The Missing Piece of the Customer Experience Puzzle: Customer-Centric Employees
WHY THIS MATTERS

Consistently delighting customers requires listening to what they have to say, learning from their experiences, and acting on their feedback. Employees who interact with customers on a day-to-day basis—or design the products and services that customers rely on—are often in the best position to identify common problems and suggest solutions.

An engaged workforce is the key to success with customers; though many companies recognize this, they struggle to make it a reality.

In this report we quantify the relationship between employee engagement and customer experience, and we recommend ways for companies to learn from their workforce and promote customer-centric behaviors across their organization.

KEY FINDINGS

Medallia research demonstrates that employee engagement relates directly to customer experience. Customer-centric attitudes (how employees feel about aspects of their job that relate to serving and satisfying customers) as well as behaviors (how employees interact with customers and their feedback) influence the quality of the experiences customers have with a brand. Customer-centric attitudes and behaviors also facilitate company-wide learning, which ultimately improves the customer experience and helps businesses thrive.

To energize employees around delivering great customer experiences, companies must:

• Treat employees as a valuable source of feedback
• Empower employees with customer data
• Design and reinforce practices that facilitate learning from customers
Seventy-two percent of companies say that improving customer experience (CX) is their top priority. Global business leaders recognize customer experience as one of the main drivers of business success and organizational growth; a 2015 Bain & Company study revealed that companies that excel at customer experience grow revenue four to eight percent above their market. And across 15 companies in nine industries, the Medallia Institute found that when companies provide their customers with superior experiences, their financial performance improves.

But providing great experiences to a diverse and demanding customer base with fast-changing expectations is not easy. It requires relentless commitment to the customer across the entire enterprise, giving each employee—from the CEO to the frontline—a stake in delivering great customer experiences. In other words, companies need to get every single employee on board and rowing in the same direction. Companies struggle to provide consistent customer experiences when their employees fail to realize the importance of delighting customers. A company with a large budget behind a new customer experience initiative, but without employees committed to delivering great experiences, can do little to impact how customers feel about the brand and the services it provides. The true agents of change when it comes to customer experience are the employees who interact with customers day-to-day: those who go the extra mile to delight customers, learn from their daily interactions with customers, and help their organizations adapt by improving the experiences they deliver across the board.

Employee engagement promotes a variety of business outcomes; in this report, we focus on how it impacts customers. Drawing on several studies across industries, the Medallia Institute set out to understand and quantify the relationship between employee engagement and customer experience. Specifically, we investigated two components of employee engagement:

- **Customer-centric attitudes**: how employees feel about aspects of their job that relate to serving and satisfying customers
- **Customer-centric behaviors**: how employees interact with customers and customer feedback

### Employee Engagement: Customer-Centric Attitudes and Behaviors

A recent Medallia study of 1,000 customer-facing employees in five industries revealed that there are two dimensions of customer-centric employee engagement: customer-centric attitudes (how an employee feels) and behaviors related to those attitudes (how an employee acts).

Employees with **customer-centric attitudes** are engaged in serving and satisfying customers. They are motivated to give their best at work, are inspired by and aligned with their company’s vision, and feel valued by their peers and leaders.

**Customer-centric behaviors** are day-to-day actions that improve the customer experience. When employees are engaged, they go the extra mile to satisfy customers, take ownership of customer problems, and learn from their experience on the job.

Customer-centric behaviors and attitudes do not exist in a vacuum; they reinforce one another. For example, frontline employees who exhibit customer-centric behaviors are seven times more likely to hold customer-centric attitudes than the ones who do not. And employees who feel motivated to give their best at work will take the initiative to ensure that customers are happy, going above and beyond expectations.

In a recent Medallia Institute survey, 61 percent of customer-facing employees said they have
suggestions for new ways to delight customers, and 43 percent said they had ideas to reduce company costs. But a full 31 percent said they were surveyed only once a year or less, and over half said employers were not asking the right questions. Companies that recognize this opportunity and treat employees as a valuable source of feedback see benefits on both sides of the equation by improving both employee and customer experiences. Those that survey their employees about ways to improve customer experience at least twice a year are almost three times more likely to have highly engaged employees than those that ask for input less often. And those that use employee input to track how customers view their experiences are 15 percentage points more likely to improve customer scores than companies that don’t gather employee input.¹

While most companies understand the power of differentiating based on customer experience, they may not yet recognize the critical role of employee engagement in reaching that goal. Many studies demonstrate a link between employee engagement and customer experience; some find that engagement precedes customer satisfaction, and others claim that customer satisfaction comes first. In fact, the relationship is likely reciprocal (employee and customer outcomes reinforce one another); hence the importance of tackling both sides of the equation.²

**Customer-Centric Attitudes: How Employees Feel Impacts Customer Experience**

The best way for companies to understand how employees feel about their jobs, their employers, and their customers is to ask them. There are many ways to do this, including surveys, team huddles, performance reviews, and one-on-one meetings with managers. Unfortunately, while many companies regularly collect customer feedback, few have devoted as much energy to employee feedback systems. “For every dollar spent on employee feedback, companies spend hundreds of dollars on customer feedback,” Troy Stevenson, former vice president of customer loyalty at eBay, said in a recent interview.

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*Troy Stevenson, eBay*

How employees are feeling—at both the individual and the team level—is directly related to the quality of customer experiences they deliver. An automobile dealership compared customer outcomes for its employee promoters (individual employees who are most likely to recommend their company as a place to work) and employee detractors (individuals who are not likely to recommend the company as a place to work). The dealership found that employee promoters receive...
customer scores 16 percent higher than employee detractors (see Figure 1).³

We found a similar pattern for team-level employee engagement in a study with a large retailer.⁴ Store locations with high employee Net Promoter Scores® (NPS above 90) earned customer scores 12 percent higher than those of stores with low employee NPS (below 10; see Figure 2).⁵ Stores with high employee NPS not only had higher customer scores to begin with, but also saw greater year-over-year improvement (see Figure 2).

However, customer loyalty suffers when employee experiences are inconsistent. For example, in our retail study, when some sales associates were highly engaged and ready to go above and beyond for customers but others were not, customers were less likely to recommend the store to others (see Figure 3).⁶

Ensuring positive and consistent employee experiences across the entire business can be hard to achieve due to geographical, cultural, and language differences. Usually, the farther away employees get from company headquarters, the harder it becomes to sustain a cohesive corporate culture. Our research shows that tangible management practices like training, leadership direction, goal setting, and employee empowerment help build a customer-centric culture. By acknowledging the essential role of employees and prioritizing their engagement, companies can create experiences that customers love.
Customer-Centric Behaviors: How Employees Act Impacts Customer Experience

Consistently delighting customers requires listening to what they have to say, learning from their experiences, and acting on their feedback. Engaged employees not only feel motivated to help customers, but are empowered to do so: gathering and sharing customer feedback across the organization is an essential first step to harnessing the intelligence of your workforce (see sidebar for more detail). Employees with access to feedback are able to do their own jobs better, report feeling more engaged at work, and are better equipped to contribute to learning at the team and organization levels. When employees engage with feedback in the following three ways, they provide better experiences to customers:

**Dig deep into customer feedback**

Employees who use customer feedback to identify the root cause of a negative experience or uncover what led to a great experience are better able to improve customer outcomes. They understand what’s working and what’s not, and can adjust their behavior accordingly. One large financial organization found that its call center agents who regularly dig deep into customer data to identify the drivers of experience had customer NPS 10 points higher than those who engage less with the data. Companies can scaffold this kind of improvement by 1) providing resources and training and 2) rewarding customer-centric behavior.

**Close the loop with customers**

Closing the loop means following up with individual customers after collecting and reviewing their feedback. Employees may follow up with customers after a positive experience to thank them for sharing their feedback and ask for more

FREE THE DATA

Democratizing customer feedback can be extremely powerful. Medallia research shows that getting this information into the right hands—providing widespread access—impacts customer, employee, and financial outcomes. To achieve these benefits, customer-centric companies must find ways to weave feedback into daily operations across their entire business. For the biggest impact, customer feedback should be tailored to specific employee roles so that employees see the comments and scores most relevant to them. Direct feedback enables customer-facing employees to self-correct, resulting in learning at the individual employee level. In addition, when companies tailor the type of feedback they provide to specific employee roles, they drive greater year-over-year improvements in customer NPS across the business.

**Figure 3: When employee engagement varies customer loyalty declines**

Analysis controls for the number of employees per store, brand division (e.g., luxury), store location, employee demographics and customer demographics. p<0.01, n=118 stores.

![Figure 3: When employee engagement varies customer loyalty declines](image-url)
information, or after a negative experience to fix the issue, offer a perk (e.g., a coupon, free shipping), or simply listen and apologize. This promotes a dialogue with customers and, if done well, enables employee learning and improvement. Average NPS for companies that close the loop with customers can be as much as 23 points higher than companies that do not.7

Share learnings from customer feedback

To boost the impact of individual interactions with customers, employees need a clear way to document and share what they learn with the rest of their team and organization. One large automobile dealership asks its employees to categorize pieces of customer feedback and add notes for additional context. When employees investigate and document customer issues from at least 80 percent of the feedback they see, they receive customer scores 26 percent higher than employees who analyze less than half of that feedback (see Figure 4).8 And companies that document customer problems and follow-up are eight percentage points more likely to see customer scores improve over time than companies that don’t.9

Customer data gives employees immediate, compelling reasons to improve their interactions with customers, fix problems, and come up with innovative ideas that will enhance customer experience. When employees are encouraged to see customers as a priority and are provided with the feedback and resources to learn on the job, their performance improves, and the rest of the company learns with them.

Conclusion

“Employee engagement plays a vital role in building customer loyalty. Engaged, loyal employees reduce costs, improve productivity, and come up with more creative ideas,” said Fred Reichheld, the creator of the Net Promoter System. Customer-centric attitudes and behaviors impact customer loyalty and help businesses succeed. When employees advocate for the companies they work for and are motivated to go above and beyond in their roles, customers are happier. The same is true when employees frequently engage with customer feedback and help their organizations to learn and improve.

It is vital for companies to gather feedback from their employees. Not only do companies gain an understanding of employee engagement and pinpoint opportunities for improvement, but they also crowdsource insights about customer issues and ideas for how to address them. Engaged and empowered employees self-correct after a negative customer interaction, recognize systemic customer problems, and propose possible solutions. Capturing insights from the entire workforce multiplies the organization’s ability to learn and evolve, which is imperative in a world where change is continuous.

Companies that recognize the critical role of employee engagement in customer experience and harness the intelligence of their workforce accordingly will be the CX leaders of tomorrow.
Recommendations

To energize employees to go above and beyond for customers and drive company-wide learning from customer feedback, we recommend three areas of focus:

• **Treat employees as a valuable source of feedback.** To leverage the intelligence of your workforce, listen to employees on a regular basis through multiple feedback mechanisms (e.g., surveys, team huddles, technology to capture employee suggestions as they arise) and take action. Ask employees about both their own experiences and their customers’ experiences, and encourage them to suggest ways to improve both sides of the equation.

• **Empower employees with customer data.**
  Give employees the tools they need to understand their impact on the customer experience. Provide employees with direct and timely customer feedback. Tailor customer data and reporting to meet the needs of different functions within the organization.

• **Design and reinforce practices that facilitate learning from customers.**
  Encourage employees to review customer feedback regularly and to dig deep to understand persistent issues. Train and coach employees on how to effectively follow up with customers. Create a system for documenting insights from direct customer interactions and feedback, and design management practices that support customer-centric behaviors (e.g., leadership direction and support, goal clarity, empowerment, and accountability).
ENDNOTES

1. The analysis controls for other factors that can impact customer experience improvement, including company revenue, CX performance, industry, and whether the company was B2C or B2B.

2. Our findings demonstrate correlations between employee and customer experiences but do not make claims about the causal direction of the relationship.

3. The analysis controls for additional factors that can impact the customer experience, including employee demographics, employee characteristics (e.g., tenure at company), store location, and brand.

4. Team-level engagement at each store was based on an index ranging from -100 to 100 that measured the willingness of employees to recommend their company as a place to work (i.e., employee NPS).

5. The retail study includes data from 133 stores across 41 brands and four countries. The analysis controls for additional factors that can impact the customer experience, including employee demographics, customer demographics, time trend, brand, store location, and loyalty membership penetration.

6. The analysis controls for additional factors that can impact the customer experience, including number of employees per store, brand division (e.g., luxury), store location, employee demographics, and customer demographics.

7. 2016 Medallia study of 201 CX programs across multiple industries. The analysis controls for additional factors that can impact customer experience, including industry, survey program type (transactional vs. relationship), primary business audience (B2B vs. B2C), whether a program was linked to a call center, and the number of employees at each company.

8. The analysis controls for additional factors that can impact the customer experience, including employee demographics, employee characteristics (e.g., tenure at company), store location, and brand.

9. 2017 Accenture-Medallia survey of 450 CX professionals: the analysis controls for other factors that can impact customer experience improvement (company revenue, CX performance, industry, and whether the company was B2C or B2B).
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