcut to good customer experience tend to take an inside-out approach. This involves organisations looking at the technology and communication channels they have and adding to them because doing so will improve the input to output ratio.

So, for example, a company might add a new option for customers to create their own quote via its website in the belief that it'll take pressure off its contact centre, reduce processing times and save it money. But without having gone through the process of understanding whether the option is what the customer needs or wants, or that it provides a better customer experience than speaking to a human, it can't be assumed that this has improved the customer's experience.

The same goes for any other initiative that is typically tied to digital transformation efforts like apps (or in-app functionality), robotic process automation (RPA) etc. For clarity, this is not to say that these initiatives are not important, but rather that they should not be assumed to improve customer experience. That is an inside-out mentality.

And even if the operational changes an organisation makes do end up benefiting its customers, taking an approach that centres on operational efficiency is limiting. That's because the ultimate goal of operational efficiency is to save money and there's only so much money an organisation can save before cost reduction becomes harmful to CX.



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The limitless rewards of CX

Contrastingly, there's no upper limit to potential rewards that come from an outside-in approach that centres on customer experience. That's not conjecture. We already know that companies that earn \$1bn annually can expect to earn, on average, an additional \$700m within three years of investing in customer experience.

We also know that 86% of buyers are willing to pay more for a great customer experience. Additionally, the more expensive the item, the more they are willing to pay.

But in order to reap those benefits, organisations need to understand the experience their customers want, and build inwards from there based on what they want to achieve. A useful consequence of this approach is that operational efficiency is achieved anyway, not least because it saves the company investing in technology it might not need. It also reduces the likelihood of the organisation falling into CX debt.

CX debt refers to the rework required to review customer journeys and touchpoints, and identify fractures that are the result of quick fixes and MVPs implemented in response to the pandemic. The longer the debt remains unresolved, the bigger the problem grows.

Thinking beyond the immediate

Of course, it's understandable why organisations fall into the trap of mistaking operational efficiency for good customer experience. It's all too easy to do so, especially in a tough economic climate where businesses are doing everything possible to survive.

But real CX thinking doesn't just look at what the organisation needs now. It understands that anticipating what its customers need will benefit it in the long run and make it more efficient, bringing real rewards that go way beyond cost saving.

ABOUT BRENT HAUMANN

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