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# Customer Experience Management (CXM):

# towards examining the linkages and impact on business performance

by


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## Copyright Statement



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## Dedication

This study is dedicated to the one who inspired me to pursue this journey, and who remains my biggest supporter, and always ‘got me’.

## Abstract

In the dynamic business landscape characterised by rapid economic fluctuations, technological advancements, and evolving consumer behaviours, Customer Experience Management (CXM)'s role as a key differentiator for sustainable competitive advantage and enhanced financial performance gained widespread recognition (Grønholdt et al., 2015; Klink et al., 2021; Holmlund et al., 2020; Homburg et al., 2017). Despite the acknowledged positive impact of CXM on differentiation and market performance, gaps in the operationalisation and measurement of CXM constructs persisted (Homburg et al., 2017; Lemon & Verhoef, 2016). This research aimed to enhance the CXM construct, deepening understanding of its effects on market and financial performance. Adopting an explanatory quantitative research design, the study surveyed over 174 senior and executive managers and CX practitioners from a broad spectrum of industries, drawn from the Customer Experience Professional Association (CXPA) and Qualtrics XM Institute panel. By applying Partial Least Squares Structural Equation Modeling (PLS-SEM), it examined essential CXM dimensions—Customer Understanding and Insight, Experience Design, and Performance Metrics & Measurement—to reveal complex relationships and latent variables within the CXM framework. The findings highlighted the collective role of Customer Data Collection (CDC) and Analysis (CDA) in driving CXM differentiation (DIF), indicating these processes alone do not guarantee competitive advantage. It also emphasised the importance of routine innovation in Customer Journey Touchpoints (CJTI) for enhancing CXM differentiation (DIF) and Financial Performance (FP). The indirect relationship between CXM-driven differentiation (DIF) and financial outcomes (FP) was mediated by market performance (MP). The introduction of two empirically validated CXM Maturity Diagnostic Instruments revealed that higher maturity levels in Customer Experience Design and related practices of the Mapping and Innovation of Customer Journey Touchpoints (CJTM and CJTI) significantly influenced market Differentiation (DIF) and Financial Performance (FP). The study advocated integrating CXM into broader business strategies, recommending the Balanced Scorecard framework and a CX-centric Strategy Map prioritising the Customer perspective, thus embedding CXM into daily management practices. Through this comprehensive exploration, the research underscored the intricate relationship between essential CXM dimensions and sustained business success, bridging the gap between theoretical insights and their practical applications.

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## List of Abbreviations and Acronyms

| | |
|---|---|
| AVE | Average Variance Extracted |
| B2B | Business to Business |
| B2C | Business to Consumer |
| BSC | Balanced Scorecard |
| CB-SEM | Covariance-based Structural Equation Modelling |
| CCO | Chief Customer Officer |
| CCXP | Certified Customer Experience Professionals |
| CDA | Customer Data Analysis |
| CDC | Customer Data Collection |
| CEEC | Customer Experience Excellence Centre |
| CEM | Customer Experience Management |
| CE | Customer Experience |
| CES | Customer Effort Score |
| CJTI | Customer Journey Touchpoints Innovation |
| CJTM | Customer Journey Touchpoints Mapping |
| CPMC | CX Performance Metrics Collection |
| CPMF | CX Performance Metrics Framework |
| CPMI | CX Performance Metrics Insight |
| CR | Composite Reliability |
| CRR | Call Resolution Rate |
| CSat | Customer Satisfaction Score |
| CX | Customer Experience |
| CX Index | Customer Experience Index |
| CXM | Customer Experience Management |
| CXO | Customer Experience Officer |
| CXPA | Customer Experience Professional Association |
| CXSA | Customer Experience Association of South Africa |
| DIF | Differentiation |
| DV | Dependent Variable |
| ENC | Earned New Customer |
| EXQ | Customer Experience Quality |
| FP | Financial Performance |

| | |
|---|---|
| HBR | Harvard Business Review |
| HTMT | Heterotrait-Monotrait Ratio |
| IPMA | Importance-Performance Map Analysis |
| IV | Independent Variable |
| M | Moderator |
| MD | Market Differentiation |
| MP | Market Performance |
| MRD | Market Agility & Responsiveness Differentiation |
| NPS | Net Promotor Score |
| NRR | Net Revenue Retention |
| PDCA | Plan-Do-Check-Adjust |
| PESTLE | Political, Economic, Social, Technological, Legal, and Environmental |
| PLS-SEM | Partial Least Square Structural Equation Modelling |
| POMP | Product experience, Outcome focus, Moments-of-truth and Peace of mind |
| RBV | Resource-based View |
| ROA | Return on Asset |
| SERVQUAL | Service Quality Score |
| SoW | Share-of-Wallet |
| SWOT | Strengths, Weaknesses, Opportunities, Threats |
| TCE | Total Customer Experience |
| UK | United Kingdom |
| US | United States of America |
| VIF | Variance Inflation Factor |
| WAR | Wallet Allocation Rule |

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# Chapter 1
## Introduction and Background to the Study

The dynamic nature of the modern market environment, coupled with the growing empowerment of consumers, has underscored the paramount importance of Customer Experience for businesses.

In today's competitive marketplace, where customers are presented with an abundance of choices and possess the ability to swiftly switch to alternative providers if their expectations for a satisfactory experience are not met, the demand for seamless and personalised experiences has reached unprecedented heights (Scalerandi, 2023).

This shift in customer behaviour can be attributed to the changing marketing landscape brought about predominantly by digitalisation. With consumer markets becoming increasingly transparent, empowered, and collaborative (Homburg et al., 2017), businesses must transcend conventional approaches as differentiators, particularly in markets where goods and services have become commoditised.

As one navigates this complex landscape, it is crucial to understand what constitutes Customer Experience (CX) and Customer Experience Management (CXM). CX, a multidimensional construct, refers to the customer's holistic, dynamic response — encompassing sensorial, emotional, cognitive, behavioural, and social elements — to interactions with a business' offerings throughout their purchase or consumption journey across multiple channels and over time (Homburg et al., 2017; Klink et al., 2021; Lemon & Verhoef, 2016). Meanwhile, CXM builds on the complexity of CX, representing the strategic management of these customer interactions to foster enduring customer loyalty and transition towards a customer-centric business model (Holmlund et al., 2020; Homburg et al., 2017; Schmitt, 2003).

The concept of differentiation holds significant importance within the realm of business (Lynch & de Chernatony, 2004). It is through the implementation of effective differentiation strategies that businesses can gain a competitive advantage, nurture enduring customer relationships, and ultimately drive improved business performance.

In the past, businesses primarily focused on traditional elements such as pricing, quality, and delivery to achieve competitive advantage and create value for shareholders. However, with increasing homogeneity of products and services, these factors no longer serve as effective differentiators. As a result, businesses are compelled to explore new strategies that can differentiate them from competitors and foster enduring customer relationships.

One such strategy is the creation and delivery of exceptional CX (Sharma & Chaubey, 2014). Extensive research has emphasised the significance of CX in enhancing customer relationships, building loyalty, and generating economic value for businesses (Brakus et al., 2009; Frow & Payne, 2007; Lywood et al., 2009; Mascarenhas et al., 2006). CX, with its unique and personalised nature, has the potential to set businesses apart and provide them with a competitive advantage (Bagdare & Jain, 2013; Schmitt, 1999).

Studies have shown that more than 80% of customers are willing to spend more on businesses that offer a superior CX (Crandell, 2013), and customers who have a positive CX are five times more likely to recommend and repurchase from those businesses (Yohn, 2019).

The positive impact of increased spending and customer loyalty ultimately translates into improved financial performance for businesses (Klink et al., 2021; Zolkiewski et al., 2017). Recognising these outcomes, esteemed researchers (Andajani, 2015; Carù & Cova, 2003; Holbrook & Hirschman, 1982; Pine & Gilmour, 1998; Schmitt, 1999; Vargo & Lusch, 2004; Verhoef et al., 2009) have conducted extensive studies on the significance of unique customer experiences as a pivotal competitive strategy. This highlights the rationale of why CXM, which encompasses the strategic management of CX, has been widely regarded as one of the most promising management approaches for businesses (Homburg et al., 2017) seeking to differentiate themselves in the market.

The terms ‘business’, ‘firm’, ‘enterprise’ and ‘organisation’ are used synonymously throughout the study.

### 1.1 Justification for the Study

To leverage CXM as a competitive differentiating strategy effectively, it is crucial to gain a comprehensive understanding of its various dimensions. The complexities of CX necessitate a deeper exploration of CXM to navigate and manage successfully.

CX embodies a multifaceted construct, incorporating diverse elements such as emotions, perceptions, and interactions across various touchpoints (Kandampully & Solnet, 2015; Pine & Gilmore, 1998; Schmitt, 1999). As defined by Shaw (2005, p.9): ‘The customer experience is a combination of everything you do, or fail to do for that matter, that underpins any interaction with a customer or potential customer.’

Moreover, CX is dynamic, with past experiences influencing present encounters and shaping customer expectations (Berry et al., 2002; Hwang & Seo, 2016; Verhoef et al., 2009). The holistic nature of CX encompasses the entirety of a customer's journey,

encompassing pre-purchase, purchase, and post-purchase stages (Helkkula & Kelleher, 2010).

The intricate nature of CX, along with its significant implications for customer loyalty and financial performance, underscores the need for businesses to delve deeper into its complexities. This deeper understanding necessitates a comprehensive exploration of CXM as a strategic tool for differentiation in the marketplace (Gentile et al., 2007; Palmer, 2010). Consequently, further research on CXM becomes imperative to enable businesses to effectively navigate and manage the multifaceted challenges of CX and leverage its potential for success.

Currently, the literature on CXM remains relatively anecdotal and fragmented, lacking a well-defined framework that sets it apart from other management concepts (Homburg et al., 2017; Lemon & Verhoef, 2016).

By examining the complexities of CX and conducting research on CXM, businesses can acquire insights and strategies to navigate the challenges and harness the full potential of customer experiences. This comprehensive understanding of CXM enables businesses to develop and implement effective management operationalisation approaches that enhance CX, cultivate customer loyalty, and ultimately gain a competitive advantage in the market.

Homburg et al. (2017) and Lemon and Verhoef (2016) all advocate for additional research to effectively operationalise CXM and investigate the results, while understanding the market and financial impact on a business.

Practitioners and consultancies (Bliss, 2015; Consulta Blog, 2018; Deloitte Insights, 2020; Manning & Bodine, 2012; *Maturing Your Experience Management Program | XM Institute*, 2022; Temkin et al., 2017; *Search | Forrester*, n.d.) propose that the starting point for businesses to operationalise CXM is to assess current CX practices implemented (or not) in a business through a CXM maturity assessment matrix.

The challenge with CXM maturity assessments is that there is no sector standard; each business has its own understanding of maturity and CX practices. Additionally, there are no standards for how an evaluation should be done, neither are there constraints on what it can measure (Florentine, 2021). The variety of available matrices makes it challenging to comprehend and conduct a comparative analysis of CXM maturity (Pöppelbuß & Röglinger, 2011) and the CX practices it should comprise of.

These challenges are further complicated by different understandings on distinctions made by researchers such as Carbone (2004), De Keyser et al. (2015), Grønholdt et al. (2015), Prahalad and Hamel (2009), and Shaw (2007), as well as practitioners such as Bliss

(2015), *CX Core Competencies – CXPA* (n.d.), Forrester Research (2022a, 2022b), Manning and Bodine (2012), and consulting firms such as Deloitte Digital (2019), KPMG (2018) and Qualtrics XM Institute (2019) on terms such as ‘implementation pathways and processes’, ‘maturity models or maturity matrix’, ‘CX best practices’, ‘CX capabilities’, ‘CX dimensions’, ‘people competencies’, and ‘core organisational competencies’, who often use terms interchangeably or with different intentions.

The present state of CXM being confined to ring-fenced projects and operating in isolation persists due to its limited integration into the broader business management and measurement frameworks.

There has been some, albeit limited, academic research (Grønholdt et al., 2015; Homburg et al., 2017; Klink et al., 2021; Moorman & Rust, 1999) on the development and operationalisation (measurement) of the CXM construct, empirically linking the essential CXM dimensions to differentiation and outcome variables. The identification of key CXM practices (measurable items) as drivers for the essential CXM dimensions, integration into a maturity framework and analysing the relationship with market and financial performance, has been lacking in theory and empirical validation.

As CXM continues to grow in importance as a competitive differentiation strategy, finding solutions to address the current challenges becomes imperative for the discipline to demonstrate the value it contributes to business performance (De Keyser et al., 2015).

The questions that arise from these identified challenges are:

How can the CXM construct be enhanced to identify and reliably measure the essential dimensions of CXM that help businesses to develop their competitive strategies for differentiation?

What is the relationship between the essential dimensions of CXM and a business’s differentiation, market, and financial performance?

How does the necessity of measuring something before it can be improved or managed underscore the importance of developing a reliable CXM maturity diagnostic tool for managers?

How can a business integrate the essential CXM dimensions (and its respective best practices) into the daily management framework of a business?

## 1.2 Problem Statement

The strategic importance of CXM as a differentiating factor for sustainable competitive advantage and enhanced financial performance (Grønholdt et al., 2015; Klink et

al., 2021) has been acknowledged (Holmlund et al., 2020) by researchers and practitioners alike, heralding CX management as one of the most promising approaches to meet and exceed the market challenges of today (Homburg et al., 2017).

Given the unpredictable market changes due to economic fluctuations, technological innovations, and shifts in consumer behaviour (Hult et al., 2005), understanding CX's complexities is vital for businesses. By identifying key aspects of CX management—such as customer needs, personalised interactions, and experience consistency—companies can develop competitive strategies and decide where to best allocate their resources. This strategic approach to CX management not only optimises customer experiences, but also strengthens a business's market position.

Previous research has identified key CXM variables and shown that effective CXM can improve financial performance through differentiation and market performance (Grønholdt et al., 2015; Klink et al., 2021). However, limitations in these frameworks have been noted, and advancing the measure of the CXM construct that is theoretically and empirically grounded have been called for (Homburg et al., 2017; Lemon & Verhoef, 2016).

The purpose of the research is to bridge the gap between academia and practice, in the attempt to assist CX practitioners and businesses to effectively manage their CXM and demonstrate the value of CXM to impact market performance and, ultimately, business performance.

The research results contribute a comprehensive and theoretically driven framework that explores how the essential dimensions of CXM drive a business's performance through the establishment of differentiation as a competitive advantage. Additionally, the study develops a theory-based diagnostic instrument that translates abstract theoretical concepts into a list of measurable items, referred to as CX practices, derived from the CXM scale. This instrument enables managers to accurately measure their business's CXM maturity and gain insights.

### 1.3 Research Design

In addressing the convergence of academic theory and practical implementation in Customer Experience Management (CXM), the research design of this dissertation was formulated to integrate theoretical insights with practical application. This cross-sectional quantitative research design was fundamental in exploring the key dimensions of CXM and their influence on enhancing business performance and obtaining differentiating competitive advantage.

The research is anchored in a positivist philosophy, underscoring the importance of objectivity and empirical evidence. This approach ensured the examination of CXM, focusing on measurable and observable data to accurately assess its impact on market and business performance.

Employing a deductive approach, the study aimed to build upon and enhance existing CXM models. It facilitated an in-depth analysis of the CXM construct, examining its implementation, measurement, and the ensuing impact on business outcomes. This approach allowed for the evaluation and modification of existing models and frameworks within the field of CXM.

The explanatory nature of the study was focal in analysing the complex interaction within CXM. It concentrated on how various essential dimensions of CXM influence market and business performance. This aspect was fundamental in creating a diagnostic instrument, tailored to measure CXM maturity and offer practical insights for managers.

A survey design was implemented as the research instrument, chosen for its ability to gather extensive quantitative data from a wide range of respondents, offering a comprehensive view of CXM practices across different organisational contexts.

The study further targeted global organisations susceptible to market shifts, excluding government institutions, using a purposive sampling technique. The primary focus was on members of the Customer Experience Professionals Association (CXPA), supplemented by participants from the Qualtrics XM Institute panel. This targeted approach ensured the relevance and applicability of the research findings to professionals in the field of CXM.

This study applied Partial Least Squares Structural Equation Modeling (PLS-SEM), as the data analysis methodology. Selected for its robustness and ability to build and enhance existing models, PLS-SEM is particularly suitable for assessing multifaceted relationships and composite constructs, fundamental for the study of CXM. Its advantage lies in its capacity to reveal the complex interconnections between multiple variables. This choice was aligned with the study's quantitative nature, providing the methodology for validating the hypothesised relationships within the CXM framework.

## 1.4 Research Questions

To effectively address the identified challenges and explore the complexities of Customer Experience Management (CXM), the following research questions are posed against the background of the purpose of the study and the research problem.

### *1.4.1 Main Research Question*

How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

***Sub-Questions***

The subsequent research questions stem from the primary overarching research question:

How can existing CXM models be advanced and integrated into an enhanced framework that provides deeper insights into its essential dimensions (being Customer Understanding and Insight, Experience Design, and CX Performance Metrics & Measurement) grounded in theoretically driven measurable items?

How can an empirically validated CXM maturity diagnostic instrument be developed that enables businesses to assess their level of CXM maturity effectively?

Which CX dimensions and practices are most critical in establishing a competitive advantage for businesses, and what is the role of CXM maturity in enhancing these dimensions and practices?

How does CXM differentiation, as a result of strategic implementation and enhanced maturity, affect the market and financial performance of businesses?

What strategies can businesses adopt to effectively integrate and operationalise CXM dimensions and related practices into their daily management frameworks and practices?

## 1.5 Research Objectives

Following the research questions, this study defined several key research objectives to ensure a comprehensive exploration and understanding of CXM. These objectives were instrumental in guiding the development of a theoretical framework and a diagnostic maturity instrument for businesses, facilitating the operationalisation of CXM.

### *1.5.1 Overall Research Objective*

To develop and empirically validate a comprehensive Customer Experience Management (CXM) framework that enhanced business differentiation, market performance, and financial performance. This framework incorporated advanced measurement of CXM dimensions, assessed the impact of CXM practices on competitive advantage, and provided actionable strategies for integrating CXM into business management processes, enhancing their competitive advantage through strategic CXM implementation (Holmlund et al., 2020).

This overarching objective set the foundation for a series of specific research objectives, each designed to explore essential dimensions of CXM, from conceptual understanding to practical application and its consequent impact on business outcomes.

### *1.5.2 Specific Research Objectives*

The specific research objectives following from the overall research objective were:

To empirically investigate how the comprehensive collection and analysis of customer data contributed to business differentiation as a competitive advantage. This objective was grounded in the recognition of customer understanding and insight as central for CXM (Grønholdt et al., 2015; Homburg et al., 2017; Klink et al., 2021).

To assess the impact of customer journey touchpoint mapping and innovation, alongside the collection and analysis of diverse CX performance metrics, on business differentiation. This objective sought to explore the design and measurement aspects of CXM as essential aspects in achieving competitive advantage.

To analyse the extent to which CXM-led differentiation affected market and financial performance. This objective addressed the direct and indirect impacts of CXM practices on a business's performance, providing empirical evidence to support strategic decisions in CXM.

To examine the relationship between market performance and financial performance, highlighting the role of CXM practices in facilitating these outcomes. This objective aimed to define the pathway through which CXM practices contributed to overall business success, reinforcing the importance of CXM as a holistic strategic approach.

Each specific objective was designed to build upon the present body of knowledge by integrating and advancing existing CXM models (Grønholdt et al., 2015; Homburg et al., 2017; Klink et al., 2021), thereby providing deeper insights into the essential dimensions of CXM. The development of the proposed model included variables that other research identified as essential CXM dimensions, complemented with a level of theoretically driven items that were measurable and integrated into a higher order theory, to introduce a revised conceptual CXM framework.

In particular, the following CXM dimensions were built upon the existing models by Grønholdt et al. (2015), Homburg et al. (2017), and Klink et al. (2021) to advance the measure of the CXM construct:

*Customer Understanding and Insight* - How did the process of collecting and analysing customer and employee feedback data contribute to the establishment of a comprehensive

understanding of a business's customers and generate actionable insights with tangible value?

*Customer Experience Design* - How could businesses effectively design customer experiences by carefully crafting, optimising, and innovating customer touchpoints and interactions along the customer journey to create seamless, engaging, and memorable experiences?

*CX Performance Metrics and Measurement* - How could businesses establish a framework for consistent data gathering, analysis, and utilisation of CX performance measures to create and report metrics that assess CX success and drive impactful results, recognising that measurement serves as a means to achieve specific goals rather than serving as an end goal itself?

Through the development of an enhanced conceptual framework and an empirically validated CXM maturity diagnostic instrument, this study endeavoured to equip businesses with the tools necessary for understanding, measuring, and optimising CXM as a distinctive strategy for competitive advantage.

Furthermore, by investigating the integration and operationalisation of CXM dimensions and related practices within businesses' daily management processes, this study bridged the theoretical and practical aspects of CXM. It emphasised the transformation of CXM from a standalone project to an integrated component of overall business strategy, ensuring seamless alignment with business management and measurement frameworks.

## 1.6 Research Propositions

The research propositions constitute a foundational element of this study, intended to complement existing theoretical CXM frameworks by investigating the relationship between CXM practices and their potential impact on a business’s differentiation as a competitive advantage. Outlined as conditional propositions, as defined by Van de Ven (2007) these statements adopt an 'if...then...' structure to state expected causal or correlational relationships between variables clearly. This approach not only aligns with the quantitative nature of the research study but also enhanced the accuracy with which these relationships were articulated and tested. These propositions were operationalised as hypotheses in Section 3.2, and through testing, this study contributes to the understanding of how specific CXM practices and essential dimensions influence a business's performance outcomes. The following research conditional propositions guided the investigation and analysis in this study.

Proposition 1: If a business comprehensively collects and analyses customer data (CDC and CDA) to gain Customer Understanding and Insight, then it will positively contribute to the business's Differentiation (DIF) as a competitive advantage in the context of CXM.

P1a: If a business collects customer data (CDC), then its potential for Differentiation (DIF) is enhanced, affirming the foundational role of data collection in competitive differentiation.

P1b: If a business analyses the collected customer data (CDA), then the significance of this analysis in enhancing the business's Differentiation (DIF) is increased, highlighting the role of data analysis in leveraging collected data for competitive advantage.

P1c: If a business effectively integrates the collection (CDC) and analysis (CDA) of customer data, then this integrated approach influences the business's competitive advantage, emphasising the collective effect of data collection and analysis on enhancing differentiation.

Proposition 2: If a business strategically maps customer journey touchpoints (CJTM) and routinely innovates these touchpoints (CJTI) as integral components of Customer Experience Design, then it will mutually contribute to enhancing the business's Differentiation (DIF) as a competitive advantage within the realm of CXM.

P2a: If a business maps customer journey touchpoints (CJTM), then its potential for Differentiation (DIF) is directly enhanced, acknowledging the direct impact of customer journey mapping on competitive differentiation.

P2b: If a business maps customer journey touchpoints (CJTM), then it also promotes the routine innovation of these touchpoints (CJTI), illustrating the role of customer journey mapping in facilitating touchpoint innovation.

P2c: If a business continuously innovates customer journey touchpoints (CJTI), then this innovation directly contributes to enhancing the business’s Differentiation (DIF), demonstrating how innovation complements mapping endeavours to further competitive differentiation.

Proposition 3: If a business comprehensively collects diverse CX performance metrics (CPMC) and subsequently analyses and adopts insights gained from these metrics (CPMI), then it will significantly contribute to enhancing the business's Differentiation (DIF) as a competitive advantage.

P3a: If a business collects CX performance metrics (CPMC), then its Differentiation (DIF) is directly enhanced, emphasising the foundational role of metrics collection in competitive differentiation.

P3b: If a business analyses and adopts insights from CX performance metrics (CPMI), then this process further enhances Differentiation (DIF), highlighting the significant role of CX performance metrics insights in leveraging collected metrics for competitive advantage.

P3c: If a business implements a CX Performance Metrics framework (CPMF) to direct the collection of CX performance metrics (CPMC) and the analysis and adoption of insights (CPMI), then the impact of these activities on the business's Differentiation (DIF) is enhanced, ensuring a structured and integrated approach to leveraging metrics for competitive advantage.

Proposition 4: If a business achieves Differentiation (DIF) as a competitive advantage through CXM practices, including customer data collection (CDC) and analysis (CDA), customer journey touchpoint mapping (CJTM) and innovation (CJTI), and CX performance metrics collection (CPMC) and innovation (CPMI), then its Market Performance (MP) is positively influenced.

Proposition 5: If a business attains a degree of Differentiation (DIF) as a competitive advantage through comprehensive CXM practices, encompassing customer data collection (CDC), customer data analysis (CDA), customer journey touchpoint mapping (CJTM), customer journey touchpoint innovation (CJTI), CX performance metrics collection (CPMC), and CX performance metrics innovation (CPMI), then its Financial Performance (FP) is positively influenced.

Proposition 6: If a business achieves a level of Market Performance (MP), then its Financial Performance (FP) is directly influenced in a positive manner.

Proposition 7: If a business's Market Performance (MP) is enhanced, then its Financial Performance (FP) is significantly affected, establishing an important relationship between its Differentiation (DIF) as a competitive advantage and its Financial Performance (FP).

To ensure optimal readability, the constructs of the conceptual CXM model are presented throughout the study with their initial letters capitalised and their acronyms repeated. This practice serves the purpose of enhancing clarity and enabling prompt comprehension of these constructs whenever they are referenced.

## 1.7 Limitations of the Study

This research study aimed to contribute to the understanding of Customer Experience Management (CXM) and its impact on Differentiation (DIF), Market Performance (MP), and Financial Performance (FP). It acknowledged the limitations that affected the scope and generalisability of the findings. This section discusses the identified limitations of the study, which encompass the essential dimensions of CXM, the use of self-reported measures and convenience samples, and the limited empirical research available from CX practitioners' frameworks.

One limitation of the study was its focus on specific CXM dimensions identified as essential by previous research studies from Grønholdt et al. (2015), Homburg et al. (2017), and Klink et al. (2021). However, the findings might not have captured the full breadth of CXM, suggesting that additional dimensions and their impacts need to be explored in future research.

Furthermore, there was limited empirical research available from CX practitioners' frameworks to inform the study. The key practices identified in the diagnostic instrument to measure CXM maturity were primarily theory-driven, which might have resulted in the exclusion or misalignment of certain practices with real-world CXM implementation. This limitation highlighted the need for further empirical research and industry collaboration to validate and refine the identified CXM practices.

The use of self-reported measures of performance and convenience samples was another limitation to consider. Self-reported performance measures, including financial performance, have known disadvantages, such as potential inaccuracies, the reluctance of respondents to disclose sensitive information, and susceptibility to various biases like social desirability bias and demand bias. These limitations could have impacted the reliability and validity of the reported data, and caution was exercised when interpreting the results.

In conclusion, while this study contributes valuable insights into the essential dimensions of CXM and its impact on differentiation, market performance, and financial performance, it is important to acknowledge the limitations inherent in the study's scope and methodology. These limitations provide opportunities for future research to further enhance the understanding of CXM and its broader implications. Collaborative efforts between academia and industry are instrumental in addressing these limitations and advancing the field of CXM.

## 1.8 Delimitations of the Study

As the field of CXM continues to evolve, it is essential to recognise the delimitations that shape the scope and focus of this research study. By clearly defining these delimitations, the boundaries within which the study operates are established, providing a context for the findings, and offering insights into potential areas for future research.

In this research study, a significant delimitation was the intentional reduction of the original comprehensive CXM model. The original framework encapsulated a broad spectrum of a business's CXM operations derived from the in-depth deductive theoretical analysis, identifying specific CXM dimensions namely *Vision and Strategy*, *Effective Leadership and Management, Brand Alignment, Customer Understanding and Insight, Customer Experience Design, CX Performance Metrics and Measurement, People Development*, and *CX Governance*, as elaborated upon in Section 3. However, the focus of the study was refined to three essential dimensions: Customer Understanding and Insight, Customer Experience Design, and CX Performance Metrics and Measurement.

The decision to prioritise these dimensions was reinforced by the empirical studies conducted by Grønholdt et al. (2015), Homburg et al. (2017), and Klink et al. (2021). Their research underscored these dimensions as being instrumental to fostering market differentiation and enhancing financial performance within the realm of CXM. This accentuation of the selected dimensions aims to advance the understanding and measurement of CXM in a targeted and focused manner.

Furthermore, considerations of feasibility played a significant role in this delimitation. The broad spectrum of all CXM dimensions resulted in the identification of over 100 measurable items or business best practices. Relying on the stipulations put forth by Hair et al. (2011, 2017), empirically and statistically validating each of these items would necessitate a sample size exceeding 1000 respondents. Such a vast sample size posed challenges due to constraints of time, fiscal resources, and the stringent qualification criteria for participants as described in Section 4.2.5.

Additionally, while CXM consist of various components which are all interrelated and interdependent, and requires an integrated approach within the expansive competitive strategy of an organisation, many of the CXM dimensions and their corresponding best practices are, to an extent, ubiquitous across the broader operations of a business. The selected three dimensions, however, stand out for their intrinsic specificity to CX and its strategic management, aligning with the study's intent to enhance the areas central to CXM.

By focusing on these essential dimensions, in-depth diagnostic CXM maturity instruments were developed and validated, advancing the measurement and understanding

of CXM. This equips practitioners and businesses with invaluable insights to effectively manage and optimise their customer experience initiatives. While acknowledging the undoubted importance of other dimensions within the CXM framework, their inclusion in this study might have obscured the focused exploration of the identified essential dimensions inherent to CXM.

The research is delimited to a specific timeframe, considering factors such as data availability, practical constraints, and the dynamic nature of CXM practices. The findings may reflect the conditions and trends present during the study period and may not capture potential changes or developments in CXM beyond that timeframe.

This study employed a cross-sectional quantitative research methodology to comprehensively address the research objectives. Although this chosen approach provided valuable insights, alternative methodologies, such as qualitative or mixed methods, could have offered deeper insights into the emotional and psychological aspects of customer behaviors that influence customer experience management beyond a business's control. Acknowledging these limitations was crucial for a clear understanding of the study's context and scope, highlighting the perspectives from which CXM had been examined and identifying potential areas for future research.

The study operated within the constraints of available resources, including time, budget, and access to data or participants. These limitations may have influenced the depth and breadth of the research, potentially impacting the ability to explore certain dimensions or aspects of CXM comprehensively.

It is crucial to acknowledge these delimitations to provide a clear understanding of the study's context and limitations. While the specific focus and methodology of this study may restrict its generalisability due to the selected sample being representative of only a particular segment of the market—and limit the scope of the findings by concentrating on certain dimensions of Customer Experience Management (CXM) without exploring others—it also provides opportunities for future research to expand upon these delimitations and further advance the CXM construct. By recognising these delimitations, one can ensure a focused and meaningful contribution to the field of CXM.

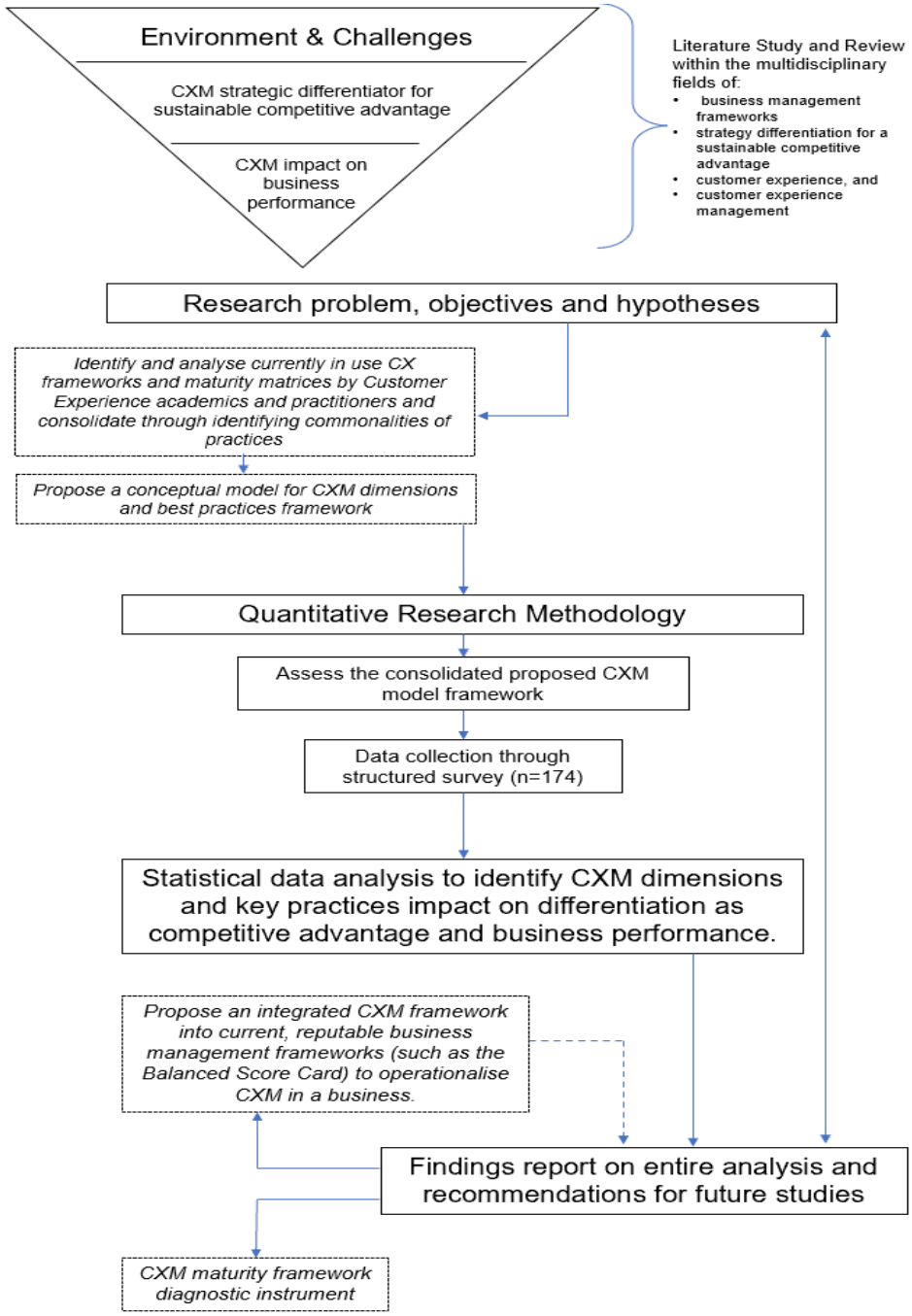
## 1.9 Form of the Study

This study investigated the essential dimensions of CXM as a differentiator for competitive advantage and its potential value for a business.

The conceptualisation of the study is illustrated in Figure 1.

**Figure 1**

*Conceptualisation of the Study*




The research study followed a systematic conceptualisation as depicted in Figure 1, which involved a comprehensive literature review encompassing the study's contextual factors and key concepts. These included the examination of the business environment as the study's backdrop, as well as the exploration of crucial concepts such as strategy differentiation for sustainable competitive advantage, customer experience, customer experience management, and business management frameworks and models.

Building upon this foundational knowledge, the research problem and objectives were formulated and refined, guiding the subsequent development of hypotheses. A quantitative research methodology was employed to collect and analyse data.

The resulting findings of the study were carefully examined and critically evaluated in relation to the research problem, objectives, and hypotheses. By establishing meaningful connections between the findings and the core components of the study, the research contributed to an enhanced understanding of the research problem and shed light on the relationships between different variables.

Through this systematic conceptualisation, the study aimed to bridge the gap between theory and practice by generating valuable insights and empirical evidence contributing to the body of knowledge in the field of CXM.

### 1.10 Chapter Outline

With reference to Figure 1, the contextual environment of the study described the current challenges of CXM, whereafter the concepts of strategy, differentiation and competitive advantage are argued within this context.

The chapter outline of this study is as follows:

In Chapter 1, the current chapter, the study begins with an introduction that provides background information and justifications for the research. The research objectives and questions derived from the problem statement are discussed, along with the research propositions. The limitations and delimitations of the study are identified, and an overview of the research design and methodology is provided. Lastly, the chapter outline is presented, giving a brief overview of the chapters included in the study.

Chapter 2 focuses on the literature review, which explores the concepts of strategy differentiation for sustainable competitive advantage, customer experience, customer experience management, and business management frameworks and models. The chapter synthesises the key findings from the literature review, integrating and analysing the relevant literature to inform the subsequent chapters and development of the conceptual CXM model.

Chapter 3 delves into the re-evaluation of the theoretical groundwork laid in Chapter 2, ensuring a solid base for the development of the proposed conceptual CXM model. The re-examination aligns with the research objectives, introducing the enhanced CXM framework model and articulating the hypotheses emerging from this theoretical framework.

In Chapter 4, the research methodology is discussed in detail. The chapter delineates the methodological framework adopted for this study, encompassing the research

philosophy, approach, data collection, and analysis techniques. It provides a structured roadmap for the systematic exploration and analysis of the research objectives and hypotheses.

Chapter 5 focuses on the presentation, analysis, and interpretation of the collected data. It describes the data collection methods utilised and the analytical techniques employed. The chapter further introduces two CXM maturity instruments designed for businesses to assess their CXM efficacy and highlights practices essential for competitive advantage. Furthermore, the Balanced Scorecard (BSC) is presented as the optimal framework for integrating CXM into daily business activities. Throughout, the findings are intricately linked to the study's research frameworks, hypotheses, and objectives.

The final chapter, Chapter 6, provides a summary of the key findings from the study. It presents the conclusions drawn from the research and discusses theoretical and managerial contributions of the research study. Finally, the chapter concludes with recommendations for future research, highlighting potential areas for further exploration based on the study's findings.

# Chapter 2
# Literature Review

The literature review that follows provides a summary of all sources used for the literature study as well as a clarification of concepts and theories used in the study. The chapter is concluded by identifying the gaps in existing knowledge and how the study aims to address them. A review of the various concepts, keywords and sources are captured in Appendix A, Table A 1 to Table A 5.

## 2.1 Key Concepts, Theories and Studies

By its very nature, CXM is multidisciplinary, and the complexity of the study has been addressed by reviewing various disciplines and fields of study. The theoretical underpinnings of the research approach are drawn from readings and analyses of the literature.

The literature review undertakes an exploration of strategic differentiation through the paradigm of CXM. It initially delineates the essential notion of Customer Experience (CX), thereby establishing the context necessary for understanding the intricate dynamics between businesses and their customers. The review examines how these interactions affect customer perception, behaviour, and inevitably influence the business-customer relationship.

Subsequently, the focus shifts towards the management of these experiences, referred to as CXM. This section exposes the strategic potential of CXM within a system-thinking framework, revealing how a holistic and integrated approach can personalise and enhance customer interactions, consequently fostering customer satisfaction and loyalty. The effective management of all dimensions of CXM is underscored as a critical enabler of differentiation and ultimately influences market and financial performance, demonstrating how the strategic employment of CXM can serve as a vehicle for competitive differentiation.

As the literature review extends into a detailed exploration of CXM, it encounters the significant complexities and challenges associated with reliably assessing CXM maturity. The discussion underscores the prevailing gaps in the current understanding and reveals the limitations of existing maturity models, particularly their lack of empirical validation and their ambiguously defined objectives.

As the review delves deeper, it scrutinises the complex landscape of multitudes of metrics used to measure CX. It critically evaluates the array of descriptive, perceptual, and outcome metrics in use today, highlighting their strengths and weaknesses. This detailed assessment paves the way for a comprehensive exploration of the linkages between CXM efficacy and business performance.

The review culminates in reflecting on the imperative need to seamlessly integrate CXM within business operations, transitioning CXM from an isolated initiative to an integral part of an organisation's strategic fabric. This discourse emphasises the significance of effectively integrating CXM into everyday business operations and the procedures that must be taken in order to achieve operational efficiency and strategic alignment to transition to a customer-centric business.

### *2.1.1 Customer Experience (CX)*

The pathway to understanding how businesses can leverage CXM for strategic differentiation commences with the fundamental exploration of CX. CX has grown and developed from various fields of study as a concept and strategic competitive differentiator. By illustrating the interdependent relationship between the business-driven creation and management of experiences, and customers' subjective perception, it underscores the significance of CX in shaping business-customer relationships. Attaining a comprehensive understanding of CX's multifaceted nature and its consequent influence on customer behaviour is fundamental in laying the foundation for the in-depth exploration of its strategic management (CXM).

CX has been discussed from different points of view, such as the business perspective and the customer perspective (Kranzbühler et al., 2018), where the contributions of the business perspective focus on the creation of CXs and the management of these experiences; and from the customer's perspective as to how customers perceive experiences (Becker, 2020; De Keyser et al., 2015;). As these two perspectives are interdependently related and a 'dyadic customer-business relationship' exists (De Keyser et al., 2015, p.2), it is important to connect the insights of these two perspectives to holistically understand the totality and multidimensionality of CX.

Since the introduction of CX as a concept by Holbrook and Hirschman (1982), their ground-breaking work highlighted the 'experiential aspects of consumption' (Hwang & Seo, 2016, p.2220). The authors stated that customers are not only rational beings (Andajani, 2015), but their 'emotions, feelings, and subconsciousness' (Kranzbühler et al., 2018, p.433) also play a role in their consumption behaviour.

With the introduction of the 'experience economy*'* by Pine and Gilmore (1998) in their seminal work, the management of experiences as a crucial source of competitive advantage for businesses gained popularity (Klink et al., 2021). At the core of the experience economy lies the concept of economic value, which involves the value customers place on goods or services based on the benefit they obtain from the goods or services (Banton, 2020). Over the last two centuries, economic value has developed from the 'Agrarian Economy based on

commodity extraction, to an Industrial Economy based on manufacturing goods, to a Service Economy based on delivering services, and now to an Experience Economy based on staging experiences' (Gilmore, 2003, p.1). This development process has been termed the 'progression of economic value' by Pine and Gilmore (1998). Author and founder of the World Experience Organisation, James Wallman (2020a), captures the essence of the progression of economic value: '[...]as a society and its economy evolve, so the customer needs and wants change. As their needs and wants change, so what a firm has to do in order to be competitive changes.'

Pine and Gilmore (1998, p. 98) further argue in their book, *Welcome to the Experience Economy*, that the success of a business's competitive advantage lies in the creation of experiences as a distinct economic offering customers are willing to pay for, where 'services are used as the stage and goods as props, to engage individual customers in a way that creates a memorable event'.

The experience economy as the next economic value (Pine & Gilmore, 1998) should not be confused with the notion of the 'economy of experiences' (Wallman, 2020b). In the context of the experience economy as discussed above, the competitive advantage lies in the experiences it offers its customers and not the goods and services it provides, as goods and services have been commoditised through the progression of economic value. Therefore, the concept of experience in this regard can be viewed as 'experiences in the economy' (Wallman, 2020b).

Another recent emerging phenomenon in society is where customers are moving from consumerism to experientialism (Wallman, 2020a). Customers have progressed to fulfil the highest level of Maslow's hierarchy of needs, self-actualisation (Maslow, 1943), through the experiences they have. These experiences are therefore referred to as 'the economy of experiences' (Wallman, 2020b).

Understanding CX as a competitive advantage in the 'experience economy' has attracted the attention of practitioners and researchers. With the further acknowledgment by researchers that customers are rational and emotional beings seeking 'pleasurable experience as an outcome of consumptions', Schmitt (1999, p.21) defined experiences as a personal reaction of customers to experiential marketing efforts of a company, defining the various CX to consist of five dimensions, namely: sensory experiences (SENSE); affective experiences (FEEL); creative cognitive experiences (THINK); physical experiences, behaviours, and lifestyles (ACT); and social identity experiences that result from relating to a reference group or culture (RELATE). Respected author Colin Shaw (2007) has since made a significant contribution to the further understanding of the role of emotions as drivers or

destroyers of value clusters by revealing an empirical link between evoking these emotions and substantial financial returns in his book *The DNA of Customer Experience: How Emotions Drive Value*.

The role that 'emotions, feelings, and sub-consciousness play within the experiential approach to consumer decision making' (Kranzbühler et al., 2018, p.434), emphasise the subjective and multidimensional nature of CX (Hwang & Seo, 2016).

Another perspective for understanding CXs derives in the context of S-D logic (Vargo & Lusch, 2004). When CX is viewed from the customer's perspective, the value in using the experience 'will very much depend on the customer's specific interest and the personal context of their "lifeworld"' (Helkkula & Kelleher, 2010, p.38). Recently, researchers have been highlighting the dynamic participation of customers in the service design, delivery, and consumption process (Carù & Cova, 2003; Hwang & Seo, 2016) to co-create value and achieve memorable experiences (LaSalle & Britton, 2003; Vargo & Lusch, 2004).

This perspective introduces a changed view from businesses providing the personalised experiences to customers (Becker, 2020; Prahalad & Ramaswamy, 2004), to businesses offering a means for customers to integrate various resources from multiple sources to co-create value for an extraordinary experience (Carù & Cova, 2003; Vargo & Lusch, 2004).

As CX is characterised as subjective in nature, and forms part of a customer's lifeworld (Klink et al., 2021), it is not fully controllable by a business (Verhoef et al., 2009), and can therefore be defined as the 'customer's response (sensorial, emotional, cognitive, behavioural and social) to interactions with business offerings before, during and after the customer's purchase or consumption journey, through multiple channels and over time' (Klink et al., 2021, p.842).

Globally, companies are also acknowledging the importance of CX as a key competitive advantage. A recent study, "The Gartner 2019 Customer Experience Management Survey", consisting of 401 respondents in Canada, the United Kingdom (UK), and the United States (US) in a variety of industries, revealed that more than two thirds of the respondents confirmed that they compete primarily or entirely with CX (Ray & Mennella, 2019). Additional knowledge resources and capacity are also committed to CX with only 11% and 10% of the respondents confirming the absence of a Customer Experience Officer (CXO) and Chief Customer Officer (CCO) position in their business, respectively, which is down from over 36% according to a Gartner Inc. study in 2017 (Ray & Mennella, 2019).

### *2.1.2 Customer Experience Management (CXM)*

Building upon the comprehensive understanding of the multidimensional nature of CX, it becomes evident that its strategic management is paramount. This realisation leads the way for a deeper examination of CXM — a holistic approach that orchestrates and governs strategic customer interactions. It is a cornerstone in fostering sustained customer loyalty and driving an organisation towards a more customer-centric paradigm.

Schmitt (2003, p. 17) aptly defines CXM as 'the process of strategically managing a customer's entire experience with a product or company'. Echoing this, Homburg et al. (2017, p.381) further refine this definition, presenting CXM as a 'higher order resource of cultural mindsets toward CX, strategic directions to design CX, and organisational capabilities to continuously improve CX', all converging to a singular purpose: to cultivate and maintain long-term customer loyalty.

An essential facet of CXM is the concept of the Total Customer Experience (TCE). At its essence, TCE offers a holistic perspective, transcending individual business interactions and deeply rooting itself in the comprehensive experience of the customer. This expansive view captures every stage of a customer's journey — from pre-purchase anticipation to the purchase act, and subsequent post-purchase evaluations. This journey, observed from the customer's lifeworld and explained by Becker (2020), Mascarenhas et al. (2006), and Verhoef et al. (2009), is interspersed by myriad touchpoints and interactions (Kranzbühler et al., 2018; Lemon & Verhoef, 2016; Patrício et al., 2011). Its dynamism ensures that each experience, whether past or present, influences future interactions, a notion supported by Helkkula & Kelleher (2010) and Klink et al. (2021). This enduring nature of TCE, as characterised by Mascarenhas et al. (2006), is 'engaging and fulfilling', and encompasses all major levels of consumption, ultimately leading to lasting customer loyalty (Hwang & Seo, 2016).

Assessing the structure of TCE, Gentile et al. (2007) present a model segmented into six dimensions: sensorial, affective, cognitive, lifestyle, pragmatic, and relational. These segments, evolving from Schmitt's (1999) five dimensions of CX, accentuate the mutual benefits for both businesses and customers in delivering integrated experiences (Havíř, 2017). Given TCE's multifaceted and continuous nature, researchers have emphasised the importance of its effective management (Gentile et al., 2007; Palmer, 2010). Within a well-constructed CXM framework, businesses stand to gain a distinctive advantage. Moreover, strategic and well-executed CXM empower businesses to nurture customer loyalty in the long term (Homburg et al., 2017).

With the myriad components of CXM intricately influencing the entire customer experience, an essential question emerges: How can these elements be adeptly managed and unified to realise a business's overarching vision? The discipline of systems-thinking offers profound insights, suggesting an interconnected approach to managing these components seamlessly (Arnold & Wade, 2015).

Systems-thinking draws on the system dynamics methodology developed by Jay W Forrester at MIT in 1961 (Senge & Sterman, 1990). At the Sloan School of Management, Forrester started to apply his vast knowledge of complex systems, exploring how his theories and computer models can assist management to solve real-world business challenges to make businesses more effective for a better overall performance (Vikhornova, 2018).

However, it was Peter Senge's seminal book *The Fifth Discipline: Mastering the Five Practices of the Learning Organisation* (1990) that popularised the concept of systems-thinking as a crucial part of the learning organisation (Smith, 2013), evolving the view that 'effective systems adapt and learn' as noted by the author and Professor Budelmann (2020, p.1).

Peter M. Senge was named 'Strategist of the Century' (Strategies for Influence, 2019) by the Journal of Business Strategy in a 1999 issue, and his book, *The Fifth Discipline*, was heralded by Harvard Business Review as one of the most influential management books of the past 75 years. According to Senge (1990), only learning organisations that are flexible, adaptive, and productive in situations of instant change will thrive. He described five disciplines that must be mastered to become a learning organisation: Personal Mastery, Mental Models, Building Shared Vision, Team Learning, and Systems Thinking. The fifth discipline, Systems Thinking, is the cornerstone discipline that binds the other four disciplines. Senge (1990, p. 373) regarded a discipline as a 'series of principles and practices that we study, master and integrate into our lives. The five disciplines can be approached at one of three levels: Practices: what you do; Principles: guided ideas and insights; Essences: the state of being those with high levels of mastery in the discipline.'

All disciplines are, in this way, 'concerned with a shift of mind from seeing parts to seeing wholes' (Senge, 1990, p. 69). Only when organisations start to see the organisation as a holistic dynamic process will proper action be taken to excel during a changing environment. Systems-thinking should therefore be applied to CXM, guiding the transformation of a business to become customer-centric.

Translating systems-thinking to the realm of CXM, it becomes evident that a business's people, processes, and technology should not be compartmentalised and seen as a collection of independent components (Liker & Morgan, 2006). Instead, they form a holistic interwoven system where every component not only influences others, but the overall outcome.

Understanding CXM in its entirety reveals its complex structure, emphasising that this approach doesn't exist in isolation. It demands continuous integration into a business's broader strategic framework, determining its distinct value proposition. With this comprehensive understanding of CXM, the ensuing discussion will focus on strategic differentiation and the inherent role CXM plays in forging a sustainable competitive advantage.

### *2.1.3 Strategy differentiation as a competitive advantage*

As posited within this study, sustainable competitive strategic differentiation can be achieved through CXM. An examination of the literature is used to describe business strategy, business management frameworks and models, long-term competitive advantage, and the role of CXM in obtaining sustainable competitive strategic advantage.

Competitive strategy, as defined by Ormanidhi and Stringa (2008), is a business's long-term approach to develop and enhance its unique attributes, thereby differentiating itself in the marketplace. The goal of this strategic differentiation is to encourage customers to choose the business's products and services over those of its competitors. Echoing this theory, strategic thinking pioneer, Michael Porter, emphasised the importance of being distinct. He characterised competitive strategy as the deliberate selection of activities that deliver a unique mix of value, further underscoring the concept's focus on differentiation (Porter, 1996).

Competitive advantages are typically underpinned by core competencies (Prahalad & Hamel, 2009) that reside in and are continually developed by each business. However, in today's highly competitive and ever-evolving marketplace, differentiation through the traditional avenues of price, product quality, or delivery is no longer sufficient. The similarity among products and services has increased, making differentiation through these elements challenging (Kim & Mauborgne, 2004). As a result, businesses are increasingly focusing on creating differentiation through customer experiences, leading to an elevated role of CXM in strategic planning for a competitive advantage.

Porter (1980) identifies in his seminal book, *Competitive Strategy: Techniques for Analysing Industries and Competitors,* three generic competitive strategic approaches for a

business to outperform other businesses in a specific marketplace by focusing on either a low-cost, differentiation, or market focus strategy. Ormanidhi and Stringa (2008) explained in their analysis of this framework that if a business follows the rule of recommended strategy, they will perform better and ultimately achieve competitive advantage.

The concept of strategy has evolved over time. Ansoff (1965) conveyed one of the first definitions of strategy in a business context as ‘a set of decision-making rules for guidance of organisational behaviour’ (p. 103). Porter (1996, p.64) provided a definition of strategy in the context of market developments and competitiveness as: ‘Strategy is the creation of a unique and valuable position, involving a different set of activities. If there were only one ideal position, there would be no need for strategy.’

In this new economy where the concept of competing on experiences signifies a new economic era – the experience economy (Pine & Gilmore, 1998), the role of CXM in the strategic formulation, is becoming increasingly significant. Businesses that strategically manage customer experiences and use them as a source of differentiation can significantly improve their market position (Lemon & Verhoef, 2016), by enhancing customer satisfaction, loyalty, and ultimately, company profitability (Verhoef et al., 2009). Therefore, businesses need to integrate CXM into their strategic planning process to enhance their differentiation and strengthen their competitive position in the marketplace. To accomplish this, businesses must develop a deep understanding of their customers, design customer experiences that meet or exceed expectations, and consistently measure and improve these experiences (Rawson, Duncan & Jones, 2013).

The preceding definitions demonstrate that strategy is an important aspect of the management process because it provides an organisation with focus, direction, and a plan or set of objectives that lead to a measurable and long-term competitive position in a complex environment. Strategy is as much about the ‘what’ as it is about the ‘how’, and it is pointless until it is executed, echoing the well-known quote by General Omar N. Bradley: ‘Amateurs talk strategy. Professionals talk logistics.’ (Richards, 2018, p.1)

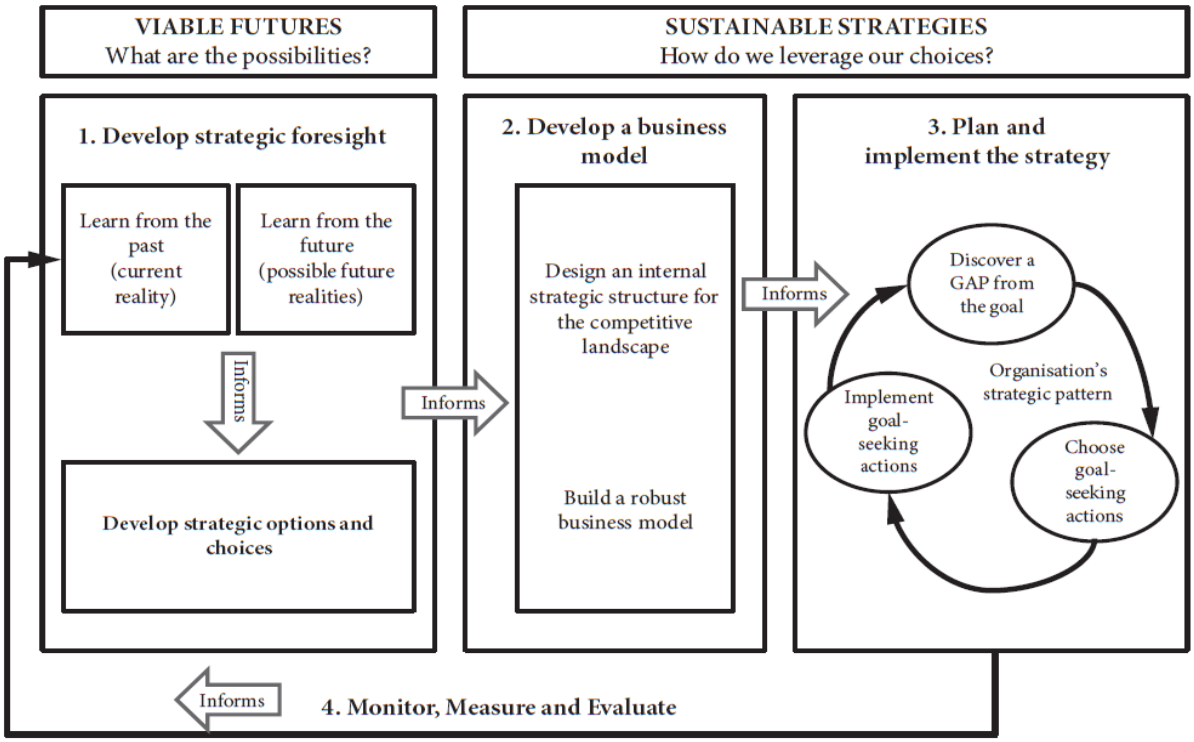
Over the last few decades, much has been written on competitive strategy, resulting in a rich tapestry of work that includes a variety of well-known strategic planning models and tools. Businesses employ these resources to gain a deeper understanding of both external and internal factors and competencies, with the ultimate aim of achieving a competitive advantage.

Strategy formulation is futile unless it is followed by strategy implementation. Ungerer et al. (2016) advocate that the strategising process not only offers a framework for focusing people's actions on the strategic tasks at hand (the *what and how* of strategy), but also

provides an overview for answering questions about the *why and wherefore* of it. In general, addressing the 'why' and 'wherefore' questions generates momentum or a desire to undertake tasks, whereas answering the 'what' and 'how' questions concentrates that momentum towards implementation (Ungerer et al., 2016). In the context of CXM, a clear strategy can help a business align its actions with customer needs and expectations, thereby uniquely differentiating itself from competitors.

**Figure 2**

*The Strategy Process*




*Note.* Businesses are encouraged to adopt the generic and continuous four-step process to strategy formulation enabling strategic foresight for sustained success. From *Crystallising the strategic business landscape,* by Ungerer et al., 2016, p.15. Copyright 2016 by KR Publishing.

Ungerer et al. (2016) developed a generic, four-step process to strategy formulation illustrated in Figure 2. Businesses in the pursuit of excellence in CXM, are encouraged to adopt this continuous four-step process, each step building upon the preceding one, to create a cohesive strategy that embodies a forward-thinking approach to enable sustained success.

The first critical step in the process involves developing strategic foresight. This entails gaining profound insights into potential opportunities and available options, as well as the discernment to make choices aligned with the long-term goals of the organisation (Rust et al., 2004).

With specific reference to CXM, businesses need to understand and anticipate not just the needs and preferences, but also the behavioural patterns, of their customers. Predictive analytics and artificial intelligence can be leveraged to uncover patterns in customer behaviour and forecast future trends (Rust et al., 2004). The strategic foresight should also incorporate competitive analysis from a customer perspective. Understanding how competitors manage customer experiences can reveal opportunities for differentiation (Ungerer, 2016).

Following the development of strategic foresight is the development of a robust business model that aligns seamlessly with the principles of CXM. At its core, this model should place the customer at the central focus and delineate how the business intends to deliver a distinctive and superior customer experience at every touchpoint. This approach adds value, not only to the business itself, but also to its customers. One promising approach is rooted in the concept of a ‘service-dominant logic' business model (Helkkula & Kelleher, 2010). This model envisions value creation as a collaborative process between the business and its customers through interactive experiences, as opposed to a one-sided delivery by the business itself (Ungerer, 2016).

With a customer-centric business model in place, the next step involves the criticl planning and implementation of the CXM strategy. Specific initiatives to improve the customer experience should be aligned with overall business goals and mapped out in the strategic plan. The execution of this strategy requires cross-functional collaboration (Bliss, 2015), as CXM is a company-wide responsibility, not confined to a single department. This synergy ensures that the CXM strategy serves as an enabler of the company's overarching vision.

The culmination of the CXM process lies in the final step - monitoring, measuring, and evaluating the effectiveness of the strategy. Businesses must employ a comprehensive set of metrics to gauge their performance in delivering exceptional customer experiences. Quantitative and qualitative metrics should be leveraged to provide a well-rounded view of CXM effectiveness (Zolkiewski et al., 2017).

Moreover, this step should not be viewed as a one-time assessment. Instead, it necessitates the establishment of a continuous feedback loop where customer insights and feedback directly influence strategic adjustments (Temkin et al., 2017). This iterative process ensures that the CXM strategy remains dynamic and adaptable, continually evolving to meet the ever-changing needs and expectations of customers.

Following the outline of the four-step process to strategy formulation for a differentiating competitive advantage, it is necessary to examine the practical mechanisms

that facilitate this process. The world of strategic planning offers a plethora of models and tools specifically designed to assist businesses in gaining a comprehensive understanding of their external environment and internal capabilities. These are instrumental in the development and execution of competitive strategies that position businesses favourably in their respective markets. The relevance of these strategic planning models and tools to CXM is of particular interest. They provide an in-depth understanding of customers, competition, and the business's unique capabilities, allowing for the alignment of business actions to leverage CXM for differentiation and a compelling competitive advantage (Fahey, 1999; Grant, 2003). In the subsequent discussion, the strategic classifications proposed by Ungerer et al. (2016, p. 43) are be adopted, categorising the various approaches into three discernible themes: ‘Foresight development, Insight development, and Cross-sight development’.

Foresight development plays a crucial role in strategic analysis as it directs a business's focus on viable futures, opportunities and threats that are pertinent to a business. It relates to the assessment and analysis of a business's global and macro environment, competitive environment, and customers and suppliers (Ungerer et al., 2016).

Popular tools to analyse a business’s global and macro environment are stakeholder analysis and the Political, Economic, Social, Technological, Legal, and Environmental (PESTLE) strategic planning tool. Originally developed by Aguilar (1967), the PESTLE strategic planning tool examines the broader macro-environment in which a business operates and over which it has limited control. The PESTLE factors can shape opportunities and pose threats in varying degrees of significance, depending on the type of business (Yüksel, 2012).

Porter's Five Forces Model is one of the most renowned and commonly used techniques for understanding and analysing a business's competitive environment. Porter’s Generic Competitive Strategies were preceded by his seminal work, *How Competitive Forces Shape Strategy* (1979), where he identified five forces that affect competitiveness within an industry and the attractiveness of that market. He explained that ‘the collective strength of these forces determines the ultimate profit potential of an industry’ (Porter, 1980, p. 137). Known as Porter’s Five Forces, they are identified as the ‘bargaining power of suppliers, bargaining power of customers, threat of new entrants, threat of substitute products or services, and industry rivalry between current competitors’ (Porter, 1980, p. 137). Strategists use this model to assess and evaluate their current competitiveness within an industry and plan how it can ‘best defend itself against these forces or can influence them in its favour’ (Ormanidhi & Stringa, 2008, p.56). These insights are valuable for CXM, as

they reveal opportunities and threats that might influence customer expectations and behaviour.

Insight development, on the other hand, relates to the internal evaluation and analysis of a business's internal resource capacity and capabilities, procedures and practices, as well as its competitiveness in the market. This strategic arena is under complete control of the business's leadership, enabling a broad business analysis (Ungerer et al., 2016).

Known as the 'Father of Strategic Management', Igor Ansoff developed the Ansoff Matrix in 1957, which introduces four generic strategies a business can deploy with the objective of growth (Ansoff, 1965). This Product/Market Expansion Grid looks at products from both a market and a product standpoint to discover future market-positioning decisions and/or characterise current ones (Ungerer et al., 2016). The four generic strategies are 'market penetration, product development, market development and diversification strategies' (Lappeman et al., 2021, p.11) which analyse the risk associated with each strategy, and drive innovation for both existing and future products.

Another strategic view proposed by researchers (Barney, 1991; Prahalad & Hamel, 2009) for a business to achieve competitive advantage is to analyse and focus on the internal resources of a business rather than the external environment, often referred to as the Resource-based View (RBV). The VRIO (Value, Rarity, Imitability, and Organisation) framework is one such strategic model developed by Barney (1991) where the author identified four key characteristics that a business must hold before it can be viewed as a foundation of sustainable competitive advantage. The four characteristics of the VRIO model are 'value, rarity, costly to imitate, and organisation capacity to capture the value' (Barney, 1991). This analysis is crucial for CXM, as it reveals the company's strengths and weaknesses in delivering a superior customer experience by informing strategic decisions.

The last theme, cross-sight development, is the process of integrating, consolidating, and synthesising all the information gathered from the external and internal analyses into a comprehensive view of the business and its future course. Cross-sights emerge from the synthesising process, which leads to a comprehensive knowledge of complementarities (synergies) that exist or may exist across a business's assets and competencies (Ungerer et al., 2016).

Ungerer et al. (2016, p. 241) further advance the importance of cross-sight development as part of the strategic competitive formulation, stating: 'Armed with cross-sights, businesses are able to uniquely leverage their complementary assets (possibly in

conjunction with newly acquired assets that also create complementarities) to pursue new opportunities, create value and attain competitive benefits.'

An integrated SWOT analysis is a recommended tool by Ungerer et al. (2016, p. 260) to synthesise a business's external and internal information to construct the integrated cross-sights: 'SWOT is an acronym for the four pillars of the analysis – strengths, weaknesses, opportunities and threats.'

With its simplistic 2 x 2 matrix, the business can easily identify and map the internal and external factors that have an impact on achieving a specific objective. A business analyses the external environment by identifying opportunities and threats, as well as analysing the business's internal strengths and weaknesses, to assess and enable strategic planning decisions (Kotler & Armstrong, 2016). Tools like the SWOT analysis can aid this process.

Cross-sight development holds a pivotal role in CXM. It provides a comprehensive perspective by aligning the internal competencies (insight) with the external market opportunities and threats (foresight). In the realm of CXM, it helps businesses to leverage their unique capabilities and market understanding to provide superior, differentiated customer experiences that are both proactive and resilient in the face of market fluctuations.

Owing to the rapid and continuous change in how customers define value in many markets, the competitive strategy framework developed by Michael Treacy and Fred Wiersema's 'Value Discipline Model' as described in their book *The Discipline of Market Leader*, is particularly relevant in the context of CX (Treacy & Wiersema, 1995). The premise of the model echoed the strategy framework developed by Porter (Porter, 1979) in that when firms focus on their core competencies, they will excel. Three 'value disciplines', namely: operational excellence, product leadership, and customer intimacy, are identified as core competencies for firms to establish their competitive advantage. Each 'value discipline' is measured by feedback from external stakeholders such as business, customers, and suppliers (Treacy & Wiersema, 1993). Treacy and Wiersema (1993) encouraged businesses to be sufficient in all three value disciplines, but excel in one value discipline, to dominate their market.

In today's challenging market environment, the innovation and impact of technological advancements result in customers being better informed, having more choice, as well as the potential to acquire their preferred solutions through numerous options (Pires et al., 2006; Heinonen & Strandvik, 2015). With increased knowledge, power follows, and the control of the market has shifted from business to the current informed customer, which

gives rise to the growing notion of the ‘empowered customer’ (Pires et al., 2006; Heinonen & Strandvik, 2015).

The market environments in which businesses operate are described by Day and Montgomery (1999) as ‘[...] global arenas in which needs are communicated, transactions occur, and value is extracted.’ They further argue that the fundamental principle to understand the basis that customers exercise choice will remain where mutual value for business and customers is derived, although the ‘choice processes are likely to be exercised in new ways’.

With the customer of today experiencing increased power in their decision-making processes to obtain value, as well as increased expectations as they no longer only compare options within a specific category or industry, but with every experience they are having in their life (Heinonen & Strandvik, 2015), businesses need to dominate in all three competencies: ‘operational excellence’, ‘product leadership’, and ‘customer intimacy’ (or ‘value disciplines’ as expressed by Treacy and Wiersema (1993)), to remain competitive (De Keyser, 2021).

CXM sits as the nexus of the three value disciplines (De Keyser, 2021) and has therefore emerged as a sustainable source of competitive strategic differentiation (Kranzbühler et al., 2018; Lemon & Verhoef, 2016; Holmlund et al., 2020).

Recognising the influence of new technologies around the internet and the ‘empowered consumer’, Hax and Wilde (2002) saw the potential for a wholly new business method that links customers and businesses, providing the opportunity for new strategic frameworks. The ‘Delta Model’ was formed as a result of their (Hax & Wilde, 2002) advocacy for businesses to focus more on customers and less on competition. The Delta Model (Delta is a Greek letter that represents transformation and change) is a customer-centric strategy framework that encourages a strong link between the customer and the business. The customer is at the core of the strategy and the driving force behind all of the business strategy deployment (Summary of the Delta Model, 2022).

The Delta Model is presented as a triangle, which defines three alternative strategies to customer bonding in order to implement business management strategies (Hax & Wilde, 2002).

The triangle's Best Product Positioning focuses on overall customer satisfaction by developing effective and efficient products. Creating an effective distribution system (to save expense), developing innovative product design approaches and processes (to ensure product renewal), and determining the best distribution channels, are all part of the process (which help distribute the product to all target markets) (Hax & Wilde, 2002).

Total Customer Solutions is considerably different from its counterpart, Best Product Positioning. The former focuses on providing customers with solutions by adapting products and services to their unique needs. This strategy option emphasises comprehensive customer satisfaction while also considering the financial situation of customers (Hax & Wilde, 2002).

The strategic decision at the top of the triangle, System Lock-In, supports a network or system-economics as a driving factor for a business. According to this strategy, the ultimate aim of the method is to gain a complementor share (Hax & Wilde, 2002). Businesses that sell or supply products or services that are compatible with, or complimentary to, the products or services produced and marketed in a particular sector are known as complementors, or Porter's sixth force. When purchased together, complementary commodities provide greater value to the buyer than when purchased independently such as Intel and Microsoft (Hitt et al., 1999). This ensures ‘customer lock-in as well as competitor lock-out’ (Hax & Wilde, 2002, p.10).

The Delta Model takes a proactive approach and adopts a customer-centric view with a number of different tactics. Rather than seeing a customer's purchasing power as a negative force in the market that a business must defend against, as Porter's Five Forces suggest (Porter, 1979), the Delta Model aims to form a bond with customers and keep them at the centre of its strategy in order to provide a compelling value proposition and differentiator.

One disadvantage of the Delta Model that should be considered is pricing, as putting the customer first and developing an extremely good relationship may imply that the business will struggle to raise prices or may not completely comprehend the implications of cost on total customer satisfaction (Summary of The Delta Model, 2022). However, a strong CXM strategy can mitigate this risk by focusing on creating value that customers are willing to pay for, such as personalised service or superior quality.

In conclusion, strategic planning models and tools offer invaluable frameworks for developing a robust CXM differentiation competitive strategy. The key lies in aligning these models to the specific context and objectives of a business, enabling them to deliver and manage unique and differentiated customer experiences that serve as a competitive advantage.

### *2.1.4 Assessing CXM Maturity: A Diagnostic Approach towards Strategic Differentiation*

An essential tenet in business management underscores the necessity to accurately measure an occurrence before it can be effectively improved. Given the strategic competitive significance attributed to CXM, it is imperative to gauge its effective implementation in practice.

Successful implementation of CXM as a competitive advantage hinges on aligned leadership behaviours/actions (Bliss, 2015; Temkin et al., 2017). While many businesses can articulate the vision for the differentiated experience they desire for their customers, and some can even develop a strategy to achieve this vision, very few are able to operationalise and integrate a customer-centric, outside-in approach (Manning & Bodine, 2012) into their day-to-day management.

Examining the literature of Bliss (2015), Consulta (2018), Deloitte Insights (2020), Forrester Research (2016, 2022b), Manning and Bodine (2012), Temkin et al. (2017) and the XM Institute (2022), these practitioners and consultancies propose that businesses initiate the operationalisation of CXM by assessing current CX practices implemented in a business through CXM maturity assessment matrices.

As described by Schumacher, Erol and Sihn (2016, p.161), '"Maturity" refers to a "state of being complete" and implies progress in the development of a system. Maturity models are commonly used as an instrument to conceptualise and measure the maturity of an organisation or a process with respect to some specific target state.'

Assessing some of the popular CXM maturity matrices created and implemented by Bliss (2015), Consulta (2018), Deloitte Digital (2019), Forrester Research (2016), Gartner, Inc. (2020), Manning and Bodine (2012), Qualtrics XM Institute (2019), Shaw (2005), and Temkin et al. (2017), one finds that all are structured in a similar manner. Typically, these matrices are arranged into maturity stages, usually ranging between four and six stages, with specific themes and related practices of CXM progressively building upon one another towards maturity. However, the precise terminology used to describe these themes and practices can vary, with terms like 'disciplines', 'competencies', 'factors', or 'dimensions' often used interchangeably. Furthermore, it is important to note that each matrix selectively emphasises certain aspects, thus representing varied interpretations of the concept.

As noted by Bruce Temkin, director of the Qualtrics XM Institute (Temkin et al., 2017), the absence of a standard set of CX assessments in every company complicates the concept of 'maturity' and makes it unique to every organisation. Furthermore, no standard exists for what an assessment should entail or what aspects it should measure (Florentine,

2021). With no standard comprehensive CMX maturity matrix available, the variance in available matrices complicates the understanding and comparative analysis (Pöppelbuß & Röglinger, 2011) of CXM maturity.

Most CXM maturity matrices do not indicate the intended 'purpose of the resulting maturity assessment being descriptive, prescriptive or comparable in nature' (De Bruin et al., 2005, p.9). This ambiguity might be due to these matrices not being developed from a standardised maturity matrix framework (De Bruin et al., 2005) and can therefore be denounced as 'step-by-step recipes' that 'oversimplify reality and lack empirical foundation' (Pöppelbuß & Röglinger, 2011, p.2).

The development of effective maturity matrices as described by Pöppelbuß & Röglinger (2011, p.13) requires maturity models to 'include improvement measures for each maturity stage and available stage of granularity in the sense of good or best practices [...] disclosing potential for improvement.'

Businesses fully acknowledge the importance of adapting and implementing changes to increase their maturity in CXM to become customer-centric (Ray & Mennella, 2019), and since most of the leading CXM maturity matrices can be classified as descriptive maturity models assisting businesses to determine the current status quo of their business (De Bruin et al., 2005; Pöppelbuß & Röglinger, 2011), they do not always guide the business's leadership on how to effectively implement and manage the complex process of maturity improvement for increased performance (De Bruin et al., 2005) to become fully customer-centric.

Rarely are clear prescriptive and comparable CXM maturity models applied that will assist business leaders with a specific 'roadmap for improvement [...] and comparative benchmarking practices' (Pöppelbuß & Röglinger, 2011, p.2) linking back to the maturity matrix and intended strategy.

Gartner Inc., a research and advisory firm, revealed in a recent study in 2019 that most businesses allocate 'a significant portion of CX initiatives to single-department initiatives' (Ray & Mennella, 2019, p.3). As discussed earlier in section 2.1.1, the appointment of additional resource capacity (CXOs and CCOs) in a business is therefore not necessarily indicative that a business has integrated CX into the daily management of a business. New titles often accompany new market developments that receive attention (De Keyser et al., 2015) and run in parallel with the established valued aspects of a business.

Failing to integrate the CX best-practice implementation process into the current business strategy and operations, a parallel strategy deployment process is introduced around CXM, ring-fencing CX in a silo from the daily business management. One such

example is the well-known consulting firm, Deloitte Digital, which recognises the importance of cross-functional integration for a business to become customer-centric as a core business proposition, highlighting that one of the key challenges for CX is that ‘legacy remains entrenched and businesses continue to build CX initiatives on product lines’ (Deloitte Digital, 2019, p.5). Deloitte Digital acknowledges that they generally accept ‘CX initiatives [to be] developed in separate cross-functional and project-based teams’ but highlights the importance of transparency of all the various initiatives to management in order to prevent silo projects that lead to misalignment and wasted resources (Deloitte Digital, 2019, p.13).

Another potential challenge that businesses face at the implementation of CXM is wrestling with the balance of ‘working in their business’ simultaneously whilst ‘working on their business’ (Forbes Coaches Council, 2018), due to the complexities arising from halting current modus operandi and introducing a totally new operational model to accommodate the management of CX mechanisms for improved maturity. When business is 'working in their business', current practices are operationalised and standard operating procedures are in place. Through the journey of transformation and continuous improvement towards customer-centricity, when 'working on their business,’ new CX practices are identified and introduced as required. The structured and formalised process to adopt the new practices by business structures remains challenging for business (Forbes Coaches Council, 2018).

While businesses recognise the importance of integrating CXM into their daily management frameworks, prevailing literature persistently underscores the challenges encountered in this realm. There is a clear absence of a standardised, empirically validated diagnostic instrument dedicated to CXM maturity assessment. Addressing this need is a fundamental research objective of this study. This objective is not merely concerned with assessing maturity levels; it also aims to provide managers with a roadmap that empowers and enables them to comprehend and subsequently optimise their CXM, positioning it as a differentiating strategy for competitive advantage.

### *2.1.5 Measuring CXM Efficacy: Exploring the Link to Business Performance*

A predominant challenge faced by CX practitioners lies in demonstrating the impact of improved Customer Experiences (CXs) on key business performance metrics (Schmidt-Subramanian et al., 2020). Despite the acknowledgment by 73% of business leaders that ‘delivering a relevant and reliable CX is critical to overall business performance’ (Harvard Business Review Analytical Services, 2017, p.1), a mere 14% of CX professionals confirm that the business benefits derived from CX investments are explicitly established within their organisations. This disparity could be attributed to the complexity of outlining the impact of CXM on financial results. Consequently, CX professionals are increasingly under pressure to

validate how CX investments yield positive business and financial outcomes (Gartner, Inc., 2018). If they fail to do so, the prediction that one in four CX professionals could lose their jobs in the future (Manning, 2019) may materialise. Given this challenge, focusing on CX Performance Metrics and Measurement as a key dimension of CXM is imperative. Illustrating the complexities of CXM performance measurement and its correlation with business performance continues to contribute to the ongoing discourse on substantiating the business value of CXM.

Currently, there are some key CX metrics that dominate the performance tracking of CX initiatives within organisations (Schmidt, 2021). Temkin (2014, p.18) emphasises that 'the choice of metrics is not the cornerstone of great CX. Instead, how companies use this type of information is what separates CX leaders from their underperforming peers.'

Manning and Bodine (2012, p. 126) propose a 'customer performance measurement framework' in their book *Outside In* as the foundation to demonstrate the 'cause, effect, and business outcomes' of various CX metrics, helping companies identify what CX components to measure, how to measure it, and what the results mean to their business.

The CX metrics that are part of the customer performance measurement framework can be categorised into three types of metrics: 'descriptive metrics'; 'perception metrics'; 'outcome metrics' (Manning & Bodine, 2012; Temkin, 2014; Schmidt, 2021) each measuring a different aspect of the CX.

'Descriptive metrics*'* comprise operational data on customer interactions with a business, measuring what materialised 'in the real world' (Manning & Bodine, 2012). Common descriptive metrics examples are average call time, web analytics data, average transaction value, call and email volume, average holding time, etc. (Manning & Bodine, 2012; Schmidt, 2021; Temkin, 2014). Descriptive metrics are encouraged to be analysed with perception metrics as they provide context and insights for the perception customers have about their experience (Manning & Bodine, 2012).

As CX has been defined earlier in Section 2.1.1, measuring CX relates to the measurement of the perceived experience by a customer, determining how a customer thinks and feels about aspects of a specific experience they had (Manning & Bodine, 2012; Schmidt, 2021; Temkin, 2014). Common examples of 'perception metrics*'* are Customer Satisfaction Score (CSat), Call Resolution Rate (CRR), Customer Effort Score (CES), Service Quality Score (SERVQUAL), etc. (Manning & Bodine, 2012; Parasuraman et al. 1991; Temkin, 2014).

'Outcome metrics' measure the intended attitudes and behaviours of a customer after an experience or multiple experiences with a business (Temkin, 2014). Holmlund et al.

(2020) noted that it is important to make a distinction between attitudinal and behavioural metrics to measure and analyse CX outcomes. 'Attitudinal outcome metrics*'* refer to the 'dispositions customers have towards their current, previous, and future CX with organisations' (Holmlund et al., 2020, p.359) measuring how combined experiences make a customer feel about the business (Temkin, 2014) and their intended behaviours for the future. Common attitudinal outcome metrics examples are Likelihood to Recommend (NPS), Likelihood to Purchase, brand preference, etc. (Manning & Bodine, 2012; Temkin, 2014).

'Behavioural outcome metrics*'* differ from attitudinal outcome metrics, as they measure tangible behaviour by customers rather than what customers believe they might do (Manning & Bodine, 2012). The data collected 'relate to how customers act and make decisions as consequences of their experiences' (Holmlund et al., 2020, p.359) and are primarily sourced from financial and/or transactional data (Schmidt, 2021). Common behaviour outcome metrics examples are churn rates, renewal rates, Customer Lifetime Value, up-sell, cross-sell, cost to serve, actual recommendations made, actual purchases made etc. (Manning & Bodine, 2012; Temkin, 2014).

Klaus and Maklan (2013), and Imhoff and Klaus (2020) note that most CX practitioners still depend on measurements such as CSat, NPS, SERVQUAL etc., to evaluate CXs as an indication of customer loyalty (Keiningham et al., 2011), although they have 'very little or no link to consumer behaviour' (Imhoff & Klaus, 2020, p.2). For CX practitioners to engage in successful CXM, it is evident that the efficacy of current measurements needs to be reassessed and new measurements considered (Imhoff & Klaus, 2020) to build a more comprehensive CX performance measurement framework to positively impact a business's financial performance (Klink et al., 2021).

The Customer Experience Quality (EXQ) scale constructed and validated by Klaus and Maklan (2012; 2013) offers a new metric that spans four dimensions reflecting CX behaviours and perceptions and their impact on marketing outcomes (Klaus & Maklan, 2012) previously not included in service quality and customer satisfaction assessments. Klaus and Maklan (2013) established that all four dimensions - product experience, outcome focus, moments-of-truth and peace of mind (POMP) - of the EXQ scale have a 'significant impact on marketing outcomes […] and better explain and predicts both, loyalty and recommendations than customer satisfaction' (Imhoff & Klaus, 2020, p.3).

Many researchers validated the EXQ model in various contexts (Imhoff & Klaus, 2020), with Lemon and Verhoef (2016) heralding it as a 'critical advance in CX research' that provides CX practitioners with a means to 'determine which strategies and practices will have the most positive influence on customer perceptions and behaviour' (Klaus & Maklan,

2013, p.227). This scale provides a comprehensive CX measurement framework to positively impact a business's financial performance (Klink et al., 2021).

Despite the prominence of attitudinal outcome metrics in CX practice, it is important to acknowledge that customer behavioural intention does not always translate into actual purchasing behaviour (Imhoff & Klaus, 2020). Consequently, to bridge the gap between attitudinal loyalty and purchasing behaviour loyalty, Klaus & Maklan (2013) propose the integration of Share-of-Wallet (SoW) with the EXQ model. Other researchers (Reinartz et al., 2004; Imhoff & Klaus, 2020) support the use of SoW as an indicator of a business's financial performance, as it not only depicts current customer spend, but also indicates future behaviour loyalty for additional potential spend (Imhoff & Klaus, 2020). Keiningham et al. (2015) define SoW at the sum of money spent with one provider out of the total amount consumed in a category.

The Wallet Allocation Rule (WAR), proposed by Keiningham et al. (2011), is another comprehensive measure to better understand CX drivers for consumer behaviour and financial performance. The rule challenges the existing notion that better CXs lead to more satisfied customers and consequently, an increased share of wallet. In their book, *The Wallet Allocation Rule: Winning the Battle for Share*, Keiningham et al. (2015, p.1) explain that: 'Customers may be very satisfied with your brand and happily recommend it to others, but if they like your competitors just as much (or more), you are losing sales.'

Through their 2-year longitudinal study of more than 17,000 consumers, Keiningham et al. (2011) created a formula, WAR, as a new measurement to link CX with business financial performance. In this study, they established a strong correlation between the ranking customers position the brands they use and the prediction of share-of-wallet, encouraging businesses to start measuring customer spending to achieve growth. Thomas Jones and Harvard professor W. Earl Sasser (1995, p.2) declared that SoW is the 'ultimate measure of loyalty'.

Bob E. Hayes is another well respected researcher in the field of CXM making significant contributions to customer experience management by researching and operationalising the dimensions of customer loyalty and the application of data analytics in CXM. Hayes (2013b) developed the 'Customer Loyalty Measurement Framework', integrating key business growth drivers like customer retention, advocacy, and purchasing, to measure both emotional (attitudinal) and behavioural loyalty (Futurelab, 2009; Hayes, 2013b; Customer Loyalty, n.d.).

Additionally, Hayes has worked extensively on business linkage analysis, a technique that uncovers relationships among unrelated business data sources to create a

comprehensive view of a business's operations and customer feedback. He particularly stressed the distinction between relationship-based feedback, reflecting general loyalty and experience with a business, and transactional-based feedback, related to specific interactions with a business. This differentiation is crucial for distinct types of linkage analysis — financial and operational, respectively (Hayes, 2015).

Hayes' work has shown that companies practicing regular linkage analysis with operational and customer feedback data achieve higher customer loyalty than those who don't (Hayes, 2015). Furthermore, Hayes has aligned his classification of data sources with the four perspectives of the Balanced Scorecard: Financial, Customer Feedback, Operational, Employee, and Partner (Hayes, 2013a). His research has greatly enhanced the understanding and measurement of customer loyalty, providing businesses with valuable, fact-based insights for decision making.

However, it is worth noting that despite the accessibility of data collection, data only becomes valuable when it is adequately analysed, synthesised, and distributed. This insight aligns with the work of Klaus & Maklan (2013), who argue that the efficacy of current measurements needs to be reassessed for a more holistic CX measurement.

Ultimately, the studies of various researchers such as Imhoff & Klaus (2020), Hayes (2013a; 2013b), and Keiningham et al. (2011), have all emphasised the necessity to continually reassess and innovate CX performance measurement practices to ensure they accurately reflect and impact business performance.

Traditional descriptive and perception metrics promoted by industry professionals and consultancies remain valid to a certain extent as an indication for intended loyalty, recommendation, and satisfaction, but the limitation of these measures lies within the fact that they do not give insight to a business what specific drivers are impacting a customer’s experience and how customers are allocating their spending between brands within a specific category (Keiningham et al., 2015; 2011).

Imhoff’s and Klaus’ (2020) research, validated both Klaus’ and Maklan’s (2012; 2013) EXQ model and Keiningham et al.’s (2011, 2015) WAR formula as superior to CSat in relation to explaining CX and SoW allocation to achieve business outcomes. One limitation of WAR is that it does not provide any information on the drivers for SoW that will allow managers to enhance their customer’s share-of-wallet in the category. Imhoff’s and Klaus’ (2020, p.41) research findings suggest ‘that combining EXQ and WAR will provide managers and market researchers with the information requested on how to measure CX and convert this information into actions, ultimately driving profitability.’

Net Promoter Score (aka NPS) is another CX metric that has been heavily promoted by CX practitioners and consultancies (Deloitte Insights, 2020; Forrester, 2022b; Yaiser, 2021; Qualtrics XM Institute, 2020). The business world was first introduced to NPS as a measure in a Harvard Business Review (HBR) article authored by Reichheld (2003) titled 'The One Number You Need to Grow'. NPS is aimed at being applied as a loyalty metric that gives a business insight into their customer loyalty spectrum. Maurice Fritzgerald was recently quoted on MyCustomer.com stating that 'Right from the very beginning, right from when Fred Reichheld published his HBR article "The One Number You Need to Grow", the subject of the relationship between NPS and revenue has been controversial' (Davey, 2022). Fred Reichheld, in collaboration with partners from Bain & Company, admitted that the credibility of the NPS framework has weakened (De Keyser et al., 2015; Holmlund et al., 2020; Keiningham et al., 2015) over the last two decades due to distortions of self-reported scores.

To address the misapplication of NPS, the researchers developed a new complementary metric, Earned Growth Rate (EGR), which draws on customer-based accounting through the combination of Net Revenue Retention (NRR) and Earned New Customer (ENC) (Reichheld et al., 2021).

As the adage goes, 'you cannot manage what you don't measure'; these metrics are good indicators to evaluate certain aspects of a business's CXM efforts, but to demonstrate the true value of CX to a business, all CX metrics and measurements must be linked to the financial drivers of business performance.

In conclusion, recognising and employing a comprehensive suite of relevant CX metrics within the current measurement and management systems of a business is crucial to address the predominant challenge faced by CX practitioners — demonstrating the impact of improved customer experiences on key business performance metrics. A detailed understanding of the multiple facets of customer loyalty and the potential relationships uncovered can offer valuable insight into the operationalisation of CX. This understanding, combined with a firm grasp of the relationship between CXM and key business outcomes, can assist in developing a more robust, evidence-based approach to CXM.

### *2.1.6 Operationalising CMX within Business Frameworks*

It is acknowledged that CXM can offer a significant competitive differentiation to businesses when effectively incorporated into daily management practices (Palmer, 2010). However, the true potential of CXM is realised when it transitions from being a standalone initiative to being fully integrated into a business's overall management framework (Rawson et al., 2013).

The management and measurement frameworks form the pulse of businesses, enabling management, board members, and shareholders to swiftly comprehend and guide the business toward desired outcomes. They play an indispensable role in integrating CXM by providing a backdrop against which its practices can be structured and operationalised. While many organisations have developed their custom 'in-house' models, a number of more generic models often form the foundation for these adaptations. Among these, Hoshin Kanri and the Balanced Scorecard (BSC) have gained considerable traction (Kaplan & Norton, 1996; Soliman, 2020). Each rooted in its unique philosophy and methodology, these models offer diverse platforms for integrating and operationalising CXM in various business contexts.

Some organisations, more inclined to the philosophy of Lean Manufacturing and inspired by the work of Toyota in the 1980s and 1990s and documented in ‘The Toyota Way’ in 2001 (Liker & Morgan, 2006), have tended to gravitate toward using Hoshin Kanri or variations thereof as their preferred management and measurement model.

Hoshin Kanri means 'direction' and 'management' (Soliman, 2020), that is, how to manage the business direction and move it in the right way. There are seven sequential steps in Hoshin Kanri to ensure that ‘strategy is effectively deployed’ in a business. These include, the setting of visions, the development of objectives or long- and short-term goals, the implementation of these goals, and the regular reviews that follow Lean’s Plan-Do-Check-Adjust (PDCA) continuous improvement approach (Lean Methods Group, 2017). Hoshin Kanri is both ‘top down’ and 'bottom up' in the sense that leaders are required to set direction and goals, but employees can through a ‘catch ball’ process throw suggestions back and challenge the goals that have been established (Leanproduction, 2021).

At the heart of Hoshin is its 'X matrix' which is a combination of long-term, annual, and short-term goals, as well as metrics that are applied in a customised manner to every major department of the business (Kanban Software for Agile Project Management, 2022).

Some writers have sought to integrate CXM into the Hoshin Kanri X Matrix and its integrated deployment approach – these include Matthew D. Johnson and Anders Gustafsson in their book *Improving Customer Satisfaction, Loyalty, and Profit: An Integrated Measurement and Management System* (2000). Here, the authors have sought to develop a five-stage plan which aims to provide managers with a process to link customer needs with organisational processes by breaking down silos and integrating the various functions and practices of specifically Marketing, Sales, Product Development, and Customer Service. Through the integration of the ‘customer value chain’, a customer measurement and

management system is derived to allow for an integrated view of how a business's service or product adds value to a customer's life.

While Hoshin Kanri has undoubtedly provided a platform for businesses to develop their own management and measurement framework, the X Matrix is not without its challenges in terms of practical application – these challenges include which metrics apply to which objectives; how these metrics relate to one another; and what other metrics are relevant to specific functions or value chains within the business (Kanban Software for Agile Project Management, 2022).

Another well-known business measurement and management framework is the Balanced Scorecard (BSC), created by Robert Kaplan and David Norton in the 1990s as a response to assist firms manage and measure business performance for financial and non-financial drivers (Kaplan & Norton, 1992). The rapid growth of technology and integration into business processes, traditional work functions designed for the industrial age, have been swiftly diminished and replaced by analytical and innovation (intangible value creation) functions (Vargo & Lusch, 2004).

Business performance, which is predominantly managed by financial accounting measures, excluded the intangible and intellectual assets of a firm. Firms reported on their business performance through their short-term financial metrics (lagging indicators due to measurement of past performance) and did not account for intangible assets within their organisations that created long-term value for a business for future growth (leading indicators). Therefore, incorporating these non-financial business performance drivers has become imperative to measure and manage business performance in the market environment of today (Strohhecker, 2004).

The BSC addresses this gap by including three other business perspectives (Customer, Internal Business Processes, and Learning and Growth) above and beyond the Financial perspective to the measurement and management framework. It embraces systems-thinking that 'translates strategy into action' (Kaplan & Norton, 1992). Objective outcome measures (resulting from the external Financial perspective and Customer perspective) are balanced with the subjective performance drivers (resulting from the Internal Business Process perspective and Learning and Growth perspective) of the outcome measures that help businesses with the agility to adapt and manage changing market environments. The BSC is used to align all stakeholders in the business to achieve the overall vision of the business and drive organisational change. It is 'not a controlling system' (Kaplan & Norton, 1996, p. 44) – it informs, communicates, and educates all stakeholders for continuous improvement to achieve set goals and objectives.

A Strategy Map accompanies the BSC as a management and measurement framework. Where the BSC establishes the metrics to measure and manage the performance of the business toward achieving its strategic objectives and ultimately its vision, the Strategy Map enables leadership to visualise and communicate the pathway for how value is created through the demonstration of the relationship between the strategic objectives for each of the four perspectives.

Recognising the breakthrough innovation of the BSC framework by Kaplan and Norton of the last decades, Strohhecker (2004) argued that the premise made by Kaplan and Norton (1992) of the demonstrable impact the BSC has on business performance might be overvalued and recommends additional statistical analysis to determine a reliable conclusion. However, BSC remains one of the few management and measurement systems that has double-loop learning embedded in its framework. Double-loop learning was created by Chris Argyris in the mid-1980s, which assists managers to not only improve current efficiencies to achieve set objectives (‘doing things right’), but to assess (and adapt if required) your current strategy and objectives (‘doing the right things’) (Strohhecker, 2004).

Leadership can therefore continuously assess the strategic management process by improving current processes, identifying new processes, and crucially, recognising the processes that are critical for breakthrough performance (Strohhecker, 2004).

Given that CXM fundamentally relies on an integrated 'system-thinking' management model with leading and lagging performance drivers and outcome measures, the BSC framework offers a strong foundation for embedding and effective operationalising of CXM.

Additionally, as technology advances and permeates every facet of business operations and as a result customer experiences (Hoyer et al., 2020), it plays an instrumental role in aiding the integration and operationalisation of CXM within daily management processes.

However, the application of these models might vary across businesses due to unique organisational structures, cultures, and strategic objectives. Therefore, a careful study of case examples where businesses have successfully integrated CXM into their daily management frameworks could provide crucial insights and learnings.

## 2.2 Summary

Research in the field of CXM has greatly enhanced our understanding of its critical role in shaping a business's competitive advantage and differentiation strategy. Studies have highlighted the significant impact of customer insights, customer experience design and

delivery, and performance measures on a company's competitive positioning and its subsequent market and financial performance.

The paradigm of the customer-business relationship has evolved with the emergence of the empowered customer, placing greater emphasis on the dynamic nature of customers' experiences. Acknowledging that interactions between businesses and customers are part of a continuous, dynamic process rather than a series of isolated transactions, this evolution underscores the strategic importance of CXM in gaining and sustaining competitive advantage within the market.

Despite the growing consensus on the importance of CXM, making a clear, quantifiable connection between CXM activities and their influence on financial performance remains a challenge. Assessing CXM maturity stands as a critical step towards actualising CXM as a strategic differentiator. Existing maturity models, typically employing CXM maturity assessment matrices, fall short due to the lack of empirically validated instruments and the absence of clear objectives. This underscores the need for a reliable, theoretically driven CXM maturity diagnostic instrument.

There exists a plethora of metrics to gauge CX, segregated into descriptive, perception, and outcome metrics. Yet, the accuracy and effectiveness of these measurements remain contentious. Despite the popularity of some metrics like CSat, NPS, and SERVQUAL, their correlation with consumer behaviour is often weak. Consequently, there is a need for more robust and innovative models for evaluating customer experience and its relationship with financial outcomes.

This comprehensive review of the literature reveals several distinct research gaps which this study aims to address. Firstly, the study addresses the lack of comprehensive understanding of CXM and its dynamic influence on competitive differentiation and performance outcomes. It seeks to enrich this understanding by enhancing the construct measurements of the essential dimensions of CXM and their relationship with competitive differentiation and financial performance.

Secondly, given the current absence of standardised maturity assessment models for CXM, the research intends to develop an empirically validated diagnostic maturity instrument. This instrument enables businesses to assess their CXM maturity, drive improvements, and facilitate benchmarking practices.

Thirdly, the study aims to identify and analyse the essential CX dimensions and practices that significantly influence a business's competitive advantage. It correlates the progression along the maturity framework with key performance indicators, enabling a comprehensive evaluation of the factors driving differentiation.

Lastly, the study proposes a strategy for businesses to effectively integrate the essential CXM dimensions and related practices within their overall management frameworks, transitioning CXM from a standalone project to an embedded aspect of daily management practices.

By addressing these research gaps, this study contributes to an improved understanding of CXM as a holistic system and its role as a strategic differentiator for businesses. This, in turn, enhances the measurement, operationalisation, and impact of CXM on business differentiation, market, and financial performance.

# Chapter 3
# Developing an Enhanced Model for CXM

In advancing towards the development of the proposed model, the subsequent section necessitates a critical re-examination and review of the theoretical foundations established in the previous sections. The theoretical examination not only solidifies the foundation for the proposed model but also aligns with the research questions and objectives introduced in Sections 1.4 and 1.5, respectively. Subsequently, the enhanced model is set out, followed by the articulation of the hypotheses derived from this theoretical construct. This process ensures that the proposed model is both rooted in academic rigour and designed to address the complex, real-world dynamics of CXM.

## 3.1 Proposed Enhanced CXM Model

Drawing upon the foundational work of esteemed scholars, this study endeavours to extend the understanding of CXM by constructing a more comprehensive CXM model and its relationship with key business outcome variables. To contribute to this pursuit, a deductive theoretical analysis of CXM frameworks and models utilised by practitioners, as well as academic studies, was undertaken. These chosen frameworks and models were selected due to their broad recognition and widespread adoption across diverse business sectors, offering a unique perspective on effective CXM within varied industries and contexts.

Each of the selected frameworks and models underwent a systematic examination, serving as the foundation for the enhanced comprehensive CXM model. This process also facilitated the extraction of exact measurement components (or practices) integral to the CXM maturity diagnostic instrument. This process not only reinforced the pragmatic significance of the model but also anchored it in a robust foundation of theoretical and empirical analysis that strongly resonates within the business community.

For ease of reference, a summary of the diverse practitioner and research frameworks examined and subsequently integrated into the proposed enhanced CXM model is provided in Table 1.

**Table 1**

*CXM Frameworks and Models: Practitioners and Academic Researchers*

| | |
|---|---|
| Accenture | Accenture (2022). Customer experience (CX): the guide to customer success. I-SCOOP. https://www.i-scoop.eu/customer-experience/ |
| L. Becker | Becker, L. (2020). Toward a Customer-Centric Perspective of Customer Experience. [Doctoral dissertation, University of Turku]. |
| J. Bliss | Bliss, J. (2015). Chief Customer Officer 2.0: How to build your customer-driven growth engine. New Jersey: John Wiley & Sons. |
| G.N. Ch & S.H. Hanks | Chandler, G.N. & Hanks, S.H. (1994). Market Attractiveness, Resource-Based Capabilities, Venture Strategies, and Venture Performance. Journal of Business Venturing, 9, 331-349. DOI: 10.1016/0883-9026(94)90011-6 |
| CMS Wire | Florentine, S. (2021). How to Measure Your Customer Experience Maturity. CMSWIRE. https://www.cmswire.com/customer-experience/how-to-measure-your-customer-experience-maturity/ |
| Consulta | Consulta (2018) Know your Customer Maturity. [online] Consulta Blog. Available at: https://blog.consulta.co.za/know-your-customer-maturity/ |
| CXPA (Customer Experience Professional Association) | CXPA. https://www.cxpa.org/earn-your-ccxp/exam-blueprint |
| Deloitte Development | Deloitte Development LLC. (2016). Rx CX Customer experience as a prescription for improving government performance - Part of a series on customer experience in government. A report from the Deloitte Center for Government Insights. https://www2.deloitte.com/content/dam/insights/us/article. |
| Deloitte Development | Deloitte Development LLC. (2016). Rx CX Customer experience as a prescription for improving government performance - Part of a series on customer experience in government. A report from the Deloitte Center for Government Insights. https://www2.deloitte.com/content/dam/insights/us/article |
| Demand Metric | Customer Engagement Maturity Model \| Demand Metric (2023). Demandmetric.com. https://www.demandmetric.com/content/customer |
| A. De Keyser, K. Lemon, P. Klaus & T. Keiningham | De Keyser, A., Lemon, K., Klaus, P. & Keiningham, T. (2015). A Framework for Understanding and Managing the Customer Experience. (Report No. 15-121). Marketing Science Institute Working Paper Series 2015. https://www.msi.org/?post_type=resources&p=1716 |
| Forrester Research | Forrester Research (2016). Customer Experience Management maturity model. Forrester. https://www.forrester.com/allSearch?query=customer%20experience&activeTab=reports&sortOrder=desc&publishedSinceInDays=-1&sortType=relevance&accessOnly=false&ipType |

| | |
|---|---|
| Gartner, Inc. | Gartner, Inc. (2020) The Gartner Customer Experience Management Maturity Model for CMOs. [online] Available at: https://www.gartner.com/en/documents/3990878/the-gartner-customer-experience-management-maturity-mode |
| L. Grønholdt, A. Martensen, S. Jørgensen & P. Jensen | Grønholdt, L., Martensen, A., Jørgensen, S. & Jensen, P. (2015). Customer experience management and business performance. International Journal of Quality and Service Sciences, 7(1). DOI: 10.1108/IJQSS-01-2015-0008 |
| B.E. Hayes | Hayes, B. E. (2013a). TCE - Total Customer Experience - Building Business through Customer-Centric Measurement and Analytics. Business Over Broadway. |
| C. Homburg, D. Jozić & C. Kuehnl | Homburg, C., Jozić, D. & Kuehnl, C. (2017). Customer Experience Management: Toward Implementing an Evolving Marketing Concept. Journal of the Academy of Marketing Science, 45(3). DOI: 10.1007/s11747-015-0460-7 |
| C. Homburg & C. Pflesser | Homburg, C. & Pflesser, C. (2000). A Multiple-Layer Model of Market-Oriented Organizational Culture: Measurement Issues and Performance Outcomes. Journal of Marketing Research. DOI: 10.1509/jmkr.37.4.449.18786 |
| J. Hwang & S. Seo | Hwang, J. & Seo, S. (2016). A Critical Review of Research on Customer Experience Management. International Journal of Contemporary Hospitality Management, 28(10). DOI: 10.1108/ijchm-04-2015-0192 |
| G. Imhoff & P. Klaus | Imhoff, G. & Klaus, P. (2020). The dawn of traditional CX metrics? Examining satisfaction, EXQ, and WAR. International Journal of Market Research, 62(6), 673 –688. DOI: 10.1177/1470785319848955 |
| E. Irving | Irving, E. (1995). Marketing Quality Practices. [unpublished dissertation] University of North Carolina, Chapel Hill, NC. |
| P. Klaus & S. Maklan | Klaus, P. & Maklan, S. (2013). Towards a Better Measure of Customer Experience. International Journal of Market Research, 55(2), 227-246. DOI: 10.2501/IJMR-2013-021 |
| R.R. Klink, J.Q. Zhang & G.A. Athaide | Klink, R. R., Zhang, J. Q. & Athaide, G. A. (2021). Measuring customer experience management and its impact on financial performance. European Journal of Marketing, 55(3). DOI: 10.1108/EJM-07-2019-0592 |
| KPMG International | KPMG International (2018). Tomorrow' s experience, today - harnessing a customer first approach in a changing world KPMG Global Customer Experience Excellence report. https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/06/tomorrows-experience-today-harnessing-a-customer-first-approach.pdf<br>KPMG (2022). Orchestrating the connected customer experience Global Customer Experience Excellence Report 2022. https://assets.kpmg/content/dam/kpmg/xx/pdf/2022/10/cee-2022.pdf |

| | |
|---|---|
| KPMG | KPMG (2018). The KPMG Customer Maturity Assessment [online] Available at: https://assets.kpmg/content/dam/kpmg/lu/pdf/CXMA_Place_Mat.pdf |
| H. Manning & K. Bodine | Manning, H. & Bodine, K. (2012). Outside in: the power of putting customers at the center of your business. New York: Houghton Mifflin Harcourt. |
| K. Macgillavry, W. Alan & N. Davey | Macgillavry, K., Alan, W., & Davey, N. (2017). A framework for measuring & improving CX: Customer Experience Management Maturity Model and Questionnaire. April (Macgillavry et al., 2017) |
| McKinsey and Company | McKinsey and Company (2019, July 12). What matters in customer-experience transformations. https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/what-matters-in-customer-experience-cx-transformations |
| C. Moorman & R.T. Rust | Moorman, C. & Rust, R.T. (1999). The Role of Marketing. Journal of Marketing, 63, 180-197. DOI: 10.2307/1252111 |
| Nielsen Norman Group | Nielsen Norman Group (2021). A Framework for CX Transformation: How to Operationalize CX at Scale. Nielsen Norman Group. https://www.nngroup.com/articles/framework-cx-transformation/ |
| L. Schulte | Schulte, L. (2021). CX 101: Measuring your maturity. Esource.com. https://www.esource.com/cxs-1700008-002/cx-101-measuring |
| C. Shaw | Shaw, C. (2022, February 16). How to prevent your CX programme from being perceived as soft and fluffy. MyCustomer. https://www.mycustomer.com/customer-experience/engagement/how-to-prevent-your-cx-programme-from-being-perceived-as-soft-and-fluffy<br>Colin Shaw, 2005. "Revolutionize Your Customer Experience," Palgrave Macmillan Books, Palgrave Macmillan, number 978-0-230-51345-7 |
| B. Temkin, A. Lucas, J. Rodstrom, I. Zdatny & J. Jaffe | Temkin, B., Lucas, A., Rodstrom, J., Zdatny, I. & Jaffe, J. (2017). The Four Customer Experience Core Competencies: Blueprint for Customer-Centric Organizations. Qualitrics XM Institute. https://www.qualtrics.com/m/www.xminstitute.com/wp-content/uploads/2017/04/XMI_TheFourCXCoreCompetencies.pdf?ty=mktocd-thank-you |
| XM Institute | Qualtrics XM Institute (2019) Benchmark your customer experience maturity. [online] Qualtrics. Available at: https://www.qualtrics.com/customer-experience/diagnostic/<br>XM Institute (2022) Maturing your Experience Management Program. [online] XM Institute. Available at: https://www.xminstitute.com/launchpads/xm-maturity/ |
| D. L. Yohn | Yohn, D.L. (2019, October). New CX Maturity Model. Denise Lee Yohn. https://deniseleeyohn.com/new-cx-maturity-model/ |
| K.Z. Zhou, C.K. Yim & D.K. Tse | Zhou, K.Z., Yim, C.K. & Tse, D.K. (2005). The effects of strategic orientations on technology-and-market-based breakthrough innovations. Journal of Marketing, Vol. 69 No. 2, pp. 42-60. DOI: 10.1016/j.jbusres.2008.10.001 |

While every integrated framework is instrumental, a select few emerge prominently and justify a more detailed exposition, thereby further highlighting their distinct contributions.

Cxpa.org (n.d.). *CX Core Competencies - CXPA*. [online] Available at: https://www.cxpa.org/earn-your-ccxp/exam-blueprint.

Founded by industry experts Bruce Temkin and Jeanne Bliss in 2011, the CXPA is the leading non-profit organisation committed to the development of the CX profession by creating standards and best practices to assist CX practitioners with CXM within an organisation, equipping them with the necessary skills and competencies to do so. (CXPA, n.d.)

Bliss, J. (2015). Chief Customer Officer 2.0: How to build your customer-driven growth engine. John Wiley & Sons, Inc.

Jeanne Bliss is one of the co-founders of the CXPA and a best-selling author in the field of CX with over 20 years' experience guiding multi-national organisations to achieve customer-driven growth. Her book, *Chief Customer Officer 2.0 (CCO 2.0)*, outlines a 'Five-Competency Model framework to advance CX transformation in a business.' *CCO 2.0* received praise from CX practitioners and researchers alike (Bliss, 2015).

Temkin, B., Lucas, A., Rodstrom, J., Zdatny, I. & Jaffe, J. (2017) The Four Customer Experience Core Competencies. Temkin Group Insight Report, 2017 (April).

Bruce Temkin is one of the most well-known CX practitioners and has been heralded as the 'Godfather of CX'. Temkin managed numerous divisions within Forrester Research for more than 12 years earning the accolade of 'Forrester's most-read analyst for 13 consecutive quarters'. As the founder of Temkin Group Consultancy and co-founder of CXPA, Temkin created numerous thought-leadership models which were adopted by blue chip organisations. One such model is The Four CX Core Competencies for business to master on their transition to be a customer-centric organisation (Qualtrics XM Institute, 2019).

Grønholdt, L., Martensen, A., Jørgensen, S. & Jensen, P. (2015). Customer experience management and business performance. International Journal of Quality and Service Sciences, 7(1). DOI: 10.1108/IJQSS-01-2015-0008.

The researchers led an empirical study among 484 Danish companies identifying 7 CXM dimensions that has a direct effect on a business differentiation, market performance and financial performance, providing evidence for business to better understand CXM and develop strategies for measurable financial success.

Homburg, C., Jozić, D. & Kuehnl, C. (2017). Customer experience management: toward implementing an evolving marketing concept. Journal of the Academy of Marketing Science, 45(3). doi: 10.1007/s11747-015-0460-7.

The Homburg, Jozić and Kuehnl (2017) study provides an empirically and theoretically robust construct for CXM as a higher-order resource consisting of three dimensions being cultural mindsets toward customer experiences (CEs), strategic directions for designing CEs, and firm capabilities for continually renewing CEs, with the goals of achieving and sustaining long-term customer loyalty. The researchers introduce the categorisation of four well-defined CEM patterns according to a business's size (being large or start-ups/Small and Medium-Sized Enterprises (SMEs)), and the exchange continuity (being transactional or relational), depicting the occurring contingency factors.

Klink, R. R., Zhang, J. Q. & Athaide, G. A. (2021). Measuring customer experience management and its impact on financial performance. European Journal of Marketing, 55(3). doi: 10.1108/EJM-07-2019-0592.

In this research paper, the findings of Klink et al. (2021) support those of Homburg et al. (2017) that CXM is a higher-order construct consisting of the three identified dimensions. The researchers further developed a CXM measurement scale and verified a positive link to financial performance which are impacted by 'market turbulence, competitive intensity and technological turbulence' (Klink et al., 2021, p.865).

Manning, H. & Bodine, K. (2012). Outside in: the power of putting customers at the center of your business. New York: New Harvest Houghton Mifflin Harcourt.

After 14 years of extensive research in the field of CX at Forrester Research, Manning, and Bodine wrote *Outside In* to provide business practitioners with a roadmap to attain an advantage through CX, demonstrating it as a fundamental business driver and sustainable source of competitive advantage. The authors identified six disciplines of CX to be mastered by CX practitioners with insightful global case studies spanning multiple industries (Manning & Bodine, 2012).

Forrester (2022a). Forrester Decisions for Customer Experience. [online] Available at: https://www.forrester.com/research/customer-experience/.

Over the past 35 years, Forrester Research has offered business leaders a clear perspective on what is currently in the market, as well as future emerging trends. The Forrester's Customer Experience Index (CX Index) is one of the unique insights derived from its annual surveys, which attract over 675,000 consumers, business leaders, and technology professionals from across the world.

The primary objective of the CX Index study is to close the gap between CX measurement and growth by connecting quality and loyalty metrics to specific revenue drivers. It does this by evaluating a variety of aspects of the experience and the customer, such as CX quality, customer loyalty, CX driver performance, and so forth. Since 2015, the annual survey has been used to compare corporate leaders' and analysts' CXs to those of their rivals across five hundred brands in fourteen categories and eleven markets. Forrester released their CXM maturity framework in 2011 and revised it in 2016. The model consists of six CXM competencies and thirty practices. (Burns et al., 2016).

Gartner, Inc. (2020). The Gartner Customer Experience Management Maturity Model for CMOs. [online] Available at: https://www.gartner.com/en/documents/3990878/the-gartner-customer-experience-management-maturity-mode.

Formerly known as the Gartner Group, Gartner is one of the top worldwide research and consulting firms. The business is renowned for its data analysis and visualisation tools, including the Gartner Magic Quadrants. A Gartner CX management maturity model was created by Gartner Research to help executives assess the CX maturity of their business and determine feasible and efficient areas for improvement.

The maturity model is represented as a conventional pyramid with five tiers. In contrast to other maturity models, this model prioritises offering business executives actionable responses rather than merely defining the stage of maturity (Gartner, 2020).

KPMG (2018). The KPMG Customer Maturity Assessment. [online] Available at: https://assets.kpmg/content/dam/kpmg/lu/pdf/CXMA_Place_Mat.pdf.

The Customer Experience Excellence Centre (CEEC) was founded in 2012 by the renowned international consulting company KPMG. The CEEC has been assessing how much consumers value the experiences they have had with businesses in a variety of industries across several countries, identifying 'The Six Pillars of Experience' which are a set of characteristics shared by exceptional customer relationships (KPMG, 2021).

These assessments are among the most comprehensive globally in terms of analysing consumer preferences and potential trends, with over three million customer reviews. Businesses can evaluate their present maturity against each of the 'The Six Pillars of Experience' using KPMG's CX maturity assessment, understanding how well their business is currently mobilised around providing excellent CX, and measuring their response against baseline data (KPMG, 2018).

The proposed enhanced CXM model, as illustrated in Table 2, originally comprised of eight CXM dimensions for a comprehensive CXM model. Each of these dimensions

represented a specific facet of a business's approach to CXM, ranging from the foundational CX Vision & Strategy to the operational insights of CX Governance. To deepen the understanding, within each dimension, the specific sub-dimensions and associated CX best practices are explored.

To formulate the comprehensive model, a deductive theoretical analysis was conducted, drawing from both practitioner and research frameworks and models to identify key practices within the CXM domain. The insights derived, which amalgamate information from the diverse sources listed in Table 1, furnish a comprehensive overview of the CXM landscape. The subsequent sections explore summaries of key practices for each CXM dimension. It is essential to emphasise that while these summaries offer holistic interpretations of the domain, they remain firmly grounded in the academic sources presented in Table 1.

### *3.1.1 Vision & Strategy*

The *Vision & Strategy* dimension is a fundamental cornerstone of the comprehensive CXM framework consisting of 4 sub-dimensions, each emphasising the alignment of the business's core intent with its CX endeavours. The *Vision* sub-dimension underscores the importance of a clearly articulated CX vision that exemplifies a business's commitment to offering unparalleled value through its products and services. The CX vision should resonate across the enterprise, unifying all stakeholders and aligning their efforts. Furthermore, effective communication of this vision extends beyond internal stakeholders, reaching out to the broader CX ecosystem, including partners and customers (see Table *1* for list of sources).

On the other hand, the *Strategy* sub-dimension encapsulates the need for a definitive CX strategy informed by customer insights and value propositions. This strategy should be interwoven into the business's core strategic priorities, catering to short, medium, and long-term objectives. An integral part of this strategy is a detailed roadmap, which outlines the investments, responsibilities, and timelines — essentially a blueprint for executing the CX strategy (see Table *1* for list of sources).

The *Business Structure & Design* sub-dimension highlights the importance of fostering cross-functional collaboration within a business to enhance CX delivery. This collaboration extends beyond internal departments, as businesses should also partner with external suppliers and specialists across the customer value chain. These partnerships can serve as catalysts, creating value on multiple fronts: for customers, the business itself, society at large, and the broader economy (see Table *1* for list of sources).

Lastly, the *Technology & System-Integration* sub-dimension highlights the critical role of technology in driving CX initiatives. Businesses should be proactive, regularly assessing their technological infrastructure, and making requisite enhancements to elevate CX. A cohesive system integration, particularly between CX platforms and business operational platforms is imperative, enabling a comprehensive 360-degree view of the total customer experience. The pinnacle of this integration is the capability to anticipate customer needs through predictive analytics, ensuring businesses are able to meet and exceed customer expectations (see Table 1 for list of sources).

### *3.1.2 Effective Leadership and Management*

The *Effective Leadership and Management* dimension emphasises the fundamental role of the executive team in shaping a business's approach to CXM. At the heart of this dimension lies the executive team's ownership of the CX strategy — both its design and deployment. Not merely strategists, leaders should also serve as the primary channels for communicating the company's CX vision and goals to stakeholders, ensuring a consistent, singular message (see Table *1* for list of sources).

Complementing this hands-on management approach is the concept of *Purposeful Leadership*. Leaders aren't just figureheads; they should be held accountable through key performance indicators (KPIs) that track how well the business achieves its customer-centric goals. But beyond metrics, leaders set the tone, embodying and promoting the very customer-centric behaviours they expect to be demonstrated throughout the company. Their decision-making processes prioritise customer needs, ensuring that whether it is about allocating resources or determining the quality of service, the customer's perspective is always considered (see Table *1* for list of sources).

### *3.1.3 Brand Alignment*

The *Brand Alignment* dimension focuses on ensuring a business's customer-centric CX vision and strategy aligns and embodies its brand value proposition and attributes, seamlessly integrating with the core values of the brand. When a brand's value proposition is clearly defined and effectively communicated both internally and externally, it becomes a consistent theme permeating through the entire CX ecosystem. This integration guarantees that every interaction provides uniquely branded experiences, creating a strong connection with both employees and customers. Beyond just branding, this alignment showcases the business's expertise, building trust and giving customers the confidence they require. For businesses dedicated to excellence in CXM, ensuring their brand's promise aligns with its delivery becomes a foundation for its reputation (see Table *1* for list of sources).

### *3.1.4 Customer Understanding and Insight*

CXM mandates businesses to navigate three central tenets, or sub-dimensions, within the realm of the Customer Understanding and Insight dimension: the acquisition of customer understanding through data collection, the derivation of customer insights via thorough analysis, and the distribution of these insights throughout the business (see Table *1* for list of sources).

The *Customer Understanding through Data Collection* sub-dimension requires businesses to prioritise the initiation of a comprehensive Voice of the Customer (VoC) programme, distinguished by diverse listening channels. Such a programme should be adept at not only capturing the tangible and rational aspects of customer experiences but also discerning the emotional undertones inherent to them. Moreover, a deliberate segmented data gathering strategy should be implemented to ensure that the derived insights are multifaceted and accommodate distinct customer segments (see Table *1* for list of sources).

For effective derivation of *Customer Insights through Data Analysis*, businesses must adopt a comprehensive approach. This involves amalgamating diverse data types, such as solicited, unsolicited, structured, and unstructured data. This expansive data collection ensures a comprehensive understanding of the customer base enabling the compilation of empathy maps and customer personas. These instruments adeptly transform raw data into actionable insights, yielding quantifiable advantages. Simultaneously, it remains imperative for businesses to attentively observe any fluctuations in consumer behaviours, adapting both their data acquisition approaches and analytical techniques in correspondence with discerned patterns (see Table *1* for list of sources).

Lastly, the true potential of Customer Understanding and Insight is actualised through the comprehensive *Distribution of Customer Insight*. Insights should not only be shared with customer-centric roles but across the entire business. Periodic evaluations ought to be executed to ascertain that the brand's value propositions still resonate with their target customer segments. Consequently, the Voice of the Customer (VoC) programme should transition beyond merely a data acquisition instrument to function as a continual feedback mechanism, ceaselessly refining customer personas and maintaining organisational adaptability. This ensures that customer insights don’t remain inertly documented but actively influence business decisions that are aligned with customer attitudes and behaviours (see Table *1* for list of sources).

### *3.1.5 Customer Experience Design*

The Customer Experience Design dimension emphasises the methodical designing, refining, and innovating of customer interactions throughout the customer journey. This journey encapsulates the pre-purchase, purchase, and post-purchase phases of the customer journey and serves as the platform where companies design experiences that resonate deeply with customers (see Table *1* for list of sources).

At the heart of designing these experiences, businesses must consistently apply a well-defined process mapping the customer's rational and emotional expectations along the customer journey in line with the solution they seek. Key to designing customer experiences is the recognition of the various interdependencies, including people, processes, channels, and technology. Equally important are Moments-of-Truth (MoT) — pivotal junctures that can establish or break trust. The use of diverse methodologies, like Design Thinking, Co-creation, and Human-Centred Design, further enriches the process, offering a more innovative approach to designing experiences (see Table *1* for list of sources).

Transitioning to the *Delivery of Experiences*, consensus underscores the indispensability of reliability, advocating for a uniformity of experiences across diverse channels. Concurrently, in the face of operational deviations, a robust and readily deployable recovery-loop process becomes a requirement for every touchpoint. For businesses, the goal remains delivering experiences that align with both the logical and emotional expectations of customers (see Table 1 for list of sources).

Lastly, with respect to the *Innovation of Experiences*, it is posited that businesses ought to be persistently reflective. Periodic gap analyses serve to highlight any shortcomings in capabilities —whether they pertain to human capital, procedural frameworks, or technological underpinnings. By continuously innovating at all touchpoints, businesses position themselves not as mere responders, but as proactive designers of experiences that are aligned with emerging customer needs (see Table *1* for list of sources).

### *3.1.6 CX Performance Metrics and Measurement*

In the realm of the CX Performance Metrics and Measurement dimension, establishing a well-structured CX Performance Metrics Framework is recommended. Such a framework ought to capture data comprehensively across the extent of each customer segment’s experiences. Equally vital is the outlining of distinct CX performance metrics, each tailored to demonstrate the unique contributions of individual business units to the overarching customer experience. The various metrics to be collected include:

Descriptive metrics, offering tangible insights into the operational interactions between customers and businesses.

Perception metrics, which probe into the qualitative facets of customer experiences, gauging their emotional responses to particular interactions.

Behavioural outcome metrics and attitudinal outcome metrics, both of which expand the understanding by assessing customers' post-interaction behaviours and attitudes respectively (see Table *1* for list of sources)

However, collecting CX metrics alone doesn't suffice. The subsequent *Analysis of CX Performance* endeavours to discern inherent patterns and correlations amidst the gathered data. Establishing relationships between CX performance metrics and specific business performance metrics empowers businesses to deduce actionable strategies. This analytical ability is magnified when supported by data visualisation mediums, such as tailored dashboards for each business unit. These tools not only illustrate the linkages between CX metrics and broader business indicators but also emphasise the pivotal role of CX insights in shaping business strategies. The strategic allocation of budgets based on these insights attests to the relationship between CXM and the broader business directive (see Table 1 for list of sources).

### *3.1.7 People Development*

The *People Development* dimension plays a pivotal role in shaping a business's comprehensive CXM, highlighting the critical influence of individuals in actualising and maintaining a business's vision of superior CX.

Central to this dimension is precision in *Hiring and Recruitment Processes*, where CX principles are integrated into the strategies of Human Capital Management (HCM). By doing so, the business ensures that selected professionals inherently embody the organisation's customer-centric ethos, facilitating consistently outstanding customer experiences (see Table *1* for list of sources).

It is also imperative to establish clear *Roles and Responsibilities* pertaining to CX across all organisational tiers. By systematically outlining tasks and responsibilities for both front- and back-office positions, the business ensures every employee is aware of their contribution towards actualising the overarching CX vision and strategy. In addition, the business undertakes a thorough process to determine the core competencies required across diverse CX areas, encompassing aspects like data analytics, business knowledge, effective communication, and integrated business management. This structured approach is not

merely procedural but ensures that customer-centricity is positioned as an intrinsic part of the organisation's foundation (see Table *1* for list of sources).

Another fundamental aspect is the dedication to *Training and Empowerment*. Employees are not merely integrated into the organisation; they are consistently nurtured, equipped with knowledge and tools, and empowered to realise the company's CX vision. By means of continuous mentoring, training, and coaching specific to each role, employees maintain their proficiency in delivering outstanding customer experiences. Furthermore, this sustained investment ensures that their skills, both emotional and cognitive, adapt in accordance with changing customer requirements (see Table *1* for list of sources).

*Reward Mechanisms*, both formal and informal, further reinforce the business's focus on CX. In gauging performance, rewards, and recognition, the emphasis isn't merely on outcomes but also on behaviours that drive CX excellence. By aligning performance metrics with the business's CX objectives, it ensures that CX goals are reached (see Table *1* for list of sources).

Lastly, a pivotal element is the business's commitment to *Employee Experience (EX) Management*. The foundation of this commitment is the understanding that excellence in CX is intrinsically linked to excellence in EX. The underlying premise is that fulfilled and empowered employees are integral to crafting exceptional customer experiences. Within this framework, there exists a cultivated ethos of trust, reliability, and emotional acumen. Challenges are reframed as opportunities for growth, and errors are viewed as avenues for learning and improvement. Periodic feedback mechanisms ensure that the organisational values are continually aligned with evolving market and employee dynamics. EX Management is further solidified by the company's adherence to an outside-in market orientation, characterised by established norms, celebrated CX stories, and defined behaviours, all converging towards a central objective: achieving excellence in CXM (see Table 1 for list of sources).

### *3.1.8 CX Governance*

The *CX Governance* dimension represents the planning and organisation of standardised policies, procedures, and processes designed to underpin and advance a business's commitment to outstanding CX.

Central to this dimension is the establishment of a robust *CX Governance Framework*, an integrated structure reinforcing customer-centric guidelines and behaviours across every aspect of the business (see Table *1* for list of sources).

Within the ambit of this framework lie a set of defined policies. These policies, while diverse, revolve around critical elements such as the prioritisation of CX initiatives, clear and unmistakable CX decision rights, ownership and accountability by business unit outcomes, and guiding principles that demarcate the boundaries of the strategic pursuit in delivering the CX vision (see Table *1* for list of sources).

Complementing these policies are detailed procedures which enable a structured approach to CXM. These procedures define and streamline cross-functional teamwork, establish clear CX roles and reporting hierarchies, facilitate the seamless integration of CX projects into daily business operations, and provide the necessary tools and infrastructure for ensuring consistent and archetypal customer experiences (see Table *1* for list of sources).

Processes, the third pillar of the CX Governance framework, encapsulate day-to-day management controls, incorporating agile methodologies for continuous enhancement of customer experiences, ensure a uniform and consistent delivery of experiences across all business facets, and highlight the importance of communication, data quality, and performance measurements (see Table *1* for list of sources).

The inherent efficacy of a *CX Governance Framework* is underscored by its capacity for adaptability and should be subjected to regular reviews, ensuring that emerging insights are integrated, and alignment is maintained across policies, processes, technology, and systems. Moreover, stringent monitoring and consequence management mechanisms ensure compliance, intertwining *CX Governance* seamlessly with a business's overarching quality management system (see Table *1* for list of sources).

Beyond the *CX Governance Framework,* the emphasis on *Continuous Improvement and Innovation* symbolises the business's future-thinking perspective. Investment in new capabilities across all aspects of the business allows for co-creation of solutions with customers and stakeholders, positioning innovation not merely as a function, but as a key differentiator in the CX landscape (see Table *1* for list of sources).

The decision to exclude *Business Culture* as a distinct dimension within the CXM framework is notable. Although culture is often recognised as a crucial aspect of CXM (Lemon & Verhoef, 2016; Homburg et al., 2017), I found through the extensive literature review and analysis of theoretical best practices that each measurable item related to *Business Culture* aligns better with other CMX dimensions (constructs) that aim to cultivate a customer-centric culture, such as *Strategy, Leadership, People Development, CX Governance, Continuous Improvement,* and *Innovation.* By integrating *Business Culture* within these broader constructs, the study acknowledges the interdependencies and synergies that exist among different dimensions of CXM (see Table *1* for list of sources).

**Table 2**

*Comprehensive Enhanced CXM Model*

| CXM Dimension | CXM Sub-Dimension |
|---|---|
| Vision and Strategy | Vision |
| | Strategy |
| | Business Structure and Design |
| | Technology and System Integration |
| Leadership and Management | Management role, involvement, and commitment |
| | Purposeful Leadership |
| Brand Alignment | Brand value proposition and brand attributes |
| Customer Understanding and Insight | Customer Understanding (data collection) |
| | Customer Insight (data analysis) |
| | Customer Insight distribution (data distribution) |
| Customer Experience Design | Design customer experiences |
| | Delivery of customer experiences |
| | Innovation of customer experiences |
| People Development | Hiring and Recruitment |
| | Roles and Responsibility |
| | Train and Empower |
| | Performance, Rewards and Recognition |
| | Employee Experience Management |
| CX Performance Metrics and Measurement | Performance Metrics & Measurement Framework |
| | Collection of Data |
| | Analysis & Adoption of Insight |
| CX Governance | CX Governance Framework |
| | Continuous Improvement and Innovation (agility) |

*Note.* Source: Adapted from sources in Table 1

While the initial comprehensive CXM model encompasses a range of eight dimensions, this study placed its focus on three essential dimensions: Customer Understanding and Insight, Customer Experience Design, and CX Performance Metrics and Measurement, as discussed in Section 1.8. Several considerations steered this decision. Firstly, the expansive nature of the original model yielded a plethora of measurable items as business best practices, making empirical validation a challenging endeavour, especially given resource and time constraints. Additionally, while all eight dimensions are instrumental in CXM, the selected three are particularly central, distinguished by their specificity to CX

and its strategic management. These dimensions not only resonate with the essence of customer experience but also align closely with discussions on empirical findings and CXM models by renowned scholars Grønholdt et al. (2015), Homburg et al. (2017) and Klink et al. (2021).

The research conducted presents valuable insights into the role and impact of CXM. Grønholdt et al. (2015) demonstrated that seven dimensions of CXM significantly influence differentiation, market performance, and financial performance. High-performing companies, they found, master the integration of superior customer experiences into their products and services, leading to measurable financial success.

Klink et al. (2021) built upon this, supporting the treatment of CXM as a higher-order construct composed of three dimensions: a cultural mindset towards CXs, strategic directions for designing CXs, and firm capabilities of continually renewing CXs. Furthermore, they found that the positive impact of CXM on financial performance intensifies with increased market turbulence, competitive intensity, and technological turbulence. Homburg et al. (2017) expanded this understanding by emphasising that for CXM to be effectively implemented, it requires a comprehensive, organisation-wide approach. These studies collectively underscore the strategic importance of CXM and its multifaceted role in competitive differentiation for enhanced business performance.

Gaining Customer Understanding and Insight by collecting customer data is a central aspect of CXM, as emphasised by Grønholdt et al. (2015) and Klink et al. (2021). Businesses often manage the rational facets of CX effectively but might falter with its emotional components. To realise positive market differentiation, a systematic approach to collecting customer data is essential. This foundational understanding subsequently informs Customer Experience Design. As highlighted by Homburg et al. (2017) and Klink et al. (2021), Customer Experience Design encompasses cultural mindsets toward CX, strategic intentions for its design, and the continuous renewal of customer experiences. Specifically, Klink et al. (2021) elaborate on touchpoints within design experience as vital components. Similarly, Grønholdt et al. (2015) underscore the significance of managing these touchpoints, suggesting that many companies might not fully harness this impactful dimension of CXM.

Therefore, by focusing on the dimensions of Customer Understanding and Insight, and Customer Experience Design, along with CX Performance Metrics and Measurement (as argued in Section 2.1.5), the study aimed to advance the understanding and measurement of CXM in a targeted and focused manner. The development of a diagnostic CXM maturity instrument by identifying key practices revolving around these essential

dimensions provides practitioners and businesses with valuable insights to manage and optimise their customer experience initiatives effectively.

In Figure 3, the proposed conceptual CXM model presents the interconnected relationships — including direct, mediating, and moderating relations — among the three essential CXM dimensions: Customer Understanding and Insight, Customer Experience Design, and CX Performance Metrics and Measurement. These dimensions subsequently influence Differentiation (DIF), Market Performance (MP), and Financial Performance (FP).

To deepen the understanding of the CXM construct, these three essential CXM dimensions were further subdivided specifically, Customer Understanding and Insight comprising Customer Data Collection (CDC) and Customer Data Analysis (CDA); Customer Experience Design comprising Customer Journey Touchpoints Mapping (CJTM) and Customer Journey Touchpoints Innovation (CJTI); and CX Performance Metrics and Measurements comprising CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), and CX Performance Metrics Insight (CPMI).

These constructs are posited to cumulatively influence the constructs of Differentiation (DIF), Market Performance (MP), and Financial Performance (FP). In this study, Differentiation (DIF) is characterised as a strategic process involving the creation of distinct value within a business's products, services, or overall offering. This strategic approach distinguishes the business from competitors, enhancing its ability to attract and retain customers, ultimately leading to the establishment of a sustainable competitive advantage. Market Performance (MP) encompasses the comprehensive evaluation of a business's effectiveness and success within the marketplace. This evaluation extends to critical dimensions that determine the organisation's competitive positioning and its capacity to achieve desired objectives, ultimately facilitating sustainable growth. In parallel, Financial Performance (FP) focuses on the thorough assessment of a business's financial health, success, and operational efficiency. This assessment incorporates a diverse range of financial indicators and metrics, providing a holistic perspective on the organisation's financial standing, profitability, and overall fiscal well-being.

Notably, within this framework, Differentiation (DIF) is conceptualised as a higher-order construct, with Market Differentiation (MD) and Market Agility & Responsiveness Differentiation (MRD) serving as its lower-order constructs.

## 3.2 Hypotheses

Each of the relational links in the proposed model (Figure 3) may thus be formulated as the following hypotheses:

H1a: The collection of customer data (CDC) to gain Customer Understanding and Insight has a positive effect on a business's Differentiation (DIF) as a competitive advantage.

H1b: The analysis of customer data collected (CDA) to gain Customer Understanding and Insight has a positive effect on a business's Differentiation (DIF) as a competitive advantage.

H1c: The analysis of customer data (CDA) moderates the relationship between the collection of customer data (CDC) to gain Customer Understanding and Insight and a business's Differentiation (DIF) as a competitive advantage.

H2a: The mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design has a positive effect on a business's Differentiation (DIF) as a competitive advantage.

H2b: The routine innovation of customer journey touchpoints (CJTI) as part of Customer Experience Design has a positive effect on a business's Differentiation (DIF) as a competitive advantage.

H2c: The mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design has a positive effect on the routine innovation of customer journey touchpoints (CJTI).

H2d: The routine innovation of customer journey touchpoints (CJTI) mediates the relationship between the mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design and a business's Differentiation (DIF) as competitive advantage.

H3a: The collection of various CX performance metrics (CPMC) has a positive effect on a business's Differentiation (DIF) as a competitive advantage.

H3b: The analysis and adoption of CX performance metrics insight gained (CPMI) has a positive effect on a business's Differentiation (DIF) as a competitive advantage.

H3c: The collection of various CX performance metrics (CPMC) has a positive effect on the analysis and adoption of CX performance metrics insight gained (CPMI).

H3d: The analysis and adoption of CX performance metrics insight gained (CPMI) mediates the relationship between the collection of various CX performance metrics (CPMC) and a business's Differentiation (DIF) as competitive advantage.

H3e: A CX Performance Metrics framework (CPMF) moderates the relationship between the collection of various CX performance metrics (CPMC) and the analysis and adoption of CX performance metrics insight gained (CPMI).

H4: The greater a business's Differentiation (DIF) as competitive advantage through CXM (CDC, CDA, CJTM, CJTI, CPMC, CPMI), the greater its Market Performance (MP).

H5: The greater a business's Differentiation (DIF) as competitive advantage through CXM (CDC, CDA, CJTM, CJTI, CPMC, CPMI), the greater its Financial Performance (FP).

H6: The greater a business's Market Performance (MP), the greater its Financial Performance (FP).

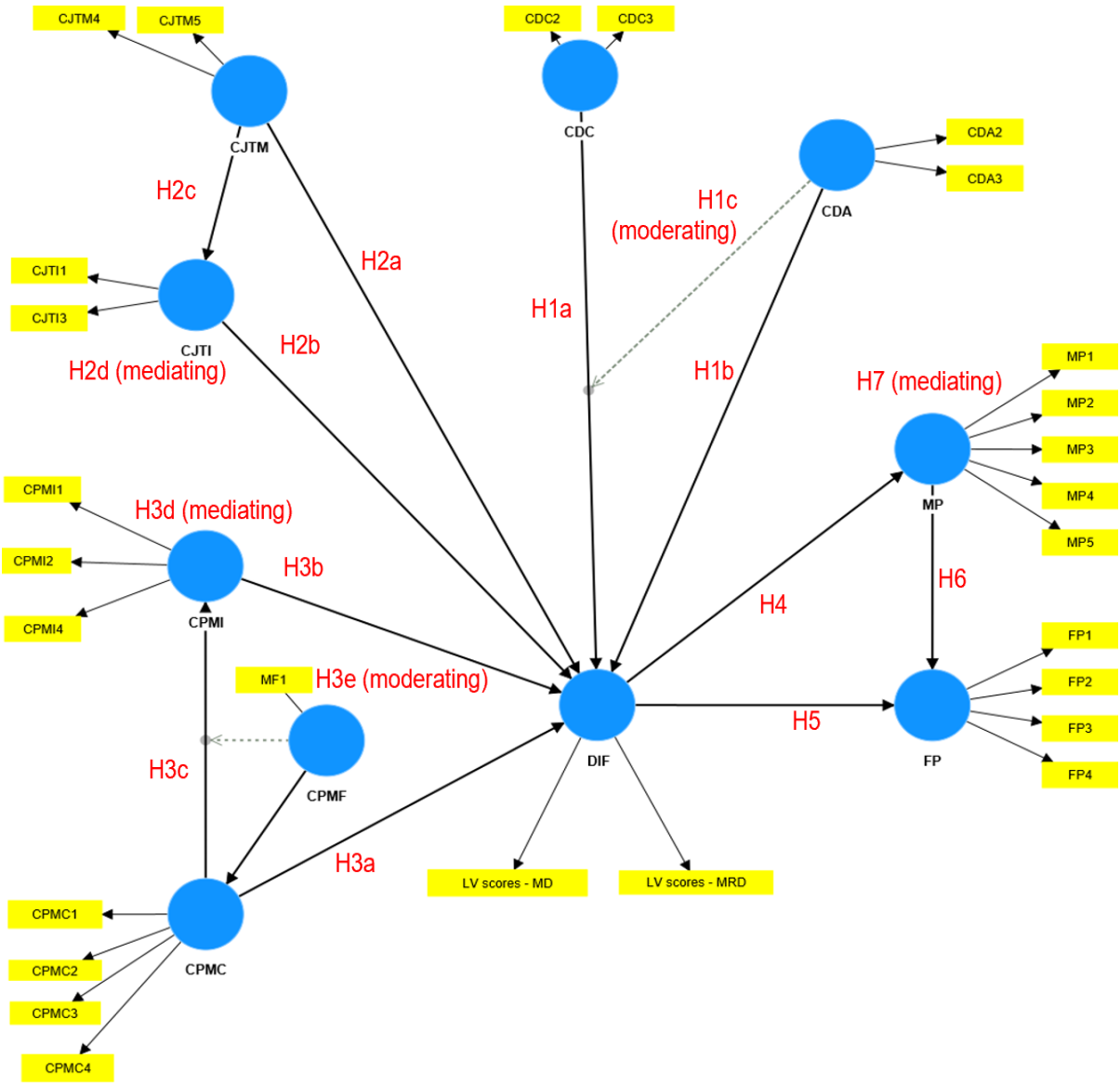
H7: A business's Market Performance (MP) mediates the relationship between a business's Differentiation (DIF) as competitive advantage and its Financial Performance (FP).

Figure 1 presents the proposed enhanced conceptual model, along with its hypothesised relational links.

The next chapter gives details of the research methodology used, the definition of the unit of analysis, the population, the sampling method and sample size, the research instrument, data collection, and data analysis methods.

**Figure 3**

*Proposed CXM Conceptual Model for Investigation*



# Chapter 4
# Research Methodology

This chapter examines the methodological blueprint of the study, clarifying the underlying research philosophy, approach, purpose, strategy, and the methods employed for data collection and analysis. Each element plays a focal role in ensuring that the research advances systematically, cohesively, and with transparency. The proposed model is guided by the research objectives and provides a framework for an in-depth examination of the CXM construct and its relationship with business differentiation and performance. While the model and its relational links were introduced in Chapter 3, this chapter elaborates on the research methods employed for testing of the hypotheses. The concepts addressed in this research are firmly rooted in prior studies that have been explored extensively by numerous academic scholars.

## 4.1 Research Problem and Research Questions

The foundational research problem, which informed the chosen design and approach as discussed in Section 1.2, underlines the strategic significance of Customer Experience Management (CXM) in achieving sustainable competitive advantage and enhanced financial performance. Despite existing insights, a notable gap in developing a comprehensive, empirically grounded CXM construct remained. This study aimed to address this gap by proposing a theory-driven framework to reveal the transformative role of CXM in market differentiation and business performance. Emphasising this problem statement was crucial, as it directly influenced the research design and methodology, ensuring that each methodological decision aligned with the study's objectives.

Building upon this foundation, the research questions, initially outlined in Section 1.4.1, are reintroduced to further define the scope of the methodological exploration. These inquiries, both the main and sub-questions, aimed to guide the empirical investigation comprehensively.

Main Research Question

How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

Sub-Questions

The subsequent research questions stem from the primary overarching research question:

How can existing CXM models be advanced and integrated into an enhanced framework that provides deeper insights into its essential dimensions (being Customer Understanding and

Insight, Experience Design, and CX Performance Metrics & Measurement) grounded in theoretically driven measurable items?

How can an empirically validated CXM maturity diagnostic instrument be developed that enables businesses to assess their level of CXM maturity effectively?

Which CX dimensions and practices are most critical in establishing a competitive advantage for businesses, and what is the role of CXM maturity in enhancing these dimensions and practices?

How does CXM differentiation, as a result of strategic implementation and enhanced maturity, affect the market and financial performance of businesses?

What strategies can businesses adopt to effectively integrate and operationalise CXM dimensions and related practices into their daily management frameworks and practices?

## 4.2 Research Design

The research design outlines the methodological approach adopted in this study. It provides a detailed explanation of the research philosophy, approach, purpose, strategy, data collection, and analysis methods.

### *4.2.1 Research Philosophy*

Research philosophy refers to the set of beliefs that guide the choice of research methods and techniques (Saunders et al., 2009). It is the lens through which the researcher views the world, and it shapes how knowledge is constructed and interpreted (Cohen et al., 2007; Crotty, 1998). Two commonly adopted research philosophies in business studies are *positivism* and *interpretivism* (Saunders et al., 2009).

Positivism, drawing from the natural sciences, emphasises objective knowledge gained through observation (Saunders et al., 2009; Wellington, 2000). It views the researcher as independent of the study and focuses on the collection and interpretation of factual, quantifiable data. On the other hand, interpretivism, rooted in the social sciences, acknowledges the complexity of human behaviour and the subjective nature of social reality (Meyer & Schwager, 2007; Saunders et al., 2009). It emphasises the understanding of phenomena through the lived experiences and perceptions of individuals.

While there are several philosophical approaches, this study adopts a positivist approach (Saunders et al., 2009). Positivism is a research philosophy that underscores the importance of objectivity and the necessity to study phenomena in an observable and measurable manner (Creswell, 2003). It aligns well with the structured, empirical investigation of CXM, where objective measurement and quantifiability are paramount. The choice of positivism for this study was driven by several factors:

Objectivity: Positivism holds the researcher as detached and independent of what is being researched. For this study, objectivity is paramount. The study leans on empirical, quantifiable data to derive unbiased insights into CXM's measurement, operationalisation, and impact, ensuring that findings are a result of structured investigation and not subjective interpretation.

Determinism: Aligned with the deterministic perspective of positivism, this research sought to uncover the inherent dimensions and components that shape CXM within the business environment. The study aimed to generalise these underlying elements of CXM, exploring their influence on business differentiation and performance. This approach provided predictive and explanatory insights that are applicable across diverse contexts.

Reductionism: The study employed a reductionist strategy to deconstruct the multifaceted CXM construct into its foundational elements. This method facilitated the examination of individual dimensions and their contribution to CXM’s overarching influence, enabling the testing of theories and hypotheses. Consequently, a detailed comprehension of the intricate dynamics within the CXM construct was attained.

### *4.2.2 Research Approach*

The research approach is not only a reflection of the methodological choices but also an embodiment of the underlying research philosophy. In this study, the positivist research philosophy has been adopted as indicated in Section 4.2.1, emphasising the importance of the research objectives and the most suitable methods to address it (Saunders et al., 2009).

Within the broad spectrum of research approaches, two are prominent - the *deductive* approach and the *inductive* approach (Saunders et al., 2009). The deductive approach begins with a theory or hypothesis and is subsequently subjected to empirical testing. It is confirmatory and explanatory in nature, aiming to verify or falsify existing theories or hypotheses and explain the relationships between variables.

Given the research objectives and the positivist philosophy of this study, the deductive approach was deemed most appropriate. The research sought to build upon established models (Grønholdt et al., 2015; Homburg et al., 2017; Klink et al., 2021) by necessitating a framework where existing theories are empirically tested and refined. The overarching goal of advancing the understanding of the CXM construct, its measurement, and operationalisation aligned seamlessly with the deductive approach. This approach offered a structured pathway to investigate the construct, drawing from established theories and testing these theories in novel contexts.

Furthermore, the study aimed to identify and analyse the essential CXM dimensions and practices that significantly influence a business's competitive advantage through differentiation. It also intended to examine how progression on the maturity framework correlates with the key performance indicators of a business. Accordingly, the purpose to create an enhanced conceptual framework and a diagnostic instrument for CXM which assesses maturity was integral. Both the framework and the instrument are rooted in theory as described in Section 3 and are empirically tested to foster new insights, further justifying the deductive approach.

### *4.2.3 Research Purpose*

A well-defined research purpose is paramount as it ensures alignment with the overarching research objective, providing clarity to both the researcher and the audience (Saunders et al., 2009, Shukla, 2008; Zikmund & Babin, 2007). Furthermore, it intricately connects with other research components, such as the research questions and hypotheses, guiding them in a cohesive direction. In the realm of academic research, purposes can typically be broadly categorised as *exploratory* or *conclusive*, each with its unique characteristics and implications (Saunders et al., 2009; Shukla, 2008).

Exploratory research is an initial venture into a subject matter, aiming to grasp “what is happening; to unearth new insights; to pose questions and to perceive phenomena from a renewed vantage point” (Robson, 2002, p. 59). Exploratory research does not seek to provide definitive answers but rather to enhance the understanding of the problem at hand. Zikmund and Babin (2007) characterise it as a type of research that seeks clarity in ambiguous situations or identifies potential business opportunities which can result in a variety of different causes and solutions to a specific problem.

On the other hand, conclusive research is more definitive in its approach, striving to offer definitive solutions to research quandaries. It furnishes insights that are both verifiable and quantifiable, guiding researchers towards the most judicious course of action (Malhotra, 2004). Within this ambit, we find *descriptive research*, which endeavours to present an accurate portrayal of entities, events, or circumstances. As Zikmund and Babin (2007) articulate, descriptive research seeks to vividly depict a particular situation, aiming to provide a comprehensive account of current issues or challenges (Fox & Bayat, 2007). Another facet of conclusive research is *explanatory* or *causal* research. This type delves deeply into specific situations or problems to reveal the intricate relationships between variables. Its primary objective is to discern cause-and-effect dynamics indicating which variables are the cause (independent variables) and which are the effect (dependent variables) (Shukla, 2008).

Given the research objectives of this study which focus on enhancing the understanding of the CXM construct, its dimensions, and its impact on business performance, an explanatory research approach was deemed fitting. This approach, aligned with the study's deductive nature, does not only allow for a deeper exploration into the multidimensionality of the CXM construct but also facilitates an analysis of the relationships among the essential CXM dimensions, the respective best practices, and key business performance indicators. By adopting this approach, the research provides a comprehensive and validated understanding of how CXM practices influence business outcomes, ensuring that the findings are both theoretically grounded and practically relevant.

### *4.2.4 Research Method*

The selection of an appropriate research method is a cornerstone in academic investigations, ensuring that the trajectory of the study is well-defined and aligned with its objectives. Within the domain of business and management research, the dichotomy between *quantitative* and *qualitative* research has been a topic of extensive discussion (Zaborek, 2015).

Quantitative research is anchored in positivism and relies on structured data collection from representative samples. It emphasises objectivity and seeks to produce findings that are both predictive and explanatory. Such findings, derived from numerical data, can confirm statistically valid relationships and are often generalisable to a broader population. The strength of quantitative research lies in its ability to provide clarity and direction, especially when the research intends to test hypotheses or theories (Saunders et al., 2009).

In contrast, qualitative research is interpretivist in nature. It delves into the diverse aspects of phenomena, using smaller, often non-representative samples to collect unstructured data. This approach, while not yielding numerical data, offers rich, in-depth insights, allowing researchers to identify patterns, themes, and underlying meanings. It is particularly valuable when the research seeks to understand contexts, perceptions, and experiences in detail (Zaborek, 2015).

Emerging as a bridge between the quantitative and qualitative research approaches is *mixed-method* research, combining elements of both approaches. Advocated by scholars like Tashakkori and Teddlie (2003) and Johnson et al. (2007), this method is often chosen when the interconnectedness of events in a specific situation is central to the research question. It offers a comprehensive lens, potentially yielding more nuanced findings. However, the decision to employ a mixed-method approach should be driven by the objectives of the research and the nature of the questions it seeks to answer.

In the research study, a quantitative approach, anchored in a positivist stance, was adopted to analyse the complexities of CXM in a defined, quantifiable manner. The primary motivation for this methodological choice was to enhance the understanding of CXM, its measurement, and its subsequent influence on business differentiation, market, and financial performance. Given these objectives, a quantitative approach was apt, enabling hypothesis testing and ensuring robust findings.

In view of the multidimensional complexities of the study's framework featuring multiple constructs and indicators, and the analytical requirements of the research, a cross-sectional quantitative design, the *Partial Least Squares* (PLS) method of *structural equation modelling* (SEM), was selected as the preferred option for data analysis (Risher et al., 2018).

SEM is an indispensable methodology for assessing the multifaceted relationships between observed and latent variables. Of the SEM methodologies available, *partial least squares* SEM (PLS-SEM) and *covariance-based* SEM (CB-SEM) are the principle techniques, each featuring distinct advantages and applications.

Historically, CB-SEM was the dominant method for analysing complex relationships (Kline, 2010). It places a pFronounced emphasis on model fit (Hair et al., 2017). However, the SEM landscape has shifted, and PLS-SEM has attracted increased attention across diverse social science disciplines, including organisational management and strategic management (Hair et al., 2012; Peng & Lai, 2012; Sarstedt, Hair & Ringle, 2017).

Several factors contribute to the rising prominence of PLS-SEM. First, in contrast to CB-SEM, PLS is designed to maximise the variance of dependent (endogenous) constructs, aligning it well with predictive applications and theoretical development (Gefen, Straub, & Boudreau, 2000; Kline, 2010). PLS provides a causal-predictive approach to SEM, emphasising prediction while estimating statistical models intended to yield causal explanations (Sarstedt et al., 2017; Wold, 1985). This approach positions PLS-SEM advantageously to bridge the gap between academic research and practical managerial implications, allowing for the derivation of profound insights by maximising variations between constructs (Kline, 2010).

Moreover, PLS-SEM offers distinct methodological advantages. It is not constrained by data normality and is accommodating to smaller sample sizes (Hair et al., 2006). Its nonparametric nature, which does not depend on a specific data distribution, offers resilience against challenges such as skewed distributions and multicollinearity (Chin, 1998; Fornell & Larcker, 1981; Tenenhaus et al., 2005), and even measurement inaccuracies that might compromise other SEM techniques. In disciplines where composite constructs like customer satisfaction or organisational performance are central, the capability of PLS-SEM

to estimate complex models without strict distributional requirements is invaluable (Risher et al., 2018).

The discourse between CB-SEM and PLS-SEM has evolved. PLS-SEM is now acknowledged not as a mere alternative to CB-SEM, but as a distinct methodology for analysing composite-based path models (Rigdon et al., 2017). Its emphasis on prediction, flexibility with sample sizes, and enhanced statistical efficacy compared to CB-SEM solidify its suitability for explanatory research and studies with intentions to augment existing theories (Reinartz et al., 2009; Risher et al., 2018). While CB-SEM's primary concern remains model fit, PLS-SEM's perspective on this aspect is more refined (Hair et al., 2017). Some scholars have introduced model fit measures for PLS-SEM, but their broad acceptance remains a topic of scholarly discussion (Hair et al., 2017; Henseler et al., 2013).

Considering the advantages of PLS-SEM outlined, its suitability for the study became evident. The research aimed to enhance the understanding of the multifaceted complexity of CXM. PLS-SEM, with its attributes, was particularly apt for investigations that attempted to yield actionable insights into the operationalisation of CXM within the business context.

In alignment with the quantitative research methodology and the PLS-SEM approach, a structured survey was developed. This survey utilised Likert-type scales to gather responses, a method chosen for its efficacy in quantifying subjective assessments such as attitudes or perceptions. Recognising the critiques often directed at Likert-type scales, the non-parametric nature of PLS-SEM through the utilisation of bootstrapping as a resampling technique (Streukens & Leroi-Werelds, 2016) avoids the assumption of data normality (Hair et al., 2017). This methodological approach not only facilitates a more accurate evaluation of the data but also effectively mitigates the analytical limitations traditionally associated with the use of mean and standard deviation in the evaluation of Likert-scale data analysis (Hair et al., 2017).

Drawing inspiration from established theories, the questionnaire was designed to mirror the constructs delineated in the proposed model (Figure 1).

The *unit of analysis* for this research was an organisation, also referred to in this study as a business, enterprise or a firm. Zikmund and Babin (2007) define the unit of analysis as a single element, or a group of elements considered in the sample. Participants were asked to assess CXM within their businesses. They were prompted to indicate the specific CX practices their businesses had integrated, the capacity of their businesses to distinguish themselves in the market, and their perceived influence of market differentiation on key business performance metrics.

By focusing on businesses as the unit of analysis, the research provided insight on the broader relationships and outcomes associated with CXM implementation and maturity. This approach gave a comprehensive understanding of how businesses operationalise CXM and its implications for their performance.

### *4.2.5 Target Population and Sample*

Sampling plays a pivotal role in data collection for research, serving as the process of "selecting a relatively small number of elements (characteristics) from a larger defined group of elements and expecting the information gathered from the small group of elements to provide accurate judgment about the larger group" (Shukla, 2008, p.132). The term population refers to this larger defined set of elements or cases from which the sample is drawn (Saunders et al., 2009). A target population, as described by Hair et al. (2006, p. 64), is "the complete group of elements (people or objects)" identified for examination in line with the objectives of the research project. Zikmund and Babin (2007) further clarify that a population encompasses any complete group sharing certain characteristics.

For this study, the population was identified as global organisations, excluding government entities. The exclusion of government institutions was deliberate as the study aimed to focus on organisations that respond to market forces, rather than entities primarily serving the public with essential services.

Sampling techniques predominantly fall into two categories: *probability* (representative) sampling and *non-probability* (judgmental) sampling (Saunders et al., 2009). Probability sampling ensures that each case from the population has a known, non-zero chance of selection, and an equal chance of selection in the case of a simple random sample. In contrast, non-probability sampling is more subjective, relying on the researcher's judgment to select specific groups or individuals. Given the specific nature and objectives of this research, as well as constraints of time and finances, it was impractical to gather data from the entire population. Therefore, a non-probability sampling technique, specifically criterion purposive sampling, was applied. This technique involved selecting participants who met the specific set of criteria as predetermined for the research study (Bloomberg, 2023).

To ensure informed responses, participants in the study were required to be part of the executive team or hold mid- to senior-level managerial roles in marketing and customer-related functions with a clear understanding of CXM in their respective organisations. They also needed to be actively involved in CXM decision making.

Thus, the sampling framework was constructed around CX practitioners, especially those affiliated with the Customer Experience Professionals Association (CXPA) and holding the Certified Customer Experience Professional (CCXP) credential. This decision was rooted in the belief that such individuals would provide the most relevant insights for the study.

The CXPA, founded by industry experts Bruce Temkin and Jeanne Brak in 2011, stands as a leading non-profit organisation dedicated to advancing the CX profession. Their CCXP credential, established in 2014, serves as an independent, globally recognised mark of a CX professional's comprehensive understanding of customer experience. The prominence of the CCXP credential requirement in job postings from multi-national and renowned companies such as Apple, Cisco, and Johnson & Johnson (CXPA, 2023), further underscores its significance in the industry and the credibility of the sample from the CXPA.

A large portion of the sample was therefore drawn from the 6,065 members of the CXPA database of whom 1,463 (24%) are CCXP certified (CXPA, 2023). To diversify the sample, Qualtrics XM Institute, a reputable commercial research panel provider (Long et al., 2011), was also utilised, procuring an additional 73 middle- and top-level marketing managers and executives from the US, UK, and French organisations. The combined sample from the professional association and research panel provided a rich and varied dataset, representing businesses from various industries serving both B2B and B2C markets such as healthcare, education, retail, e-commerce, manufacturing, information technology, finance and banking, food and beverage, energy and utilities, transport and logistics, media and entertainment, construction and real estate, and consulting.

This diverse sample ensured that the data was heterogeneous, allowing patterns and themes to emerge that may be of particular interest and value (Saunders & Lewis, 2012). The final sample size for the study was 174 respondents, all of whom provided valuable insights into the operationalisation of CXM in their respective organisations. This final sample excluded the 10 respondents who participated in the pilot test of the study, the specifics of which are detailed in Section 4.2.5.

### *4.2.6 Research Instrument*

In the realm of research, surveys serve as a pivotal tool, especially when the study follows a deductive, quantitative approach as in the case of this research. The primary aim of survey research is to delve into the characteristics of a target population, capturing their attitudes, perceptions, beliefs, and opinions regarding a phenomenon of interest to the researcher (Bhandari, 2021; Emilien et al., 2017; Saunders et al., 2009). This method offers the researcher enhanced control over the study process, particularly when sampling is employed. By collecting a substantial amount of data from the sample, the researcher can

quantitatively examine the data and make meaningful inferences (Saunders et al., 2009). This not only makes the survey method cost-effective, but also facilitates respondents proposing potential reasons for specific relationships between variables, allowing the creation of models representing these relationships (Saunders et al., 2009).

The research instrument chosen for this study was a questionnaire survey. As articulated by Saunders and Lewis (2012), questionnaires are most effective when they fulfil three criteria. First, they should collect relevant data that directly address the research questions. In this study, this criterion was met by grounding the constructs and related questions in the literature reviewed in Chapter 2. Second, there should be adequate respondent numbers, sufficient to answer the research question. Third, they should maintain consistency in interpretation, using questions that are understood and interpreted by the respondents in the manner intended by the researcher. A pilot test conducted prior to the distribution of the final survey ensured this consistency.

By adhering to these criteria, the questionnaire survey became a valuable instrument, ensuring that the data collected was aligned with the research objectives, adequate, and sufficient.

#### 4.2.6.1 Construction of the Survey.

The survey questionnaire was structured into two main sections to gather a comprehensive set of data. The initial section was designed to collect characteristic details, focusing on two primary areas: the businesses, which served as the unit of analysis, and the participants, who provided responses on behalf of their organisations. This part of the survey aimed to gather essential information regarding the size, industry, and geographical location of the businesses, as well as detailed insights into the respondents' roles within their organisations. Additionally, the questionnaire delved into the operational history of the businesses by inquiring about the number of years they had been in operation. It also sought to understand the extent of the businesses' commitment to Customer Experience Management (CXM) by asking respondents to specify the duration for which CXM had been a central focus within their business practices.

The second section of the questionnaire focused on the complex attributes of CXM and the market and financial performance of each business. Respondents were presented with questions anchored on a seven-point Likert-type scale, prompting them to reflect and rate their agreement with various statements which represented CXM practices. These questions were rooted in theory to elicit responses that would address the research questions comprehensively. Respondents were required to answer all the research questions.

The survey questions were structured according to the three essential CXM dimensions and further subdivided into seven constructs in total (refer to Section 3). The three dimensions were Customer Understanding and Insight comprising Customer Data Collection and Customer Data Analysis; Customer Experience Design comprising Customer Journey Touchpoints Mapping and Customer Journey Touchpoints Innovation; and CX Performance Metrics and Measurements comprising CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection, and CX Performance Metrics Insight.

Additionally, there were questions on Differentiation included in the survey. These questions were integral in assessing the role of differentiation as a critical business strategy, focusing on how companies create unique value in their products, services, or overall offerings for market differentiation, as well as on their agility and responsiveness to market changes.

#### 4.2.6.2 Development of the Measures.

As described in Section 3, the CXM dimensions of the proposed comprehensive conceptual model as well as the 43 items measuring the constructs were deduced from a study of the related literature. The indicators of each construct were presented as statements, and respondents rated their levels of agreement on a scale from "strongly disagree" to "strongly agree" (Grønholdt et al., 2015; Saunders et al., 2009). This approach yields ordinal data where the relative position of each variable is discernible, even if precise numerical values are not specified (Saunders et al., 2009).

Emilien et al. (2017) further recommend that researchers employ questions and scales that have been previously used and validated. In order to reinforce the validity of outcome variables of this study (Heale & Twycross, 2015; Saunders et al., 2009), the constructs of Differentiation (DIF), Market Performance (MP), and Financial Performance (FP) were operationalised using established scales that have been adapted to fit the specific context of this research.

Differentiation was considered as a higher-order construct reflecting the two lower-order constructs of Market Differentiation (MD), and Market Agility & Responsiveness Differentiation (MRD). These constructs were measured using a seven-item scale adapted from the work of Chandler and Hanks (1994) and ensured that the scale was tailored to the research context and aligned with the overarching goal of assessing the impact of CXM on Differentiation (DIF) as a competitive advantage.

Similarly, the constructs of Market Performance (MP) and Financial Performance (FP) were assessed using five-item and four-item scales, respectively, drawing from the works of Moorman and Rust (1999), and Irving (1995). Market performance was measured

by customer satisfaction, behavioural customer loyalty, attitudinal customer loyalty, shareholder value, and customer life value. Financial Performance was measured by the overall financial performance, overall sales growth, market share, and profitability of the business. While financial reports can provide ostensibly objective measures of an organisation's performance, their application in this study presented notable challenges.

The consistent challenge in identifying a universally applicable financial performance measure across various industries has been highlighted in previous research (Moorman & Rust, 1999; Zhang et al., 2013). Furthermore, financial disclosures typically pertain only to public entities, which added to the complexity. To address these challenges, I adopted a method widely recognised within marketing strategy studies of gathering data based on managerial perceptions of performance. This approach, grounded in extensive marketing research, proves invaluable for studies focused on CXM (Homburg & Pflesser, 2000; Moorman & Rust, 1999).

The scales selected for this study were derived from their extensive validation and utilisation in prior research (Irving, 1995; Moorman & Rust, 1999). They were, however, refined to align more closely with the specific context of this research. This alignment ensured that the metrics pertaining to market performance and financial performance were both comprehensive and contextually relevant, thereby reinforcing the reliability and validity of the findings.

Through the adaptation and application of these established scales, the research findings are anchored in theoretical frameworks, underpinning the development of the enhanced CXM construct and the associated diagnostic maturity instrument.

#### 4.2.6.3 Pre-testing the Survey Instrument.

Before embarking on full-scale data collection, it is essential to ensure that the measures of the survey instrument are clear, comprehensive, and free from potential biases. Scholars like Zikmund and Babin (2007) underscore the importance of a pilot study, or pre-test, in this context. Echoed by Saunders et al. (2009), this best practice emphasises that a preliminary analysis of pilot test data can confirm the accuracy and reliability of the information gathered, ensuring alignment with the objectives of the research study.

Specifically, five customer experience practitioners and five executive and senior managers were engaged based on convenience sampling. While the executive and senior managers evaluated the design aspects of the questionnaire, including its length, complexity, and clarity, the CX practitioners, as subject matter experts, assessed the content for relevance and correct classification according to the essential CXM dimensions.

This preliminary feedback highlighted several areas of ambiguity. In response to these insights, revisions were made to the questionnaire with particular attention to ensuring alignment with the PLS method of data collection, reviewed, and confirmed by a statistician. Such revisions entailed scale reversals for certain questions and refinements for enhanced clarity.

### *4.2.7 Data Collection: Distribution of the Survey*

With the feedback from the pilot study incorporated, the finalised questionnaire was distributed electronically to both the Customer Experience Professionals Association (CXPA) members and the Qualtrics XM Institute panel. This process generated a total of 174 completed responses. Of the 1,463 survey questionnaires distributed, 177 responses were received, with 3 cases considered incomplete and thus excluded. The final dataset for analysis yielded an effective response rate of 11.9%. The research adopted a cross-sectional survey approach, capturing quantitative data at a single point in time. This approach, in contrast to longitudinal surveys, provides a snapshot at a single moment, offering insights into the current state of the phenomenon under study (Saunders et al., 2009).

The survey was constructed on the Qualtrics XM Institute platform (Qualtrics XM Platform™, 2020) and shared via a URL emailed to the target sample. One of the primary advantages of a web-based survey is the automatic capture of responses in a database, facilitating seamless data transfer to statistical software. As an added incentive for participation, respondents were offered access to the research findings and recommendations upon request. A follow-up email was dispatched two weeks after the initial survey distribution, emphasising the significance of their participation. The survey window concluded three weeks after its commencement.

The research was conducted with a commitment to ethical standards, prioritising the confidentiality, safety, and security of data collected from participants. The approach to data collection was designed to comply with international protocols and laws, including the General Data Protection Regulation (GDPR) (Barezzani, 2023) and the Protection of Personal Information Act (POPIA) (Swales, 2021).

Participants were recruited through the Customer Experience Professionals Association (CXPA) and the Qualtrics XM Institute panel, as detailed in Section 4.2.5. A cover letter accompanied the survey URL emailed to both groups of participants, inviting them to contribute to the study. This letter outlined the objectives of the study, emphasised the voluntary nature of participation, detailed the estimated time commitment required from

participants, and described the measures implemented to ensure data confidentiality and participant anonymity. The completed survey questionnaire may be found in Appendix B.

Prior to starting the survey, respondents were mandated to acknowledge and consent to several critical aspects to ensure an informed participation process. Specifically, they confirmed that their participation was entirely voluntary, acknowledged that they were of legal age (18 years or older) to provide consent, and understood their right to withdraw from the study at any given time without needing to justify their decision. This consent process was designed to ensure that all participants were thoroughly informed about the nature of the study and their rights within it, thus providing their explicit consent to participate under clearly defined terms.

The Qualtrics XM platform (Qualtrics XM Platform™, 2020), renowned for its stringent data security measures, was utilised to administer the survey and collect responses. All data collected were anonymised and securely stored on this platform, which employs the required precaution measures to safeguard data against unauthorised access and ensure its integrity. Access was only given to aggregated data and individual responses tagged with case numbers, without any personally identifiable information. This approach not only guaranteed the safeguarding of individual privacy but also upheld the integrity of the research process.

In alignment with the study's ethical commitment, all data will be securely stored for a minimum of five years following the study's completion, in accordance with SSM policy. This period ensures the availability of data for future research verification while continuing to protect participant confidentiality and comply with data protection laws.

### *4.2.8 Data Analysis: PLS*

In this research, the data analysis was conducted using the SmartPLS 4 software (Ringle et al., 2022), a renowned application tailored for path modelling with latent variables. The conceptual model underpinning this research is a reflective-reflective construct model. In such models, the indicators are seen as manifestations or reflections of the underlying latent constructs. These latent constructs then serve as representations of higher-order reflective constructs. This distinction is crucial as the considerations for reflective-reflective models in the PLS-SEM analysis process differ from those of formative-formative and other models (Sarstedt et al., 2017).

The analysis process consisted of systematic phases, ensuring a comprehensive examination of the collected data. These processes transitioned from an initial conceptual model based on prior knowledge and assumptions, to a refined model informed by the actual

data collected. This progression is captured through the terms *a priori* and *a posteriori*, Latin phrases meaning ‘from what comes before’ and ‘from what comes later’, respectively (Garson, 2016, p.10).

The PLS analysis proceeds in four main stages. First, the *a priori* model is evaluated based on prior knowledge, and the measurement items modified based on the collected data to derive a refined or *a posteriori* model. Second, the *a posteriori* measurement model is assessed by critically evaluating its measurements to ensure reliability and validity, and considering the reflective nature of the constructs. Third, the *a posteriori* structural model is assessed by examining theorised or hypothesised relationships between the constructs, essentially validating the proposed theoretical framework. Finally, the *a posteriori* structural model analysis is presented offering insights into the relationships between the constructs.

In the subsequent sections, each of these stages is described in detail, highlighting the analysis process and the rationale behind each decision in the context of the reflective nature of the conceptual model in this study.

### *4.2.9 Data Analysis: Evaluation and Modification of the Measurement Items*

The initial phase of the analysis process is dedicated to the evaluation and modification of the *a priori* model. This model, grounded in prior knowledge and assumptions, serves as the starting point for the analysis. The primary objective in this step is to refine the model by identifying and eliminating poor measurement items based on their loadings, thereby transitioning to the *a posteriori* model (Garson, 2016).

Loadings, also known as *factor loadings*, are pivotal in the PLS-SEM analysis, especially for reflective models. Loadings are weightings that capture the correlation between the observed variables and the derived latent constructs (Gefen et al., 2000). These loadings are instrumental in determining the strength and relevance of the indicators within the model. There are established benchmarks for loadings that guide the decision-making process. Hair et al. (2017) propose a commonly cited minimum loading value of .708. This standard ensures that the latent construct accounts for more than half of the indicator’s variance, signifying satisfactory indicator reliability.

Upon the removal of suboptimal indicators, the conceptual model undergoes modifications, culminating in the *a posteriori* model. This refined model serves as the foundation for the subsequent steps of the analysis process, namely the assessment of the measurement model and structural model, which includes hypothesis testing (Risher et al., 2018). It is important to note that the modifications made at this stage are informed by the

specific nature of the reflective model, ensuring that the changes align with the inherent characteristics and challenges of such models.

### *4.2.10 Data Analysis: Assessment of the Measurement Model*

The assessment of the measurement model is a pivotal stage in the data analysis process. It involves specifying the indicators for each construct and then evaluating their reliability and validity (Hair et al., 2017).

In the realm of PLS-SEM, distinguishing between *exogenous* and *endogenous* constructs is pivotal. Exogenous constructs act solely as predictors, influencing other constructs without being influenced themselves. This unidirectional influence underscores their foundational role in the model (Gefen et al., 2000). In this research, the constructs of Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), and CX Performance Metrics Framework (CPMF), are identified as exogenous constructs.

Conversely, the constructs Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Collection (CPMC), and CX Performance Metrics Insight (CPMI), Differentiation (DIF), Market Performance (MP), and Financial Performance (FP) are categorised as endogenous. These constructs are influenced by other constructs in the model, making them dependent variables (Zikmund & Babin, 2007). Recognising and correctly categorising these constructs ensures a coherent and theoretically sound model specification for accurate and meaningful analysis.

Given the reflective nature of the constructs in this study, PLS-SEM emerged as the analytical approach of choice. Unlike formative constructs where indicators define and form the latent variable, the indicators of reflective constructs are seen as manifestations of the latent variable (Risher et al., 2018). The reliability and validity of a reflective measurement model are established by examining its indicator reliability, internal consistency, convergent validity, and discriminant validity (Sarstedt et al., 2017).

#### 4.2.10.1 Indicator Reliability.

Upon describing the exogenous and endogenous constructs, the assessment of a reflective measurement model commences with an exploration of indicator reliability. This involves examining the proportion of variance in each indicator attributed to its associated latent construct (Urbach & Ahlemann, 2010). By squaring the indicator loading, which represents the correlation between the indicator and the construct, the explained variance of an indicator is determined, providing its communality. As previously described, a loading value of .708 or higher is a commonly accepted threshold (Hair et al., 2017). However, in

many empirical studies, particularly in the social sciences domain, indicators might present with loadings below this threshold, a situation that is often observed when utilising newly developed scales (Hulland, 1999).

It is important that researchers do not prematurely exclude indicators that fail to achieve the .708 benchmark. Instead, the implications of such removals on the broader reliability and validity metrics must be considered. Indicators with loadings ranging between .5 and .7 may be considered for removal only if their exclusion enhances either the internal consistency reliability or the convergent validity to levels above their respective recommended thresholds (Hair et al., 2010). These aspects will be detailed in forthcoming sections.

Additionally, the decision to retain or remove an indicator should factor in content validity, which evaluates how thoroughly a measure captures all aspects of a given construct. Thus, there are instances where indicators with suboptimal loadings might be retained due to their theoretical significance. Nonetheless, there is consensus that indicators with extremely low loadings, notably those below .40, should be decisively removed from the measurement model (Hair et al., 2017).

The presence of multicollinearity between indicators might obscure each indicator's distinct contribution to its foundational construct and therefore it is important to evaluate multicollinearity in examining indicator reliability. *The Variance Inflation Factor* (VIF) metric is utilised for this purpose, as proposed by Fornell and Larcker in 1981. According to Hair et al. (2017), when the VIF value is below the threshold of 5, multicollinearity is an unlikely concern.

#### 4.2.10.2 Internal Consistency Reliability.

In the evaluation of a reflective measurement model, the importance of assessing *internal consistency reliability* is emphasised. This measure determines the degree to which indicators that are intended to measure the same construct are indeed correlated with each other (Hair et al., 2017). Several metrics are used in the context of PLS-SEM to provide insights into the reliability of the latent construct.

A foundational measure in this regard is Jöreskog's (1971) *composite reliability* (CR or rhoC). Values for this measure that fall between .60 and .70 are typically viewed as "acceptable" in the realm of exploratory research. Those within the range of .70 to .90 are considered to indicate "satisfactory to good" reliability. However, caution is advised when values exceed .90, especially when approaching or surpassing .95. Such high scores suggest potential redundancy among indicators which can compromise construct validity.

This redundancy could emerge from closely related survey items or undesirable response patterns (Diamantopoulos et al., 2012; Hair et al., 2017).

*Cronbach's alpha* (Cronbach, 1971) is another prominent measure of internal consistency reliability. Notably, it is more conservative than the composite reliability measure. A limitation of Cronbach's alpha is its inherent assumption that presupposes uniform indicator loadings across the population (Werts et al., 1974). When this assumption is not met, Cronbach's alpha typically yields more conservative reliability estimates compared to the composite reliability measure. However, research suggests that even in the absence of this uniformity, Cronbach's alpha remains a suitable lower-bound estimation of internal consistency reliability (Trizano-Hermosilla & Alvarado, 2016).

In understanding reliability, it is important to recognise the positions of Cronbach's alpha and composite reliability. While the former tends to represent a minimum estimate and the latter a maximum, the actual reliability of a construct is believed to be situated between these markers.

To offer an alternative view, scholarly efforts inspired by Dijkstra (2010) introduced the exact or consistent reliability coefficient (rhoA). This measure provides a middle ground between the conservative nature of Cronbach's alpha and the more liberal estimates from the composite reliability, presenting a balanced take on reliability (Hair et al., 2019). This perspective views the consistent reliability coefficient as an insightful compromise, offering a well-rounded understanding of the reliability of a construct.

#### 4.2.10.3 Convergent Validity.

*Convergent validity* evaluates the degree to which a construct captures the variance of its indicators (Urbach & Ahlemann, 2010). It is a measure of the extent to which a construct effectively represents the variance of its associated items. One of the primary metrics utilised in assessing convergent validity is the *Average Variance Extracted* (AVE). AVE measures the percentage of variance captured by a construct and is measured by the ratio of the sum of the variance captured by the construct in relation to the variance due to measurement error (Gefen et al., 2000). Hair et al. (2017) suggest that an AVE of .50 or higher is desirable as it indicates that the construct, on average, accounts for 50% or more of the variance of its indicators.

Moreover, the importance of reporting convergent validity alongside composite reliability becomes evident when considering the holistic assessment of measurement models. Composite reliability assesses the degree to which elements within a construct cohesively measure the same idea, whereas convergent validity evaluates how well that construct accurately reflects its individual variables. Reporting both ensures that a construct

is not only consistent in its measurements (composite reliability) but also meaningful and representative in its essence (convergent validity). Adhering to guidelines proposed by Fornell and Larcker (1981), it is recommended that composite reliability values exceed .7 and AVE values surpass .5 for satisfactory convergent validity.

#### 4.2.10.4 Discriminant Validity.

*Discriminant validity* plays a crucial role in the evaluation of a measurement model as it ensures that each construct in the model is distinct and not just a reflection of other constructs. The assessment of this distinctness is vital for the accuracy of the model and to avoid the merging of distinct concepts (Hair et al., 2019; Urbach & Ahlemann, 2010).

One of the seminal approaches to assessing discriminant validity was proposed by Fornell and Larcker (1981). Their criterion emphasises the comparison of the AVE of a construct with the squared correlation of that construct with other constructs. Specifically, for a given construct, the AVE, calculated by squaring each indicator's loading on the construct and then averaging these squared loadings, should exceed its squared correlation with any other construct (Fornell & Larcker, 1981). While Fornell and Larcker did not stipulate an absolute threshold for individual indicator loadings, it is widely recognised that loadings should ideally surpass .7 (Bernstein & Nunnally, 1994), especially for well-established constructs. However, accepting loadings above .5 may be permissible if both the composite reliability and AVE of the construct are above their accepted thresholds (Hair et al., 2017).

In recent years, the *Heterotrait-Monotrait Ratio* (HTMT) has become a prominent metric in the assessment of discriminant validity (Henseler et al., 2015). The term "Heterotrait" relates to different traits or constructs, whereas "Monotrait" represents the same trait or construct. The HTMT method is essentially a comparison of the average correlation between indicators of different constructs to the average correlation of indicators from the same construct. Henseler et al. (2015) advocate for threshold values, suggesting that if constructs in a model are conceptually alike, such as variations of loyalty constructs, an HTMT value below .90 is desirable. On the other hand, for constructs that are conceptually more distinct, a more stringent threshold of .85 is recommended. In addition to the core HTMT value, *bootstrapping* techniques further refine the assessment. Bootstrapping, which entails generating multiple samples from the dataset to assess stability, is used to validate the HTMT values (Henseler et al., 2015). If the upper boundary of the 95% confidence interval derived from the bootstrapped samples remains below the thresholds (either .90 or .85), it bolsters confidence in the discriminant validity of the constructs (Franke & Sarstedt, 2019).

Lastly, *cross-loadings* serve as another instrumental approach to assessing discriminant validity (Chin, 1998). Examining an indicator's loadings on all constructs, rather than on the one with which it is theoretically aligned, can garner insights into potential overlaps (Hair et al., 2017). An indicator should inherently have a stronger loading on its designated construct than on others. Any considerable deviation from this pattern might suggest potential challenges in establishing the distinctness of constructs, thereby calling into question the discriminant validity.

Discriminant validity remains an essential step in the assessment of measurement models. By leveraging a combination of the Fornell and Larcker criterion, HTMT, and cross-loadings, researchers can achieve a robust and comprehensive validation of the distinctness of constructs in their models.

This evaluation is foundational for the subsequent analytical stages, ensuring that the constructs are measured with precision and accuracy, thereby setting the scene for hypothesis testing and the interpretation of the structural model.

In this dissertation, the validity of the measurement model was deemed satisfactory if the loading of each item was greater than .7 and significant at the .001 level. Furthermore, the following five requirements were applied: composite reliability needed to be greater than .7; the AVE value for each construct needed to be larger than .5; each item's loading on each indicator had to be highest for its designated construct; the square root of the AVE of a construct had to exceed the correlations between the construct and other constructs in the model; and the average correlation between indicators of different constructs to the average correlation of indicators from the same construct had to be less than .9.

### *4.2.11 Evaluation of the Structural Model (testing the hypotheses)*

After ensuring that the measurement model meets the required standards, the research progresses to the structural model assessment in the PLS-SEM evaluation process. This phase examines the theorised relationships between the constructs, essentially validating the proposed theoretical framework. In PLS-SEM, this involves evaluating the relationships through the coefficient of determination ($R^2$) and path coefficients. The focus is not only on quantifying the strength and significance of these relationships but also on assessing the explanatory and predictive capabilities of the structural model (Hair et al., 2019).

A key emphasis is placed on understanding the relationships among the constructs as part of assessing the structural model. This understanding is drawn from two main criteria: the coefficient of determination ($R^2$) and the path coefficients (Hair et al., 2017). $R^2$ determines the proportion of variance in the endogenous latent variables that is explained by

the exogenous latent variables. According to benchmarks for $R^2$, values around .67 may be seen as substantial, .33 as average, and .19 or lower as weak (Chin,1998). In this research, the structural model was evaluated favourably if the coefficient of determination exceeded .19.

The path coefficients, on the other hand, predict the strength and direction of the relationships between pairs of latent variables and are evaluated as hypotheses. Path coefficients, often referred to as *beta coefficients*, typically range between -1 and +1. A coefficient nearing +1 indicates a strong positive relationship between constructs, whereas a value approaching -1 suggests a strong negative association (Hair et al., 2017). A significant path coefficient provides support for the hypothesised relationship (Garson, 2016). Values exceeding these boundaries, either below -1 or above +1, can suggest underlying challenges, frequently related to extreme collinearity (Streukens & Leroi-Werelds, 2016).

In the quest to determine the statistical robustness of path coefficients, bootstrapping, a widely recognised resampling technique, is employed (Streukens & Leroi-Werelds, 2016). Through this method, *t*-values, standard errors, and probability values (*p*-values) associated with each path coefficient are generated (Aguirre-Urreta & Rönkkö, 2018). The statistical significance of a path coefficient at a 5% error rate is confirmed if the value zero does not fall within its 95% confidence interval (Nitzl, Roldán, & Cepeda Carrión, 2016). While the benchmark threshold for deducing statistical significance is $p < .05$, more stringent criteria such as $p < .001$ might be adopted, contingent on the research framework and standards.

Besides the direct effects, the *total effects*, which encompass both the direct and potential indirect interactions between constructs, must be taken into consideration. Adopting this comprehensive view ensures that the entirety of associations within the model is recognised (Nitzl et al., 2016). It is crucial to interpret these relationships within the specific research context to ensure their significance and relevance (Hair et al., 2017; Sarstedt et al., 2017).

#### 4.2.11.1 Moderation Relationships.

*Moderation* in a research context is characterised by the influence of a third variable, termed the moderator, on the relationship between two other variables (Hair et al., 2017). Essentially, the moderator alters the strength or direction, or both, of this relationship. At a statistical level, moderation is captured as an interaction effect. This interaction can stem from various types of variables. Visualising this concept, one can imagine a framework comprising three components: a dependent variable (DV), an independent variable (IV), and the moderator (M). Within this framework, the moderator is uniquely positioned. It is not

merely linked to the DV or IV. Instead, its primary role is to influence the relationship that exists between the DV and IV, offering insight into how and when certain effects may occur (Hair et al., 2017).

In this study, the relationship was examined between the construct of Collecting Customer Data (CDC) for gaining Customer Understanding and Insight and the construct of the Differentiation (DIF) of a business as a competitive advantage. The construct related to the Analysis of Customer Data (CDA) served as a moderator of this relationship. Furthermore, the study utilised the CX Performance Metrics Framework (CPMF) construct as a moderator to assess the relationship between the Collection of various CX Performance Metrics (CPMC) and a business's analysis and adoption of CX Performance Insight (CPMI) derived from these metrics.

Moderation analyses reveal intricacies within relationships, elucidating the circumstances under which specific relationships are amplified, diminished, or inverted. Such in-depth understanding enriches the overall analysis of research findings.

#### 4.2.11.2 Mediation Relationships.

*Mediation* identifies and explains the process by which one variable influences another. A mediating factor, or mediator, serves as the conduit through which an IV, the predictor, exerts its effects on a DV, the outcome. Rather than a direct relationship between the predictor and outcome, the mediator explains how or why this relationship occurs (Baron & Kenny, 1986).

A statistical approach often used in the assessment of mediation is the *Sobel test* (Sobel, 1982). This test is used to ascertain the significance of mediated effects, especially those effects channelled through the mediator. After establishing a relationship between the predictor and outcome, researchers can examine the significance of the indirect (mediated) effects. Bootstrapping is frequently employed to obtain these values. A pivotal metric here is the *Z*-value. Indirect effects between two variables are deemed significant at the 5% level if the *Z*-value surpasses 1.96 (MacKinnon et al. 2002), effectively leading to the rejection of the null hypothesis which posits the absence of an indirect effect between the variables.

In this study, the mediating role of the routine Innovation of Customer Journey Touchpoints construct was examined in the relationship between the Mapping of Customer Journey Touchpoints and Differentiation constructs. Similarly, the mediating role of the analysis and adoption of CX Performance Metrics Insight construct was assessed in the relationship between the Collection of various CX Performance Metrics and Differentiation constructs.

An aspect of paramount importance in evaluating the structural model is determining its overall explanatory power, essentially gauging how well it captures the underlying dynamics of the phenomena under investigation. This is typically done by examining the coefficient of determination, often denoted as $R^2$ (Cohen, 1988). The $R^2$ value for each endogenous construct conveys the proportion of variation in that construct that is explained by its associated exogenous constructs. In other words, it offers a 'snapshot' of how much the structural model can account for the observed data (Rigdon, 2012; Shmueli & Koppius, 2011). To illustrate, within this research study, for the endogenous construct Differentiation, the $R^2$ value quantifies the variance attributed to its corresponding exogenous constructs, namely Customer Insight, Experience Design, and CX Performance Metrics and Measurement.

The value of $R^2$ can range between 0 and 1, with higher values within this range indicative of greater explanatory power. For many social science disciplines, $R^2$ values of .75, .50, and .25 have been labelled as substantial, moderate, and weak, respectively (Hair et al., 2011). Yet, the threshold for an acceptable $R^2$ largely hinges on the specific research context.

It is important to acknowledge that $R^2$ tends to inflate as more exogenous constructs are integrated into the model. Hence, while a high $R^2$ may suggest a strong model fit, it might also be symptomatic of an overfitting scenario where the model adheres too closely to a specific dataset and may not generalise well to other samples (Sharma et al., 2019). In some contexts, particularly when predicting more stable processes, an $R^2$ value approaching .90 might be plausible. Conversely, such high $R^2$ values in models predicting human behaviours and attitudes could imply overfitting (Hair et al., 2019).

A supplementary metric worth noting Is the $f^2$ *effect size*, which sheds light on the impact of removing an exogenous construct on the $R^2$ of an endogenous construct (Cohen, 1988). Like path coefficients, this metric can offer additional insights into the relative importance of exogenous constructs in the model.

While the $R^2$ and other related metrics offer important insights into the explanatory power of a model, they should always be contextualised and interpreted in light of the research domain, model complexity, and findings from similar studies.

Although the $R^2$ statistic provides insights into how well the model explains variance within the data sample, it does not necessarily indicate how well the model can predict out-of-sample datasets (Shmueli & Koppius, 2011). Thus, an in-depth understanding of the predictive power of a model necessitates additional measures.

The $Q^2$ *statistic* offers insight into out-of-sample prediction. Obtained through a 'blindfolding process' — a cross-validation method where subsets of data are systematically omitted and then predicted (Risher et al., 2018) — a $Q^2$ value greater than zero for a specific endogenous construct underscores the model's predictive relevance for that construct (Chin, 2010). The *PLSpredict* procedure offers a method for this, ensuring that the model is not just fitting the sample data but also holds predictive command for new, unseen data (Shmueli et al., 2019).

#### 4.2.11.3 Presentation and Discussion of the Structural Model Analysis.

After evaluating the structural model and hypothesis testing, the data are analysed and synthesised offering insights into the relationships between the constructs (Gefen et al., 2000). Presenting this model provides both academic and practitioner stakeholders with a clear and concise depiction of the research findings, facilitating both comprehension and further exploration.

Table 3 provides a summary of the PLS-SEM process, emphasising the relation between the measurement and structural models, and the overall analytical approach of this study.

## 4.3 Consistency Matrices

A consistency matrix creates a coherent analytical framework that facilitates the integration of research elements, thereby ensuring clarity and precision within the study. It offers a comprehensive overview of the research framework, clarifying the methodological approach and analytical strategies formulated to address each research question (Walwyn & Chan, 2019). This instrument is central for maintaining a clear, structured examination of the research questions, underscoring its role in supporting a systematic and comprehensive investigation.

Building upon the foundational understanding of a consistency matrix, this study introduced specific consistency matrices tailored to the research's objectives and represented in Appendix A, Table A 6 to Table A 8. The first two matrices (Table A 6 and Table A 7), dedicated to the main research question, are separated to address the distinct propositions and statistical analyses required, thereby simplifying presentation and enhancing comprehension through the segregation of analytical approaches. The third matrix (Table A 8) focuses on the sub-research questions, offering a comprehensive overview of their integration within the research framework. Each matrix aligns the conditional propositions, operationalised hypotheses, corresponding variables categorised under essential Customer Experience Management (CXM) dimensions, and the statistical

analysis techniques employed, notably the application of Partial Least Squares Structural Equation Modeling (PLS-SEM).

## 4.4 Summary

This chapter has outlined the research methodology and approach employed for this study. Guided by the literature review, a quantitative method was chosen that aligned with the explanatory nature of the research. The PLS-SEM technique emerged as the most suitable due to its robustness, capability to produce reliable estimates even with smaller sample sizes, and its relevance for both predictive applications and theory building. A purposive sample was drawn from the Qualtrics XM Institute panel and the CXPA, and data was gathered using a survey method, leveraging a Likert-type scale for responses. The ensuing chapter explores the results derived from the data collected.

**Table 3**

*PLS-SEM Data Analysis Summary*

| Process Description | Model Type | Measurement/ Structural/ Other | PLS Statistics |
|---|---|---|---|
| Evaluate the *a priori* model and modify the measurement items to create the *a posteriori* model | *A priori* and *a posteriori* | Measurement (outer) | Factor loadings |
| Assess the *a posteriori* measurement model | *A posteriori* | Indicator Reliability (Multicollinearity) | Factor Loadings |
| | | | Variance Inflation Factor (VIF) |
| | | Internal Consistency Reliability | Cronbach's Alpha |
| | | | Composite Reliability (CR/rhoC) |
| | | | Consistent Reliability Coefficient (rhoA) |
| | | Convergent Validity (Construct) | Average Variance Extracted (AVE) |
| | | Discriminant Validity (Construct) | Fornell and Larcker |
| | | | Heterotrait-Monotrait Ratio (HTMT) |
| | | | Cross-Loadings |
| Assess the *a posteriori* structural model (test the hypotheses) | *A posteriori* | Significance and Relevance of path coefficients (hypotheses) | Beta Coefficients |
| | | | Bootstrapping of *t*-values |
| | | | *p*-values |
| | | Explanatory power | Coefficient of Determination ($R^2$) |
| | | | Effect size ($f^2$) |
| | | Predictive power | $Q^2$ PLSpredict |
| The a posteriori structural model discussion | *A posteriori* | Overall model | None |

# Chapter 5
# Data Analysis and Research Results

Following the discussion of the research methodology in Chapter 4, this chapter presents the statistical analysis and results of the research. The results address the research objectives outlined earlier in Section 1.5, from enhancing the current understanding of the CXM construct to the exploration of its operational integration in businesses. Results are presented on the viability of the CXM construct as a tool for business differentiation to enable competitive advantage and its consequential relationships with market and financial outcomes.

The chapter begins with an initial presentation of the characteristics of the respondents and the characteristics of their organisations. Thereafter, the conceptual research model is analysed via the PLS-SEM approach following the widely accepted reporting style of PLS-SEM analysis suggested in previous studies. The analysis process initiates with an evaluation and potential modification of the measurement items and the resulting adaptation of the conceptual model, as necessary. It then proceeds to an extensive assessment of the conceptual research model, first assessing the reliability and validity of the measurement model, and thereafter, assessing the validation of the structural model. Lastly the explanatory power and predictive relevance of the structural model is assessed (Hair et al., 2017).

## 5.1 Sample Description

### *5.1.1 Sample Achieved*

The unit of analysis in this research are global organisations, or businesses, excluding government entities. A non-probability purposive sampling approach, specifically criterion purposive sampling (Bloomberg, 2023), was used to select a representative of each business. Respondents predominantly hailed from the CXPA database, with a focus on those holding the CCXP credential. The criteria for selection dictated that respondents should either be part of the executive team or occupy mid-to-senior level managerial positions in marketing and customer-centric domains. Further, they were expected to hold a deep understanding of CXM and be actively engaged in its decision-making processes.

Collaboration with Qualtrics XM Institute provided select respondents from managerial roles across organisations in the US, UK, and France, thereby enhancing the diversity of the sample. Of the 1,463 survey questionnaires distributed, 177 responses were received. After examination, 3 questionnaires were considered incomplete and thus omitted

from the analysis and recorded as missing cases. The final dataset for analysis consisted of 174 valid responses, yielding an effective response rate of 11.9%.

The commonly cited criteria by Hair et al. (2011, 2017), specifically the "10 rule," is a standard for determining adequate sample sizes in quantitative research. This rule stipulates that for statistical analysis, there should be at least 10 respondents for each parameter within the model. In the context of the a posteriori Customer Experience Management (CXM) model of this study, this criterion has been met across three distinct dimensions: the model featured 16 measuring items, necessitating a minimum sample size of 160 to satisfy the requirement of at least 10 respondents per model parameter; with 6 paths pointing to any latent variable, a minimum of 60 respondents was required, thereby exceeding the rule of 10 times the maximum number of paths pointing at any latent variable; and considering the model comprised a total of 10 constructs, a minimum of 100 respondents was necessary to ensure at least 10 respondents per construct. The actual sample size of 174 meets but these requirements.

Furthermore, a post hoc power analysis was conducted to evaluate the study's ability to detect significant results, focusing on paths within the CXM model previously identified as not significant. This analysis indicated that only two paths—specifically, from Customer Data Analysis (CDA) to Differentiation (DIF) and from Customer Journey Touchpoint Mapping (CJTM) to Differentiation (DIF)—would have reached significance with an increased sample size. For CDA to DIF to achieve significance, with a current p-value of .088, a sample size of 231 would be required. Similarly, for CJTM to DIF, with a p-value of .075, a sample size of 183 would be necessary, as detailed in Table A10 for the conventional thresholds of a 5% alpha level and 80% power (Cohen, 1988).

This analysis suggests that increasing the sample size to 231 would likely render both the CDA to DIF and CJTM to DIF paths statistically significant, acknowledging that the study is to some extent under-powered.

Nevertheless, the findings are contextualised within the confines of this study and the sample size of 174. Incorporating this post hoc power analysis not only addresses potential sample size limitations but also ensures a transparent evaluation of this study's findings.

### *5.1.2 Sample Characteristics*

This section outlines the characteristics of both the participating organisation (as the unit of analysis) and the individual respondents. For the businesses, the attributes of type, size, and age of the business were considered. For individual respondents, specific information on their designated roles, business units, and possession of the Certified Customer Experience Professional (CCXP) accreditation were captured.

#### 5.1.2.1 Business Industry.

The businesses represented in the sample were categorised into 14 distinct industry types as outlined in Table 4. The predominant industries were the Information Technology industry and the Finance and Banking industry, each accounting for 16% of the respondents. The industry least represented in the sample was Energy and Utilities with only 2 respondents accounting for 1% of respondents.

**Table 4**

*Business Industry*

| Industry | % | n |
|---|---|---|
| Healthcare | 9 | 16 |
| Education | 6 | 11 |
| Retail | 6 | 10 |
| E-commerce | 2 | 4 |
| Manufacturing | 6 | 11 |
| Information Technology | 16 | 28 |
| Finance and Banking | 16 | 27 |
| Food and Beverage | 3 | 5 |
| Energy and Utilities | 1 | 2 |
| Transport and Logistics | 3 | 5 |
| Media and Entertainment | 2 | 3 |
| Construction and Real Estate | 6 | 10 |
| Consulting | 10 | 17 |
| Other | 14 | 25 |
| Total | 100 | 174 |

*Note.* In all tables displaying distributions, rounding error occurs where percentages do not sum to 100%.

#### 5.1.2.2 Business Geographical Location.

Businesses were segmented into seven geographical categories as presented in Table 5. The largest representation in the sample came from businesses situated in North America (28%), followed by Europe at 17%. The other regions, including Africa, the Middle East, Asia, Australia and Oceania, and Latin America contributed between 8% and 13% of the total respondents. The inclusion of businesses from every major geographical region underscores the comprehensive global participation in the study.

**Table 5**

*Business Geographical Location*

| Geographical location | % | n |
|---|---|---|
| Europe | 17 | 30 |
| Africa | 13 | 22 |
| Middle East | 10 | 18 |
| Asia | 13 | 22 |
| Australia and Oceania | 11 | 20 |
| North America | 28 | 48 |
| Latin America | 8 | 14 |
| Total | 100 | 174 |

#### 5.1.2.3 Business Size.

Businesses were categorised based on their employee count. Approximately half of the businesses surveyed fell within the size range of 51-350 employees (Table 6). Those with more than 1,500 employees constituted the next substantial group making up almost a third of the sample. Firms with 351-750 and 751-1500 employees were represented in the sample at around 10% each. There was only 1 business in the sample with 0-50 employees.

**Table 6**

*Business Size*

| Size of business (number of employees) | % | n |
|---|---|---|
| <50 | 1 | 1 |
| 51-350 | 49 | 85 |
| 351-750 | 10 | 17 |
| 751-1500 | 9 | 15 |
| 1500+ | 32 | 56 |
| Total | 100 | 174 |

#### 5.1.2.4 Business Operating Years.

As shown in Table 7, almost two-thirds (63%) of the businesses surveyed had been operating for over 10 years, and a further 17% had been operating for 5 to 10 years. Only 6% of the businesses had an operational history of 0 to 3 years. This distribution suggests a seasoned set of participants with a clear dominance of well-established businesses in the study.

**Table 7**

*Business Operating Years*

| Business operating years | % | n |
|---|---|---|
| 0 to 3 | 6 | 10 |
| 3 to 5 | 14 | 24 |
| 5 to10 | 17 | 30 |
| 10+ | 63 | 110 |
| Total | 100 | 174 |

#### 5.1.2.5 Business CX-centric Approach.

Respondents indicated how long their businesses had maintained a focus on Customer Experience (CX). As shown in Table 8, almost half (47%) indicated that CX has been a focus for their businesses for over 5 years, a quarter (24%) had concentrated on CX for 3 to 5 years, and 21% had a focus spanning 1 to 3 years. The smallest group (8%) had turned their attention to CX for only up to a year, reflecting a more recent adoption of this strategic priority. Given that the majority of the businesses participating in the survey had been in operation for more than 5 years, one can infer that the emphasis on customer experience within businesses had been sustained over a considerable period.

**Table 8**

*Business CX-centric Approach*

| Business CX-centric approach (years) | % | n |
|---|---|---|
| <1 | 8 | 14 |
| 1 to 3 | 21 | 37 |
| 3 to 5 | 24 | 42 |
| 5+ | 47 | 81 |
| Total | 100 | 174 |

#### 5.1.2.6 Respondent Characteristics.

Descriptions of the characteristics of the individual respondents are essential to comprehend the depth and authority of insights garnered. Table 9 provides a breakdown of the positions held by these individuals within their respective businesses.

Of the respondents, 20% were group executives and just over half (52%) occupied a senior management role. Thus, 72% of the respondents were key decision-makers actively involved in determining the strategic trajectories of their businesses. Their feedback and

perspectives are invaluable, given their influence on business and customer experience management decisions.

**Table 9**

*Respondent Position Held in Businesses Represented*

| Position | % | n |
|---|---|---|
| Group Executive | 20 | 34 |
| Senior Management | 52 | 90 |
| Middle Management | 18 | 32 |
| Other | 10 | 18 |
| Total | 100 | 174 |

Almost half (47%) of the respondents are holders of the CCXP accreditation (Table 10). This distinction further underscores the competency and understanding these professionals bring to the realm of customer experience in this study.

**Table 10**

*Respondent Customer Experience Professional (CCXP) Certification*

| CCXP | % | n |
|---|---|---|
| Yes | 47 | 82 |
| No | 53 | 92 |
| Total | 100 | 174 |

In the context of business units, 41% of respondents were from the Customer Experience division, and 11% were from Marketing (Table 11). Given the focus of the study on CXM, it is fitting to see a substantial representation from both CX and Marketing departments (52%). These two units are not merely responsible for shaping customer interactions and forming customer-oriented strategies, but their stakeholders are also key players in driving and making decisions related to CXM within the organisation. Additionally, the 14% representation from Operations underscores its importance, as the effective implementation of CXM and the delivery of exceptional customer experiences are intrinsically linked to the operational efficiency of a business.

**Table 11**

*Respondents' Business Unit*

| Business Unit | % | n |
|---|---|---|
| Customer Experience | 41 | 71 |

| | | |
|---|---|---|
| Marketing | 11 | 19 |
| Product | 6 | 10 |
| Operations | 14 | 24 |
| Finance | 7 | 12 |
| IT | 7 | 13 |
| Human Resources | 3 | 5 |
| Other | 12 | 20 |
| Total | 100 | 174 |

## 5.2 Evaluation and Modification of the Measuring Items

SmartPLS 4 (Ringle et al., 2022) was used to assess the measurement and structural model. This statistical software assesses the constructs and the indicators of the measurement model and estimates the parameters of the structural model. At the outset of data entry into SmartPLS4, the measuring items were specified as ordinal data as acceptable practice for PLS-SEM modeling (Schuberth, Henseler, & Dijkstra, 2018).

The initial conceptual model (*a priori model*) comprising the essential CXM exogenous constructs represented by 43 measurement items was rooted in a thorough deductive literature review. The measuring variables were reflective, indicating that changes in the latent constructs cause changes in the measuring items. A complete list of these measurement items (Table A 6

The consistency matrix for main research question: propositions 1, 2 and 3

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | | | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|---|---|
| Proposition 1: If a business comprehensively collects and analyses customer data (CDC and CDA) to gain Customer Understanding and Insight, | P1a, P1b, P1c | P1a: If a business collects customer data (CDC), then its potential for Differentiation (DIF) is enhanced, affirming the foundational role of data collection in competitive differentiation. | H1a, H1b, H1c | H1a: The collection of customer data (CDC) to gain Customer Understanding & Insight has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | Customer Understanding and Insight Collection of Customer Data (CDC) - independent (exogenous) Analysis of Customer Data (CDA) - |

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | | | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|---|---|
| then it will positively contribute to the business's Differentiation (DIF) as a competitive advantage in the context of CXM. | | P1b: If a business analyses the collected customer data (CDA), then the significance of this analysis in enhancing the business's Differentiation (DIF) is increased, highlighting the role of data analysis in leveraging collected data for competitive advantage. | | H1b: The analysis of customer data collected (CDA) to gain Customer Understanding & Insight has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | independent (exogenous); moderating |
| | | P1c: If a business effectively integrates the collection (CDC) and analysis (CDA) of customer data, then this integrated approach influences the business's competitive advantage, emphasising the collective effect of data collection and analysis on enhancing differentiation. | | H1c: The analysis of customer data (CDA) moderates the relationship btw the collection of customer data (CDC) to gain Customer Understanding & Insight and a business's Differentiation (DIF) as a competitive advantage. | moderated | |
| Proposition 2: If a business strategically maps customer journey touchpoints (CJTM) and routinely innovates these touchpoints (CJTI) as integral components of Customer Experience Design, then it will mutually | P2a, P2b, P2c | P2a: If a business maps customer journey touchpoints (CJTM), then its potential for Differentiation (DIF) is directly enhanced, acknowledging the direct impact of customer journey mapping on competitive differentiation. | H2a, H2b, H2c, H2d | H2a: The mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | <u>Customer Experience Design</u> Customer Journey Touchpoint Mapping (CJTM) - independent (exogenous) Innovation of Customer Journey Touchpoints (CJTI) - dependent (endogenous); mediating |
| | | P2b: If a business maps customer journey touchpoints (CJTM), then it also promotes the routine innovation of these touchpoints (CJTI), illustrating the role of customer journey mapping in facilitating touchpoint innovation. | | H2b: The routine innovation of customer journey touchpoints (CJTI) as part of Customer Experience Design has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | |

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | | | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|---|---|
| contribute to enhancing the business's Differentiation (DIF) as a competitive advantage within the realm of CXM. | | | | H2c: The mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design has a positive effect on the routine innovation of customer journey touchpoints (CJTI). | direct | |
| | | P2c: If a business continuously innovates customer journey touchpoints (CJTI), then this innovation directly contributes to enhancing the business's Differentiation (DIF), demonstrating how innovation complements mapping endeavours to further competitive differentiation. | | H2d: The routine innovation of customer journey touchpoints (CJTI) mediates the relationship btw the mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design and a business's Differentiation (DIF) as competitive advantage. | mediated | |
| Proposition 3: If a business comprehensively collects diverse CX performance metrics (CPMC) and subsequently analyses and adopts insights gained from these metrics (CPMI), then it will significantly contribute to enhancing the business's Differentiation (DIF) as a competitive advantage. | P3a, P3b, P3c | P3a: If a business collects CX performance metrics (CPMC), then its Differentiation (DIF) is directly enhanced, emphasising the foundational role of metrics collection in competitive differentiation. | H3a, H3b, H3c, H3d, H3e | H3a: The collection of various CX performance metrics (CPMC) has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | <u>CX Performance Metrics and Measurement</u> CX Performance Metrics & Measurement Framework (CPMF) - independent (exogenous); moderating CX Performance Metrics Collection (CPMC) - dependent (endogenous) CX Performance Metrics Insight (CPMI) - dependent (endogenous); mediating |
| | | P3b: If a business analyses and adopts insights from CX performance metrics (CPMI), then this process further enhances Differentiation (DIF), highlighting the significant role of CX performance metrics insights in leveraging collected metrics for competitive advantage. | | H3b: The analysis and adoption of CX performance metrics insights gained (CPMI) has a positive effect on a business's Differentiation (DIF) as a competitive <u>advantage</u>. | direct | |
| | | | | H3c: The collection of various CX performance metrics (CPMC) has a positive effect on the analysis and adoption of CX performance metrics insights gained (CPMI). | direct | |

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | | | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|---|---|
| | | | | H3d: The analysis and adoption of CX performance metrics insights gained (CPMI) mediates the relationship between the collection of various CX performance metrics (CPMC) and a business's Differentiation (DIF) as competitive advantage. | mediated | |
| | | P3c: If a business implements a CX Performance Metrics framework (CPMF) to direct the collection of CX performance metrics (CPMC) and the analysis and adoption of insights (CPMI), then the impact of these activities on the business's Differentiation (DIF) is enhanced, ensuring a structured and integrated approach to leveraging metrics for competitive advantage. | | H3e: A CX Performance Metrics framework (CPMF) moderates the relationship btw collection of various CX performance metrics (CPMC) and a business's analysis and adoption of CX performance metrics insights gained (CPMI) | moderated | |

*Note.* Statistical Data Analysis: Partial least squares Structural Equation Modeling (PLS-SEM)

- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation

- Prefaced by testing the reliability and validity of each variable as part of the Measurement Model assessment (indicator reliability, internal consistency reliability, convergent validity and discriminant validity).

## Table A 7

*The consistency matrix for main research question: propositions 4, 5, 6, and 7*

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|
| Proposition 4:<br>If a business achieves Differentiation (DIF) as a competitive advantage through CXM practices, including customer data collection (CDC) and analysis (CDA), customer journey touchpoint mapping (CJTM) and innovation (CJTI), and CX performance metrics collection (CPMC) and innovation (CPMI), then its Market Performance (MP) is positively influenced. | H4, H7 | H4: The greater a business's Differentiation (DIF) as competitive advantage through CXM (CDC, CDA, CJTM, CJTI, CPMC, CPMI), the greater its Market Performance (MP). | direct | Differentiation (DIF) as higher order construct - dependent (endogenous) |
| Proposition 5:<br>If a business attains a degree of Differentiation (DIF) as a competitive advantage through comprehensive CXM practices, encompassing customer data collection (CDC), customer data analysis (CDA), customer journey touchpoint mapping (CJTM), customer journey touchpoint innovation (CJTI), CX performance metrics collection (CPMC), and CX performance metrics innovation (CPMI), then its Financial Performance (FP) is positively influenced. | H5, H7 | H5: The greater a business's Differentiation (DIF) as competitive advantage through CXM (CDC, CDA, CJTM, CJTI, CPMC, CPMI), the greater its Financial Performance (FP). | direct | Market Performance (MP) - dependent (endogenous); mediating |
| Proposition 6:<br>If a business achieves a level of Market Performance (MP), then its Financial Performance (FP) is directly influenced in a positive manner. | H6 | H6: The greater a business's Market Performance (MP), the greater its Financial Performance (FP). | direct | Financial Performance (FP) - dependent (endogenous) |
| Proposition 7:<br>If a business's Market Performance (MP) is enhanced, then its Financial Performance (FP) is significantly affected, establishing an important relationship between its Differentiation (DIF) as a competitive advantage and its Financial Performance (FP). | H6, H7 | H7: A business's Market Performance (MP) mediates the relationship between a business's Differentiation (DIF) as competitive advantage and its Financial Performance (FP). | mediated | |

*Note.* Statistical Data Analysis: Partial least squares Structural Equation Modeling (PLS-SEM)

Partial least squares Structural Equation Modeling (PLS-SEM)

- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation

- Explanatory and Predictive Relevance analysis as part of the Structural Model evaluation

**Table A 8**

*The consistency matrix for sub-research questions*

| Sub-questions | Proposition | Hypothesis | Hypothesised Relationships | Statistical Data Analysis Methodology |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| How can existing CXM models be advanced and integrated into an enhanced framework that provides deeper insights into its essential dimensions (being Customer Understanding and Insight, Experience Design, and CX Performance Metrics & Measurement) grounded in theoretically driven measurable items? | P1a<br>P1b<br>P1c | H1a<br>H1b<br>H1c | direct<br>direct<br>moderated | Partial least squares Structural Equation Modeling (PLS-SEM)<br>- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation<br>- Prefaced by testing the reliability and validity of each variable as part of the Measurement Model assessment (indicator reliability, internal consistency reliability, convergent validity and discriminant validity) |
| | P2a<br>P2b<br>P2c | H2a<br>H2b<br>H2c<br>H2d | direct<br>direct<br>direct<br>mediated | |
| | P3a<br>P3b<br>P3c | H3a<br>H3b<br>H3c<br>H3d<br>H3e | direct<br>direct<br>direct<br>mediated<br>moderated | |
| How can an empirically validated CXM maturity diagnostic instrument be developed that enables businesses to assess their level of CXM maturity effectively? | P1a<br>P1b<br>P1c | H1a<br>H1b<br>H1c | direct<br>direct<br>moderated | Partial least squares Structural Equation Modeling (PLS-SEM)<br>- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation<br>- Prefaced by testing the reliability and validity of each variable as part of the Measurement Model assessment (indicator reliability, internal consistency reliability, convergent validity and discriminant validity)<br>- Explanatory and Predictive Relevance analysis as part of the Structural Model evaluation |
| | P2a<br>P2b<br>P2c | H2a<br>H2b<br>H2c<br>H2d | direct<br>direct<br>direct<br>mediated | |
| | P3a<br>P3b<br>P3c | H3a<br>H3b<br>H3c<br>H3d<br>H3e | direct<br>direct<br>direct<br>mediated<br>moderated | |
| | 4 | H4 | direct | |
| | 5 | H5 | direct | |
| Which CX dimensions and practices are most critical in establishing a competitive advantage for businesses, and what is the role of CXM maturity in enhancing these dimensions and practices? | 4 | H4 | direct | Partial least squares Structural Equation Modeling (PLS-SEM)<br>- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation<br>- Explanatory and Predictive Relevance analysis as part of the Structural Model evaluation<br>- Importance-Performance Map Analysis (IPMA) |
| | 5 | H5 | direct | |
| | 6 | H6 | direct | |
| | 7 | H7 | mediated | |
| How does CXM differentiation, as a result of strategic implementation and enhanced maturity, affect the market and financial performance of businesses? | 4 | H4 | direct | |
| | 5 | H5 | direct | |
| | 6 | H6 | direct | |
| | 7 | H7 | mediated | |

| | |
|---|---|
| What strategies can businesses adopt to effectively integrate and operationalise CXM dimensions and related practices into their daily management frameworks and practices? | |

9) and the visual representation of the *a priori* model (Table A 10 Post hoc minimum sample size

| Hypothesis | β | Alpha 5%, power 80% |
|---|---|---|
| Collection of Customer Data -> Differentiation | -0,009 | 78390 |
| Customer Data Analysis -> Differentiation | 0,164 | 231 |
| Customer Data Analysis x Customer Data Collection -> Differentiation | 0,123 | 406 |
| Customer Journey Touchpoint Mapping -> Differentiation | 0,184 | 183 |
| Customer Journey Touchpoint Innovation -> Differentiation | 0,443 | 32 |
| Customer Journey Touchpoint Mapping -> Customer Journey Touchpoint Innovation | 0,722 | 12 |
| CX Performance Metrics Collection -> Differentiation | 0,058 | 1837 |
| CX Performance Metrics Insight -> Differentiation | 0,102 | 593 |
| CX Performance Metrics Collection -> CX Performance Metrics Insight | 0,688 | 14 |
| CX Performance Metrics Framework -> CX Performance Metrics Collection | 1,374 | 4 |
| CX Performance Metrics Framework -> CX Performance Metrics Insight | 0,707 | 13 |
| CX Performance Metrics Framework x CX Performance Metrics Collection -> CX Performance Metrics Insight | -0,212 | 137 |
| Differentiation -> Market Performance | 0,652 | 15 |
| Differentiation -> Financial Performance | 0,038 | 4380 |
| Market Performance -> Financial Performance | 0,778 | 11 |

**Figure A 1**) may be found in Appendix A.

PLS-SEM accommodates smaller samples, as its primary objective is prediction rather than strict model fit (Hair et al., 2011). It also omits the assumptions of multivariate

normality inherent in other SEM methods (Chin, 1998), negating the perceived limitations of Likert-style scales (Hair et al., 2017). However, it remains bound to the crucial balance between model complexity and sample adequacy.

Given the multifaceted nature of the *a priori* conceptual model, specifically due to the extensive exogenous constructs and the number of associated measurement items, the sample size of 174 respondents emerged as insufficient for the model to demonstrate adequate statistical power (Wold, 1985). Furthermore, the common guidelines for the minimum sample size requiring at least 10 respondents for each model parameter, and exceeding 10 times the maximum number of paths pointing at any latent variable in the inner or outer model (Hair et al., 2011, 2017), were unattainable. These criteria highlighted the misalignment between the complexity of the *a priori* model and the available sample. The empirical evaluation of the measurement model provided further concerns which compromised the reliability and validity of the model as high correlations were observed among measurement items within the same construct, suggesting potential indicator redundancy. There was also a clear lack of discriminant validity between the exogenous constructs. Such challenges, even within the relatively lenient parameters of PLS-SEM, amplify risks of overfitting, reduced generalisability, and potential biases (Hair et al., 2012). Given these empirical challenges, modifications to the *a priori* model were deemed necessary to ensure both empirical rigor and theoretical coherence.

To refine and improve the reliability and validity of the *a posteriori* structural model, item loadings that were not significant and demonstrated high correlations within the same construct were removed from the *a priori* model. Constructs lacking discriminant validity were also eliminated. As a result, the final *a posteriori* model comprised 16 measuring items and 7 constructs, a reduction from the 43 measuring items and 9 constructs present in the *a priori* model.

### 5.3 Assessment of the Measurement Model

The *a posteriori* model, as depicted in Figure *4*, employs a reflective-reflective hierarchical configuration. The exogenous constructs — Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), CX Performance Metrics Framework (CPMF) — are assessed using reflective indicators. These constructs collectively contribute to the endogenous constructs – Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Differentiation (DIF), Market Performance (MP), and Financial Performance (FP). Differentiation (DIF) stands as a higher-order construct in this

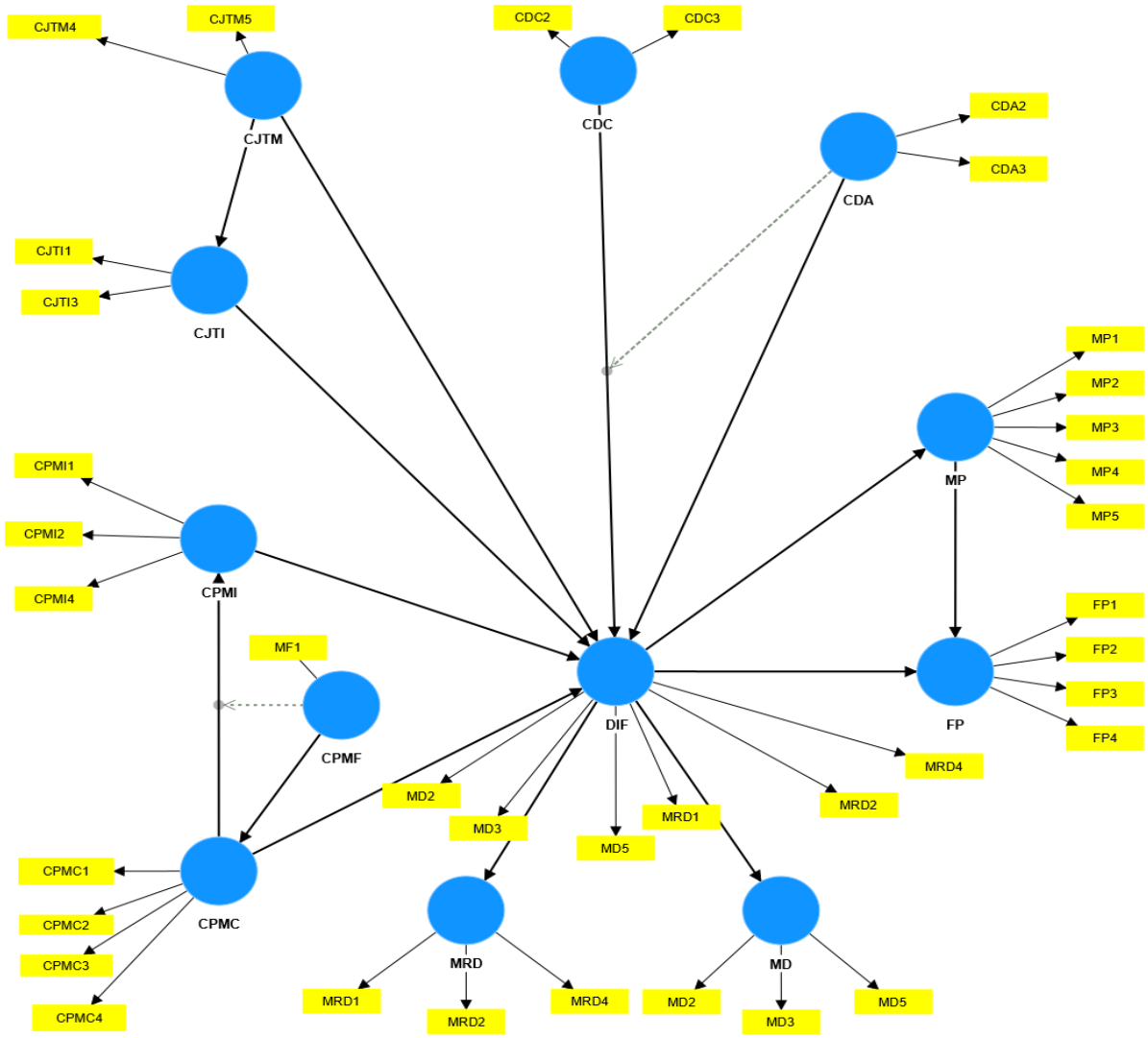
framework (see Figure *5*) with Market Differentiation (MD) and Market Agility & Responsiveness Differentiation (MRD) as the lower-order constructs.

Once the structure of the *a posteriori* model had been concluded, the evaluation commenced by focusing on the reliability and validity of the measurement model, and thereafter, on the assessment of the reliability and validity of the higher-order construct (Sarstedt et al., 2019).

As outlined in Chapter 4, the reliability and validity of the measurement model are determined across four pivotal metrics: indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. The following sections provide a detailed account of these evaluations, underscoring the reliability and validity of the measurement model.

**Figure 4**

*The a posteriori Research Conceptual Model*

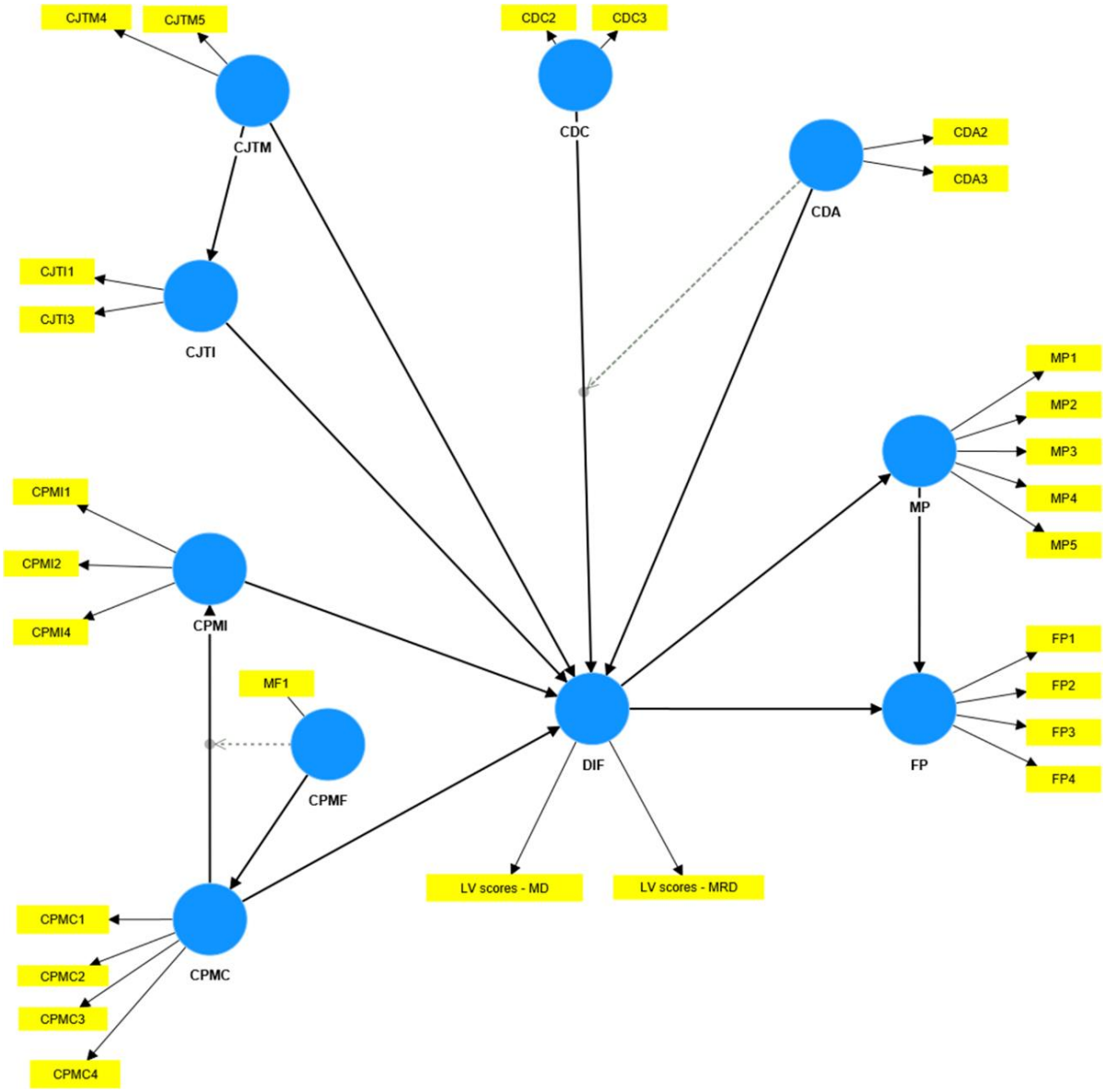



*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Market Differentiation (MD), Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

The MRD and MD indicators of the higher order reflective DIF construct are displayed.

**Figure 5**

*The a posteriori Research Conceptual Model with Higher Order DIF Construct*




*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Market Differentiation (MD), Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

The MD and MRD latent variables are displayed as the lower order constructs of the higher order reflective DIF construct.

### *5.3.1 Indicator Reliability*

Item loadings, also termed factor loadings, indicate the correlation between individual observed variables and their corresponding latent constructs (Hair et al., 2017). They serve

as indicators of the strength of these relationships. Evaluating these factor loadings is pivotal in establishing the indicator reliability of a measurement model. As previously stated, a widely accepted benchmark for suitable reliability is a factor loading of .708 (Hair et al., 2017). This value implies that the latent construct accounts for over half of the variance in its associated indicator, affirming its reliability. Nonetheless, the realm of social sciences occasionally presents loadings marginally lower than this, particularly when the scales are in their emerging stages. Indicators bearing loadings lower than .40 are commonly advised for exclusion (Hulland, 1999). However, those between .40 and .708 demand a deeper analysis, considering facets such as content validity and the subsequent impact on measures like internal consistency reliability or convergent validity (Hair et al., 2017).

In the analysis conducted, all the items of the measurement model showed factor loadings surpassing the recommended threshold of .708 (Hair et al., 2017). Specifically, loadings ranged between .78 and .94 (excluding the single-item construct CX Performance Metrics Framework, CPMF), signifying strong associations with their respective latent constructs. Furthermore, each item achieved significance at the .001 level. Consequently, given their satisfactory indicator reliability, no items necessitated removal. All factor loadings are presented in Table 12.

**Table 12**

*Factor loadings of indicators*

| Construct (latent variables) | | Measuring items | Factor outer loadings |
|---|---|---|---|
| Customer Data Collection (CDC) | CDC2 | We systematically collect data on the rational (the logical and tangible) aspects of customer experiences. | .92 |
| | CDC3 | We systematically collect data on the emotional (the feelings and perceptions) aspects of customer experiences. | .90 |
| Customer Data Analysis (CDA) | CDA2 | We analyse the data we collect to create empathy maps for each of our customer segments. | .91 |
| | CDA3 | We synthesise the data we collect to create personas for each of our customer segments. | .92 |
| Customer Journey Touchpoints Mapping (CJTM) | CJTM4 | We map the customer's intended rational responses to fulfil the customer's need (job-to-be-done). | .94 |
| | CJTM5 | We map the customer's intended emotional responses to fulfil the customer's need (job-to-be-done). | .94 |
| Customer Journey | CJTI1 | We routinely apply gap analysis to identify our required capabilities (people, process and technology) for delivering our intended rational experiences to our customers. | .92 |

| Construct (latent variables) | | Measuring items | Factor outer loadings |
|---|---|---|---|
| Touchpoints Innovation (CJTI) | CJTI3 | We regularly innovate our touchpoints along the entire customer journey. | .93 |
| CX Performance Metrics Framework (CPMF) | CPMF1 | We have an integrated CX measurement framework that collects data across each customer segment's experience. | 1.00 |
| CX Performance Metrics Collection (CPMC) | CPMC1 | We collect descriptive metrics data regularly for each customer segment's experience.<br>*Descriptive metrics provide operational data on customer interactions with a business (i.e., average call time, web analytics data, average transaction value, call and email volume, average holding time, etc.)* | .79 |
| | CPMC2 | We collect perception metrics data regularly for each customer segment's experience.<br>*Perception metrics provide the measurement of the perceived experience by a customer, determining how a customer thinks and feels about aspects of a specific experience they had.* | .86 |
| | CPMC3 | We collect behavioural outcome metrics data regularly for each customer segment's experience.<br>*Behavioural Outcome metrics provide the measurement of the intended behaviours of a customer after an experience or multiple experiences with a business (i.e. churn rates, renewal rates, Customer Lifetime Value, up-sell, cross-sell, cost to serve, actual recommendations made, actual purchases made, acquisition, retention, market share, wallet-allocation-rule, etc.)* | .79 |
| | CPMC4 | We collect attitudinal outcome metrics data regularly for each customer segment's experience.<br>*Attitudinal Outcome metrics provide the measurement of the intended attitudes of a customer after an experience or multiple experiences with a business (i.e. NPS, CSat, ServQual, Likelihood to purchase, brand preference, word of mouth, etc.)* | .83 |
| CX Performance Metrics Insight (CPMI) | CPMI1 | We model the relationship between CX metrics and related business performance metrics. | .92 |
| | CPMI2 | We have business-unit specific dashboards that visually represent the actionable CX KPIs by linking CX metrics with business metrics. | .92 |
| | CPMI4 | We link CX metrics with budget allocation to achieve our CX business objectives. | .93 |
| Market Differentiation (MD) | MD2 | Our solutions are unique and nobody, but our business can offer them. | .85 |
| | MD3 | Our business processes, routines and culture are not easily copied. | .88 |
| | MD5 | It took us several years to build our brand name reputation; you can't easily copy that. | .78 |
| Market Agility & Responsiveness | MRD1 | In our business we operate in an agile approach to quickly respond to fundamental competitor shifts in our industry. | .90 |

| Construct (latent variables) | | Measuring items | Factor outer loadings |
|---|---|---|---|
| Differentiation (MRD) | MRD2 | In our business we operate in an agile approach to quickly respond to fundamental technology shifts in our industry | .92 |
| | MRD4 | In our business we operate in an agile approach to quickly respond to fundamental consumer behavioural shifts in our industry. | .93 |
| Market Performance (MP) | MP1 | Our business outperforms our competitors with respect to achieving customer satisfaction over the past 3 years. | .84 |
| | MP2 | Our business outperforms our competitors with respect to achieving behavioural customer loyalty over the past 3 years. | .88 |
| | MP3 | Our business outperforms our competitors with respect to achieving attitudinal customer loyalty over the past 3 years. | .84 |
| | MP4 | Our business outperforms our competitors with respect to achieving drivers for shareholders value over the past 3 years. | .82 |
| | MP5 | Our business outperforms our competitors with respect to achieving customer life value over the past 3 years. | .86 |
| Financial Performance (FP) | FP1 | Relative to our competitors, our business performed better in terms of overall financial performance over the past 3 years. | .90 |
| | FP2 | Relative to our competitors, our business performed better in terms of overall sales growth over the past 3 years. | .89 |
| | FP3 | Relative to our competitors, our business performed better in terms of market share over the past 3 years. | .83 |
| | FP4 | Relative to our competitors, our business performed better in terms of profitability over the past 3 years. | .87 |

Multicollinearity among indicators can disguise the unique contribution of each indicator to the underlying construct, potentially compromising the reliability and interpretability of the results (Hair et al., 2017). Thus, assessing multicollinearity is an essential aspect of the indicator reliability examination. To this end, the Variance Inflation Factor (VIF) statistic is employed (Fornell & Larcker, 1981). Multicollinearity is unlikely to be a significant concern if the VIF value remains below 5 (Hair et al., 2017). The VIF values for the indicators of the study, as presented in Table 13, consistently fell beneath this recommended threshold, affirming no problematic instances of multicollinearity in the measurement model.

**Table 13**

*Multicollinearity Statistics (VIF) for indicators*

| Measuring Items | VIF |
|---|---|
| CDA2 | 1.83 |
| CDA3 | 1.83 |
| CDC2 | 1.75 |
| CDC3 | 1.75 |
| CJTI1 | 2.04 |
| CJTI3 | 2.04 |
| CJTM4 | 2.52 |
| CJTM5 | 2.52 |
| CPMC1 | 1.68 |
| CPMC2 | 2.11 |
| CPMC3 | 1.66 |
| CPMC4 | 1.92 |
| CPMI1 | 3.25 |
| CPMI2 | 2.90 |
| CPMI4 | 3.39 |
| FP1 | 2.85 |
| FP2 | 2.76 |
| FP3 | 2.01 |
| FP4 | 2.44 |
| MD2 | 2.03 |
| MD2 | 2.15 |
| MD3 | 2.41 |
| MD3 | 2.17 |
| MD5 | 1.99 |
| MD5 | 1.35 |
| MF1 | 1.00 |
| MP1 | 2.50 |
| MP2 | 3.06 |
| MP3 | 2.38 |
| MP4 | 2.37 |
| MP5 | 3.07 |
| MRD1 | 2.86 |
| MRD1 | 2.49 |
| MRD2 | 3.17 |

| Measuring Items | VIF |
|---|---|
| MRD2 | 3.01 |
| MRD4 | 3.33 |
| MRD4 | 3.72 |
| CPMF x CPMC | 1.00 |
| CDA x CDC | 1.00 |

*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Market Differentiation (MD), Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

### *5.3.2 Internal Consistency Reliability*

Reliability is defined as “the extent to which a measuring instrument is stable and consistent. The essence of reliability is repeatability. If an instrument is administered repeatedly, will it yield the same results?” (Mark, 1996, p. 285). In the context of PLS-SEM, internal consistency reliability pertains to the degree of correlation among indicators that aim to measure the same construct (Hair et al., 2017). Notably, Cronbach’s Alpha and Composite Reliability (CR or rhoC) are widely used metrics for this purpose. Values between .7 and .9 are deemed satisfactory for reliability. However, extreme values, especially those nearing or exceeding .95, should be viewed with caution as they may indicate potential redundancy among indicators, potentially affecting construct validity (Hair et al., 2017).

While Cronbach’s Alpha provides a conservative estimate and CR offers a more liberal perspective, the true reliability often lies somewhere between these two measures. To bridge this, Dijkstra (2010) introduced the consistent reliability coefficient (rhoA). This metric balances the minimum estimate of Cronbach’s alpha with the maximum of CR, offering a more comprehensive view on reliability (Hair et al., 2019). The values for Cronbach’s Alpha, Composite Reliability (CR or rhoC), and the Consistent Reliability Coefficient (rhoA) are provided in Table 14.

Upon evaluation of the internal consistency reliability metrics, all constructs were found to exceed the benchmark of .7 (Bernstein & Nunnally, 1994). Specifically, Cronbach's Alpha values fluctuated between .78 for Market Differentiation (MD) and .91 for CX Performance Metrics Insight (CPMI). Similarly, Composite Reliability values for rhoA, spanned from a minimum of .78 for Market Differentiation (MD) to a peak of .91 for CPMI, DIF and Market Performance (MP). The range for rhoC spanned from a minimum of .87 for MD to a peak at .95 for CPMI, reinforcing the high reliability of the constructs.

**Table 14**

*Construct Reliability and Validity Analysis*

| | Cronbach's alpha | Composite reliability (rhoA) | Composite reliability (rhoC) | Average variance extracted (AVE) |
|---|---|---|---|---|
| CDA | .81 | .81 | .91 | .84 |
| CDC | .79 | .79 | .91 | .83 |
| CJTI | .83 | .84 | .92 | .86 |
| CJTM | .87 | .87 | .94 | .89 |
| CPMC | .83 | .84 | .89 | .67 |
| CPMI | .91 | .91 | .95 | .85 |
| DIF | .90 | .91 | .92 | .67 |
| FP | .89 | .90 | .93 | .76 |
| MD | .78 | .78 | .87 | .70 |
| MP | .90 | .91 | .93 | .72 |
| MRD | .90 | .90 | .94 | .84 |

*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Differentiation (DIF), Market Differentiation (MD), Market Performance (MP), Market Agility & Responsiveness Differentiation (MRD), and Financial Performance (FP).

### *5.3.3 Convergent Validity*

Convergent validity, as highlighted by Hair et al. (2017), shows the agreement between different measures aimed at capturing the same construct. It underscores the essence of how closely related the various measures of a construct are with one another.

As previously described, a decisive metric for assessing convergent validity in structural equation modelling is the Average Variance Extracted (AVE). Fornell & Larcker (1981) recommend an AVE threshold of .50. Achieving this benchmark suggests that the items effectively converge to represent the intended construct, thus affirming its convergent validity.

The findings of the study revealed that all constructs met the prescribed AVE benchmark with values ranging between .67 (CX Performance Metrics Collection - CPMC) and .89 (Customer Journey Touchpoints Mapping - CJTM) (Table 14). These outcomes strengthen the robust convergent validity of the measurement model and highlight its ability to capture the variance of the respective indicators comprehensively, thereby confirming the convergent validity of the constructs.

### *5.3.4 Discriminant Validity*

As previously described, discriminant validity specifies the distinction between measures of varying concepts. To ensure that the constructs of a model are distinct and truly discrete from one other, valid measures of unique concepts should not correlate too closely (Hair et al., 2017; Urbach & Ahlemann, 2010). For this research study, the discriminant validity of the measurement model was assessed using three measures: Fornell and Larcker's (1981) criterion, cross-loadings, and the Heterotrait-Monotrait Ratio (HTMT) values.

The Fornell and Larcker criterion for discriminant validity is used to ascertain whether a latent construct explains the variance of its indicators more effectively than the variance of other constructs by checking whether the square root of the AVE for a specific construct surpasses its correlations with all other constructs in the model. Simply put, each construct should share more variance with its designated indicators than with indicators of any other construct. To evaluate this criterion, one can examine a correlation matrix where the main diagonals represent the square root of the AVE. In this matrix, the diagonal value (square root of AVE) for each construct should be higher than its off-diagonal correlations with other constructs (Hair et al., 2017). The bolded, italicised elements in Table 15 represent the square roots of the AVE, and the non-bolded values represent the intercorrelation values between constructs.

Applying the Fornell and Larcker (1981) criterion for discriminant validity assessment to the constructs measured in this study, the square root of the AVE (in bold and italics) for each of the constructs was found to be greater than its correlation with other constructs, thus providing strong support for establishing discriminant validity.

**Table 15**

*Discriminant validity – Fornell and Larcker Criterion*

| | CDA | CDC | CJTI | CJTM | CPMC | CPMF | CPMI | FP | MD | MP | MRD |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CDA | ***.92*** | | | | | | | | | | |
| CDC | .66 | ***.91*** | | | | | | | | | |
| CJTI | .72 | .66 | ***.93*** | | | | | | | | |
| CJTM | .71 | .75 | .72 | ***.94*** | | | | | | | |
| CPMC | .69 | .68 | .71 | .70 | ***.82*** | | | | | | |
| CPMF | .52 | .53 | .53 | .62 | .61 | ***1.00*** | | | | | |
| CPMI | .67 | .69 | .74 | .73 | .77 | .70 | ***.92*** | | | | |
| FP | .40 | .45 | .50 | .47 | .40 | .33 | .43 | ***.87*** | | | |
| MD | .59 | .48 | .63 | .59 | .56 | .48 | .59 | .46 | ***.84*** | | |
| MP | .45 | .48 | .59 | .54 | .51 | .39 | .52 | .80 | .56 | ***.85*** | |
| MRD | .64 | .55 | .77 | .66 | .63 | .51 | .65 | .55 | .75 | .66 | ***.91*** |

*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

The cross-loadings criterion for discriminant validity checks whether items or indicators align more strongly with their designated construct than with any other constructs in the model (Chin, 1998).

The results presented in Table 16 show the cross-loadings of the various indicators on the latent constructs. Overall, each indicator loads higher on its designated construct than on others, indicative of good discriminant validity. Hence, based on the evaluation of cross-loadings, discriminant validity is attained.

**Table 16**

*Discriminant Validity – Cross-loadings*

| | CDA | CDC | CJTI | CJTM | CPMC | CPMF | CPMI | FP | MD | MP | MRD | CDA x CDC | CPMF x CPMC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CDA2 | .91 | .58 | .63 | .63 | .62 | .46 | .59 | .33 | .57 | .37 | .56 | -.23 | .49 |
| CDA3 | .92 | .63 | .68 | .67 | .64 | .49 | .63 | .40 | .51 | .46 | .62 | -.41 | .45 |
| CDC2 | .63 | .92 | .67 | .66 | .64 | .47 | .61 | .48 | .42 | .47 | .54 | -.56 | .40 |
| CDC3 | .57 | .90 | .52 | .70 | .59 | .49 | .65 | .33 | .45 | .40 | .45 | -.42 | .34 |
| CJTI1 | .72 | .63 | .92 | .67 | .63 | .52 | .70 | .43 | .50 | .50 | .66 | -.34 | .41 |
| CJTI3 | .62 | .59 | .93 | .67 | .68 | .47 | .67 | .49 | .66 | .58 | .76 | -.27 | .48 |
| CJTM4 | .64 | .69 | .69 | .94 | .66 | .60 | .69 | .47 | .54 | .53 | .64 | -.39 | .38 |
| CJTM5 | .70 | .72 | .68 | .94 | .67 | .56 | .68 | .42 | .57 | .50 | .60 | -.33 | .44 |
| CPMC1 | .54 | .55 | .51 | .61 | .79 | .51 | .63 | .32 | .39 | .34 | .44 | -.25 | .60 |
| CPMC2 | .58 | .65 | .68 | .65 | .86 | .52 | .67 | .41 | .47 | .49 | .60 | -.37 | .67 |
| CPMC3 | .54 | .45 | .56 | .47 | .79 | .45 | .61 | .27 | .50 | .37 | .49 | -.15 | .64 |
| CPMC4 | .57 | .54 | .56 | .55 | .83 | .53 | .60 | .31 | .45 | .45 | .52 | -.26 | .66 |
| CPMI1 | .55 | .61 | .65 | .64 | .73 | .63 | .92 | .35 | .53 | .44 | .58 | -.24 | .46 |
| CPMI2 | .64 | .69 | .69 | .70 | .72 | .68 | .92 | .42 | .52 | .49 | .60 | -.36 | .44 |
| CPMI4 | .67 | .61 | .71 | .67 | .69 | .64 | .93 | .42 | .58 | .50 | .62 | -.28 | .43 |
| FP1 | .38 | .43 | .50 | .45 | .36 | .28 | .39 | .90 | .40 | .73 | .50 | -.21 | .29 |
| FP2 | .39 | .43 | .48 | .46 | .35 | .37 | .46 | .89 | .43 | .72 | .56 | -.24 | .26 |
| FP3 | .25 | .28 | .33 | .33 | .30 | .17 | .30 | .83 | .37 | .67 | .40 | -.09 | .30 |
| FP4 | .37 | .41 | .43 | .41 | .39 | .32 | .35 | .87 | .39 | .69 | .48 | -.21 | .30 |
| MD2 | .56 | .45 | .48 | .52 | .48 | .41 | .52 | .32 | .85 | .36 | .55 | -.20 | .34 |
| MD3 | .49 | .37 | .51 | .51 | .47 | .42 | .53 | .35 | .88 | .45 | .63 | -.07 | .32 |
| MD5 | .43 | .39 | .60 | .44 | .45 | .37 | .42 | .48 | .78 | .57 | .69 | -.06 | .36 |
| MF1 | .52 | .53 | .53 | .62 | .61 | 1.00 | .70 | .33 | .48 | .39 | .51 | -.31 | .25 |
| MP1 | .39 | .44 | .51 | .47 | .44 | .34 | .44 | .75 | .43 | .84 | .59 | -.19 | .35 |
| MP2 | .39 | .39 | .52 | .43 | .47 | .31 | .46 | .65 | .48 | .88 | .58 | -.03 | .43 |
| MP3 | .41 | .44 | .53 | .53 | .45 | .37 | .48 | .64 | .48 | .84 | .56 | -.19 | .32 |
| MP4 | .29 | .40 | .42 | .42 | .35 | .30 | .36 | .67 | .45 | .82 | .48 | -.12 | .25 |
| MP5 | .44 | .38 | .51 | .46 | .45 | .34 | .45 | .69 | .53 | .86 | .58 | -.11 | .35 |
| MRD1 | .56 | .48 | .63 | .61 | .55 | .49 | .60 | .46 | .70 | .52 | .90 | -.18 | .41 |
| MRD2 | .60 | .50 | .70 | .56 | .58 | .45 | .58 | .51 | .66 | .62 | .92 | -.19 | .49 |
| MRD4 | .60 | .52 | .77 | .62 | .59 | .47 | .60 | .55 | .70 | .67 | .93 | -.11 | .46 |
| CPMF x CPMC | .51 | .41 | .48 | .43 | .79 | .25 | .48 | .33 | .41 | .40 | .49 | -.03 | 1.00 |
| CDA x CDC | -.35 | -.54 | -.33 | -.39 | -.32 | -.31 | -.32 | -.22 | -.13 | -.15 | -.17 | 1.00 | -.03 |

*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), and CX Performance Metrics Insight (CPMI), Market Differentiation (MD), Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

Finally, the Heterotrait-Monotrait Ratio (HTMT) offers a discriminant validity assessment based on the correlation between constructs. To establish discriminant validity, the HTMT ratio should fall below a specified threshold. Academic literature presents varying opinions on this threshold. Franke and Sarstedt (2019) advocate for a stringent limit of .85 or less, while Henseler et al. (2015) suggest a slightly more lenient value of .90 or less, especially for constructs with similar conceptual underpinnings. As the constructs in this study are conceptually alike, a threshold of .90 for HTMT was adopted. Thus, any value surpassing .90 was considered indicative of potential discriminant validity concerns (Hair et al., 2017).

As presented in Table 17, most HTMT ratios align with the accepted threshold of .90. However, the ratio between Customer Journey Touchpoints Mapping (CJTM) and Customer Data Collection (CDC) is precisely at the .90 boundary, hinting at possible discriminant validity issues between these constructs. Thus, in an effort to ensure the discriminant validity of the constructs, all three criteria were considered – the Fornell and Larcker (1981) criterion, cross-loadings, as well as the HTMT ratio. The weight of evidence of the collective findings affirmed the discriminant validity of all the constructs in the study, offering confidence in the methodological approach. Such comprehensive validation underscores the reliability and distinctiveness of the constructs under investigation.

**Table 17**

*Discriminant validity – HTMT*

| | CDA | CDC | CJTI | CJTM | CPMC | CPMF | CPMI | FP | MD | MP | MRD | CDA x CDC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CDA | | | | | | | | | | | | |
| CDC | .83 | | | | | | | | | | | |
| CJTI | .88 | .81 | | | | | | | | | | |
| CJTM | .85 | .90 | .85 | | | | | | | | | |
| CPMC | .84 | .83 | .85 | .82 | | | | | | | | |
| CPMF | .58 | .59 | .59 | .66 | .67 | | | | | | | |
| CPMI | .78 | .82 | .85 | .81 | .88 | .74 | | | | | | |
| FP | .47 | .52 | .57 | .53 | .46 | .35 | .47 | | | | | |
| MD | .75 | .61 | .78 | .71 | .69 | .54 | .69 | .55 | | | | |
| MP | .53 | .57 | .67 | .61 | .58 | .41 | .57 | .89 | .66 | | | |
| MRD | .75 | .65 | .88 | .74 | .72 | .54 | .71 | .62 | .89 | .73 | | |
| CDA x CDC | .39 | .61 | .36 | .41 | .35 | .31 | .33 | .23 | .14 | .16 | .18 | |
| CPMF x CPMC | .57 | .46 | .52 | .46 | .86 | .25 | .50 | .35 | .46 | .42 | .52 | .03 |

*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Market Differentiation (MD), Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

### *5.3.5 Validating the Reflective-Reflective Higher Order Differentiation Construct*

Differentiation (DIF) was the higher order construct in the study based on two lower order constructs Market Differentiation (MD) and Market Agility & Responsiveness Differentiation (MRD). Differentiation (DIF) is measured as a reflective-reflective higher order construct in the study. The reliability and validity of the HOC measurement model was assessed.

The factor loadings of all the indicators (Table 18) for Differentiation (DIF) have a value greater than the minimum acceptable value of .708 (Hair et al., 2017) and thus all were retained in the model.

Reliability was assessed using Cronbach's Alpha, Composite Reliability (CR/ rhoC), and the Consistent Reliability Coefficient (rhoA). The statistics for all were greater than the recommended value of .70 (Chin, 1998) for the higher order construct (see

Table *19*), hence, indicating good reliability (Henseler et al., 2015).

Convergent validity was acceptable because the AVE was higher than .50 for the higher order construct.

Discriminant validity for Differentiation (DIF) was again assessed by comparing the correlations among the latent variables with the square root of AVE (Fornell & Larcker, 1981) and the Heterotrait-Monotrait Ratio (HTMT). The Square root of AVE for the construct was higher than its correlation with all other constructs, and the HTMT results showed (Table 20) that the ratio was less than the required threshold of .90. Discriminant validity between both Market Differentiation (MD) and Market Agility & Responsiveness Differentiation (MRD) and their higher-order component Differentiation (DIF) was not assessed. This is due to the anticipated overlap between these constructs as the measurement model for the higher-order component inherently incorporates the indicators of its associated lower-order components (Sarstedt et al., 2019). Hence, discriminant validity is established for the higher order construct of Differentiation (DIF).

**Table 18**

*Factor Loadings, Reliability and AVE for Differentiation as a Higher Order Construct*

| | Outer Loadings | Cronbach's alpha | Composite reliability (rhoA) | Composite reliability (rhoC) | Average variance extracted (AVE) |
|---|---|---|---|---|---|
| DIF | | .86 | .87 | .86 | .76 |
| MD2 <- DIF | .73 | | | | |
| MD3 <- DIF | .79 | | | | |
| MD5 <- DIF | .78 | | | | |
| MRD1 <- DIF | .87 | | | | |
| MRD2 <- DIF | .86 | | | | |
| MRD4 <- DIF | .89 | | | | |

*Note.* Market Differentiation (MD), Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF).

**Table 19**

*Discriminant Validity for Differentiation (DIF) as a Higher Order Construct*

| | CDA | CDC | CJTI | CJTM | CPMC | CPMF | CPMI | FP | MP | DIF |
|---|---|---|---|---|---|---|---|---|---|---|
| Fornell and Larcker Criteria | | | | | | | | | | |
| DIF | .790 | .665 | .880 | .766 | .746 | .568 | .742 | .617 | .736 | .870 |
| HTMT | | | | | | | | | | |
| DIF | .793 | .667 | .880 | .768 | .748 | .571 | .744 | .617 | .736 | |

*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

## 5.4 Assessment of the Structural Model

Key metrics such as the coefficient of determination ($R^2$) and the significance of path coefficients were used to assess the validity of the complex set of direct, indirect, mediated and moderated relationships hypothesised within the structural model.

Mediation sheds light on the processes or mechanisms that underpin and drive certain relationships. For assessing these mediation relationships in the research model, the approach of Henseler et al. (2015) was employed, whereby Sobel's *Z* test statistic is used to establish the significance of these mediators (Sobel, 1982). In contrast, moderation offers a perspective on how a third variable can modify the strength or trajectory of a relationship between two primary constructs (Hair et al., 2017). Together, these evaluations offer a comprehensive understanding of the relationships within the proposed structural model.

### *5.4.1 Coefficient of Determination*

The Coefficient of Determination ($R^2$) represents explanatory power, i.e., the extent of variance captured by each of the endogenous constructs, serving as an indicator of the model's explanatory power (Shmueli & Koppius, 2011), or its in-sample predictive strength (Rigdon, 2012). In essence, it quantifies the degree to which shifts in the dependent variable can be attributed to one or more independent variables (Cohen, 1988). $R^2$ values range from 0 to 1, with larger values signifying greater explanatory power. Cohen (1988) provided benchmarks for interpreting $R^2$ values of endogenous latent variables: .26 is viewed as significant, .13 as moderate, and .02 as minimal. However, what constitutes an acceptable

$R^2$ can vary by research area. For instance, in certain fields, a value as modest as .10 might be deemed adequate.

The SmartPLS (Ringle et al., 2022) algorithm function was used to derive the $R^2$ values in this study. The $R^2$ values for all endogenous constructs exceed .26 (Table 20), pointing to the substantial explanatory power of the model (Cohen, 1988).

**Table 20**

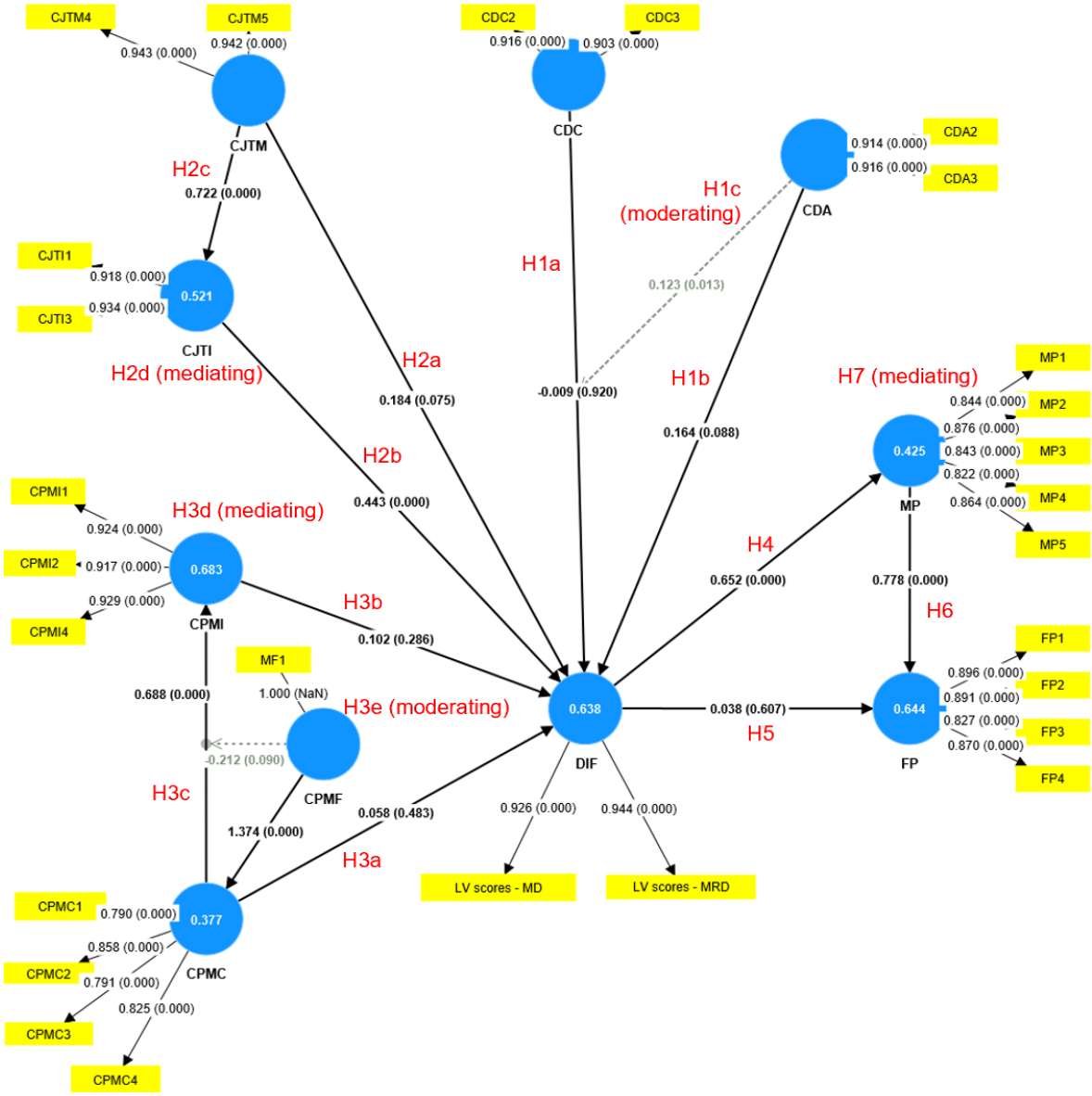
*Coefficient of Determination (R2) of the Structural Model*

| Exogenous Constructs (Predictor) | Endogenous Constructs (Outcome) | $R^2$ |
|---|---|---|
| CDA | DIF | .64 |
| CDC | | |
| CJTI | | |
| CJTM | | |
| CPMC | | |
| CPMI | | |
| CDA x CDC | | |
| CPMF | CPMC | .38 |
| CPMF | CPMI | .68 |
| CPMC | | |
| CPMF x CPMC | | |
| CJTM | CJTI | .52 |
| DIF | MP | .43 |
| DIF | FP | .64 |
| MP | | |

*Note.* $R^2$=Coefficient of Determination; $f^2$=size effect; $Q^2$=Predictor Relevance; Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

**Figure 6**

*PLS-SEM Path Model Estimation*




*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Market Differentiation (MD), Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

For each path, the path coefficient or standardised beta coefficient is provided with its significance shown in brackets.

### *5.4.2 Path Coefficients*

In the structural framework of the proposed model, paths connecting latent variables represent individual hypotheses. These path coefficients are essential, allowing the confirmation or rejection of each hypothesis, as well as informing the strength of relationships between the variables under study. Path coefficients can be interpreted as standardised beta coefficients derived from ordinary least squares regression. To determine the significance of these path coefficients, the bootstrapping technique (Hair et al., 2017) is used. This method, with default resamples set to 5000, provides a reliable way to determine *t*-statistics and the statistical significance of the path coefficients.

Table 21 provides a detailed breakdown of the structural model, presenting the path coefficients, their respective *t*-statistics, and significance levels for every hypothesised relationship. Figure 6 provides the visual representation of the results.

Based on this thorough assessment, each hypothesis was systematically supported or rejected. A deeper analysis of these outcomes is presented in the following section.

**Table 21**

*Summary of Tests of Hypotheses of Direct Relationships*

| Hypothesis | | β | SE | *t*-value | *p*-value | Result |
|---|---|---|---|---|---|---|
| H1a | Collection of Customer Data -> Differentiation | -0.01 | 0.09 | 0.10 | .920 | Not supported |
| H1b | Customer Data Analysis -> Differentiation | 0.16 | 0.10 | 1.71 | .088 | Not supported |
| H1c | Customer Data Analysis x Customer Data Collection -> Differentiation | 0.12 | 0.05 | 2.48 | .01* | Supported |
| H2a | Customer Journey Touchpoint Mapping -> Differentiation | 0.18 | 0.10 | 1.78 | .075 | Not supported |
| H2b | Customer Journey Touchpoint Innovation -> Differentiation | 0.44 | 0.09 | 5.06 | < .001 *** | Supported |
| H2c | Customer Journey Touchpoint Mapping -> Customer Journey Touchpoint Innovation | 0.72 | 0.04 | 17.48 | < .001 *** | Supported |
| H2d | Customer Journey Touchpoint Mapping -> Customer Journey Touchpoint Innovation -> Differentiation | 0.32 | 0.07 | 4.85 | < .001 *** | Supported |
| H3a | CX Performance Metrics Collection -> Differentiation | 0.06 | 0.08 | 0.70 | .483 | Not supported |
| H3b | CX Performance Metrics Insight -> Differentiation | 0.10 | 0.10 | 1.07 | .286 | Not supported |
| H3c | CX Performance Metrics Collection -> CX Performance Metrics Insight | 0.69 | 0.10 | 6.74 | < .001 *** | Supported |
| H3d | CX Performance Metrics Collection -> CX Performance Metrics Insight -> Differentiation | 0.07 | 0.07 | 1.03 | .302 | Not supported |
| H3e | CX Performance Metrics Framework x CX Performance Metrics Collection -> CX Performance Metrics Insight | -0.21 | 0.13 | 1.69 | .090 | Not supported |
| H4 | Differentiation -> Market Performance | 0.65 | 0.04 | 15.11 | < .001 *** | Supported |
| H5 | Differentiation -> Financial Performance | 0.04 | 0.07 | 0.52 | .607 | Not supported |
| H6 | Market Performance -> Financial Performance | 0.78 | 0.06 | 12.83 | < .001 *** | Supported |
| H7 | Differentiation -> Market Performance -> Financial Performance | 0.51 | 0.05 | 9.36 | < .001 *** | Supported |
| | Not hypothesised (1) CX Performance Metrics Framework -> CX Performance Metrics Collection | 1.37 | 0.12 | 11.93 | < .001 *** | |
| | Not hypothesised (2) CX Performance Metrics Framework -> CX Performance Metrics Insight | 0.71 | 0.15 | 4.61 | < .001 *** | |

*Note.* $\beta$ = Beta Coefficient*; SE*= Standard Error*; T* = *t*-statistics; P = Probability (*p*) value

* $p < .05$; ** $p <. 01$; *** $p < .001$.

#### 5.4.2.1 Direct Relationships.

*H1a: Collection of Customer Data (CDC) -> Differentiation (DIF)*

H1a evaluates whether the collection of customer data (CDC) to gain Customer Understanding and Insight has a positive effect on a business's Differentiation (DIF) as a competitive advantage. The results revealed that CDC has a negative and non-significant effect on DIF (β = -0.01, *t* = 0.10, *p* = .920). Hence, H1a was not supported.

*H1b: Customer Data Analysis (CDA) -> Differentiation (DIF)*

The analysis of customer data collected (CDA) to gain Customer Understanding and Insight has a positive effect on a business's Differentiation (DIF) as a competitive advantage. The results revealed that CDA has a non-significant effect on DIF (*β* = 0.16, *t* = 1.71, *p* = .088). Hence, H1b was not supported.

*H2a: Customer Journey Touchpoint Mapping (CJTM) -> Differentiation (DIF)*

The mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design has a positive effect on a business's Differentiation (DIF) as a competitive advantage. The results revealed that CJTM has a non-significant effect on DIF (β = 0.18, *t* = 1.78, *p* = .075). Hence, H2a was not supported.

*H2b: Customer Journey Touchpoint Innovation (CJTI) -> Differentiation (DIF)*

The routine innovation of customer journey touchpoints (CJTI) as part of Customer Experience Design has a positive effect on a business's Differentiation (DIF) as a competitive advantage. The results revealed that CJTI has a positive and significant effect on DIF (β = 0.44, *t* = 5.06, *p* <.001). Hence, H2b was supported.

*H2c: Customer Journey Touchpoint Mapping (CJTM) -> Customer Journey Touchpoint Innovation (CJTI)*

The mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design has a positive effect on the routine innovation of customer journey touchpoints (CJTI). The results revealed that CJTI has a positive and significant effect on DIF (β = 0.72, *t* = 17.48, *p* <.001). Hence, H2c was supported.

*H3a: CX Performance Metrics Collection (CPMC) -> Differentiation (DIF)*

The collection of various CX performance metrics (CPMC) has a positive effect on a business's Differentiation (DIF) as a competitive advantage. The results revealed that CPMC has a non-significant effect on DIF (β = 0.06, *t* = 0.70, *p* = .483). Hence, H3a was not supported.

*H3b: CX Performance Metrics Insight (CPMI) -> Differentiation (DIF)*

The analysis and adoption of CX performance metrics insight gained (CPMI) has a positive effect on a business's Differentiation (DIF) as a competitive advantage. The results revealed that CPMI has a non-significant effect on DIF (β = 0.10, *t* = 1.07, *p* = .286). Hence, H3b was not supported.

*H3c: CX Performance Metrics Collection (CPMC) -> CX Performance Metrics Insight (CPMI)*

The collection of various CX performance metrics (CPMC) has a positive effect on the analysis and adoption of CX performance metrics insight gained (CPMI). The results revealed that CPMC has a positive and significant effect on CPMI (β = 0.69, *t* = 6.74, *p* <.001). Hence, H3c was supported.

*H4: Differentiation (DIF) -> Market Performance (MP)*

The greater a business's Differentiation (DIF) as competitive advantage through CXM (CDC, CDA, CJTM, CJTI, CPMC, CPMI), the greater its Market Performance (MP). The results revealed that DIF has a positive and significant effect on MP (β = 0.65, *t* = 15.11, *p* <.001). Hence, H4 was supported.

*H5: Differentiation (DIF) -> Financial Performance (FP)*

The greater a business's Differentiation (DIF) as competitive advantage through CXM (CDC, CDA, CJTM, CJTI, CPMC, CPMI), the greater its Financial Performance (FP). The results revealed that DIF has a non-significant effect on FP (β = 0.04, *t* = 0.52, *p* = .607). Hence, H5 was not supported.

*H6: Market Performance (MP) -> Financial Performance (FP)*

The greater a business's Market Performance (MP), the greater its Financial Performance (FP). The results revealed that MP has a positive and significant effect on FP (β = 0.78, *t* = 12.83, *p* <.001). Hence, H6 was supported.

#### 5.4.2.2 Mediated Relationships: Sobel's Test.

Henseler et al. (2015) highlight the significance of evaluating both direct and indirect connections between initial and resultant latent variables in a structural model. Sobel's method (Sobel, 1982) was applied to examine the indirect, mediating relationships proposed. Indirect effects between two variables are deemed significant at the 5% level of significance if the *Z*-value surpasses 1.96 (MacKinnon et al. 2002). A comprehensive overview of these direct and indirect relationships, as derived from the structural model, is presented in Table 22.

*H2d: Customer Journey Touchpoint Mapping (CJTM) -> Customer Journey Touchpoint Innovation (CJTI) -> Differentiation (DIF)*

Mediation analysis was performed to assess the mediating role of the routine innovation of customer journey touchpoints (CJTI) in the relationship between the mapping of customer journey touchpoints (CJTM) and Differentiation (DIF). The results revealed a significant full mediated role of CJTI in the relationship between CJTM and DIF ($Z = 4.84$; $p < .001$). Hence, H2d was supported.

*H3d: CX Performance Metrics Collection (CPMC) -> CX Performance Metrics Insight (CPMI) -> Differentiation (DIF)*

Mediation analysis was performed to assess the mediating role of the analysis and adoption of CX performance metrics insight gained (CPMI) in the relationship between the collection of various CX performance metrics (CPMC) and Differentiation (DIF). The results revealed a non-significant mediated role of CPMI in the relationship between CPMC and DIF ($Z = 1.05$; $p = .302$). Hence, H3d was not supported.

*H7: Differentiation (DIF) -> Market Performance (MP) -> Financial Performance (FP)*

Mediation analysis was performed to assess the mediating role of Market Performance (MP) in the relationship between Differentiation (DIF) and Financial Performance (FP). The results revealed a significant full mediated role of MP in the relationship between DIF and FP ($Z = 9.76$; $p < .001$). Hence, H7 was supported.

**Table 22**

*Summary of Sobel's Tests of Hypothesised Mediated Relationships*

| Hypothesis | Path | *β* | SE | *p*-value | *Z* | Type of Mediation |
|---|---|---|---|---|---|---|
| H2d | CJTM->CJTI->DIF | 0.32 | | < .001 *** | 4.84 | Full mediation: indirect effect is significant (*p* < .001) and direct effect is non-significant (*p* = 0.075) |
| | CJTM->DIF (direct) | 0.32 | | .075 | | |
| | CJTM->DIF (indirect) | 0.18 | | | | |
| | CJTM->CJTI | 0.72 | 0.04 | | | |
| | CJTI->DIF | 0.44 | 0.09 | | | |
| H3d | CPMC->CPMI->DIF | 0.07 | | .302 | 1.05 | No significant mediation: Z = 1.049 which is below the 1.96 threshold (*p* = .302) |
| | CPMC->DIF (direct) | 0.22 | | .483 | | |
| | CPMC->DIF (indirect) | 0.06 | | | | |
| | CPMC->CPMI | 0.69 | 0.10 | | | |
| | CPMI->DIF | 0.10 | 0.10 | | | |
| H7 | DIF->MP->FP | 0.51 | | < .001 *** | 9.76 | Full mediation: indirect effect is significant (*p* <.001) and direct effect is non-significant (*p* = .607) |
| | DIF->FP (direct) | 0.55 | | .607 | | |
| | DIF->FP (indirect) | 0.04 | | | | |
| | DIF->MP | 0.65 | 0.04 | | | |
| | MP->FP | 0.78 | 0.06 | | | |

*Note.* β = Beta Coefficient; SE= Standard Error; *Z*=Sobel's test; *P*=Probability (*p*) value; Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

* *p* < .05; ** *p* <. 01; *** *p* < .001.

#### 5.4.2.3 Moderated Relationships.

*H1c: Customer Data Analysis (CDA) x Customer Data Collection (CDC) -> Differentiation (DIF)*

The analysis of customer data (CDA) moderates the relationship between the Collection of Customer Data (CDC) to gain Customer Understanding and Insight and a business's Differentiation (DIF) as a competitive advantage.

The analysis demonstrates the integral role of the moderating variable, Customer Data Analysis (CDA), in understanding the relationship between Customer Data Collection

(CDC) and Differentiation (DIF) as indicated in Table 23. Individually, both CDA and CDC have limited and statistically non-significant impacts on DIF, with respective β coefficient values = 0.16 ($p$ = .088) and β= -0.01 ($p$ = .920), underscoring their limited direct effects. However, the scenario dramatically shifts when the combined effect of CDA and CDC is considered by including CDA as a moderator.

The relationship yields a significant positive moderating effect of CDA on the relationship between CDC and DIF ($\beta$ = 0.12, $t$ = 2.48; $p$ = 0.013). The $f^2$ effect size (.09) indicates a small to medium effect (Cohen, 1988).

**Table 23**

*Summary of Tests of Hypotheses of Moderated Relationships*

| Hypothesis | Path | β | SE | *t*-value | *p*-value | $f^2$ |
|---|---|---|---|---|---|---|
| H1c | CDA x CDC -> DIF | 0.12 | 0.05 | 2.48 | .013 * | 0.09 |
| | CDA -> DIF | 0.16 | 0.10 | 1.71 | .088 | |
| | CDC -> DIF | -0.01 | 0.09 | 0.10 | .920 | |
| H3e | CPMF x CPMC -> CPMI | -0.21 | 0.13 | 1.69 | .090 | -0.35 |
| | CPMF -> CPMI | 0.71 | 0.15 | 4.61 | <.001 *** | |
| | CPMC -> CPMI | 0.69 | 0.10 | 6.74 | <.001 *** | |

*Note.* β = Beta Coefficient; SE= Standard Error; *P*=Probability (*p*) value; $f^2$=effect size; Customer Data Collection (CDC), Customer Data Analysis (CDA), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Differentiation (DIF).

* $p$ < .05; ** $p$ <. 01; *** $p$ < .001.

Further, simple slopes analysis is presented to understand the nature of the moderating effect (Figure 7). At low levels of Customer Data Analysis (CDA -1 SD) the slight downward slope of the line suggests that Differentiation (DIF) is somewhat negatively related to CDC, a counterintuitive relationship. This suggests that when data analysis capabilities are below average, collecting more data might have a slightly counterproductive effect on the differentiation of a business.

At average levels of Customer Data Analysis (CDA at the mean) the flat line shows no CDC effect, i.e., changes in Customer Data Collection (CDC) neither improve nor diminish Differentiation (DIF) for businesses operating with typical data analysis capabilities.

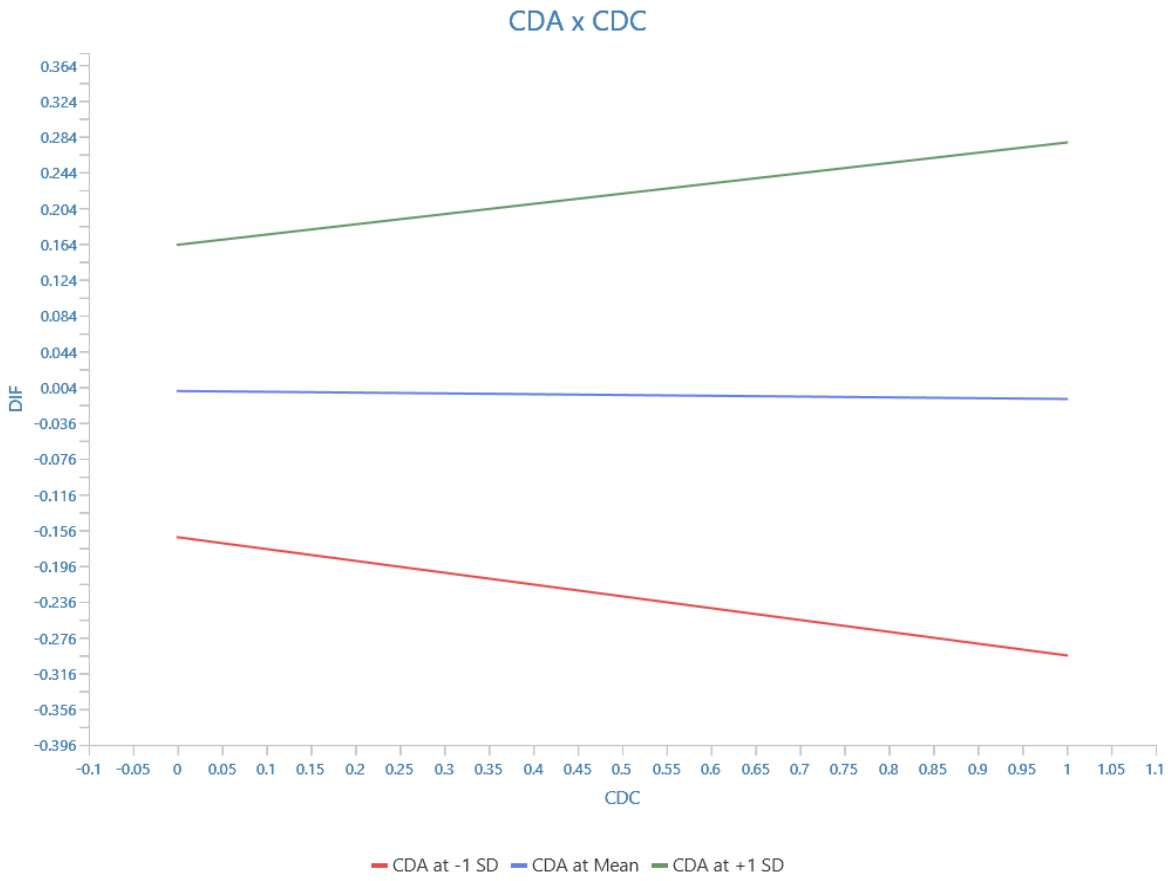
The implication here is that the mere act of collecting data does not necessarily confer competitive advantages in differentiation unless accompanied by adequate data analysis capabilities.

However, at high levels of Customer Data Analysis (CDA +1 SD) the subtle upward incline of the line reveals a positive relationship. As businesses increase their Customer Data Collection (CDC), their Differentiation (DIF) levels increase slightly. This suggests that businesses equipped with above-average data analysis capabilities stand to gain in terms of competitive differentiation by collecting more customer data.

While neither CDA nor CDC individually have a direct effect on DIF, their combined effect as moderated by CDA substantially influences DIF as a competitive advantage. This underscores the pivotal role of CDA as a moderating factor. In essence, the ability to differentiate as a competitive advantage is not merely a factor of how much customer data a business collects but significantly hinges on the quality of its data analysis capabilities. This emphasises the importance of striking a balance between data collection efforts and honing data analysis competencies to maximise differentiation benefits.

**Figure 7**

*H1c Simple Slopes Analysis*



*H3e: CX Performance Metrics Framework (CPMF) x CX Performance Metrics Collection (CPMC) -> CX Performance Metrics Insight (CPMI)*

A CX Performance Metrics framework (CPMF) moderates the relationship between collection of various CX performance metrics (CPMC) and a business's analysis and adoption of CX performance metrics insight gained (CPMI).

In analysing the structural relationship, the direct relationship between CX Performance Metrics Collection (CPMC) and CX Performance Metrics Insight (CPMI) yields a significant positive relationship ($\beta = 0.69$; $t = 6.74$; $p < .001$). This significant positive relationship implies that the collection of CX performance metrics robustly and positively impacts the generation of insights from these metrics.

Similarly, the direct relationship between CX Performance Metrics Framework (CPMF) and CX Performance Metrics Insight (CPMI) also demonstrates significance ($\beta = 0.71$; $t = 4.61$; $p < .001$). This indicates that the mere presence or utilisation of a framework is inherently linked to deriving insights from collected metrics.

However, the interaction term representing the moderating effect of the framework (CPMF x CPMC -> CPMI) is not significant ($\beta = -0.21$, $t = 1.69$, $p = .090$). This negative coefficient, although not significant at the 5% level, may suggest that the CX Performance Framework, under certain conditions, might lessen the positive relationship between the collection of performance metrics and the insight generated. This could imply that an overly rigid or unsuitable CX Performance Framework might hinder rather than aid the conversion of collected data into meaningful insights.

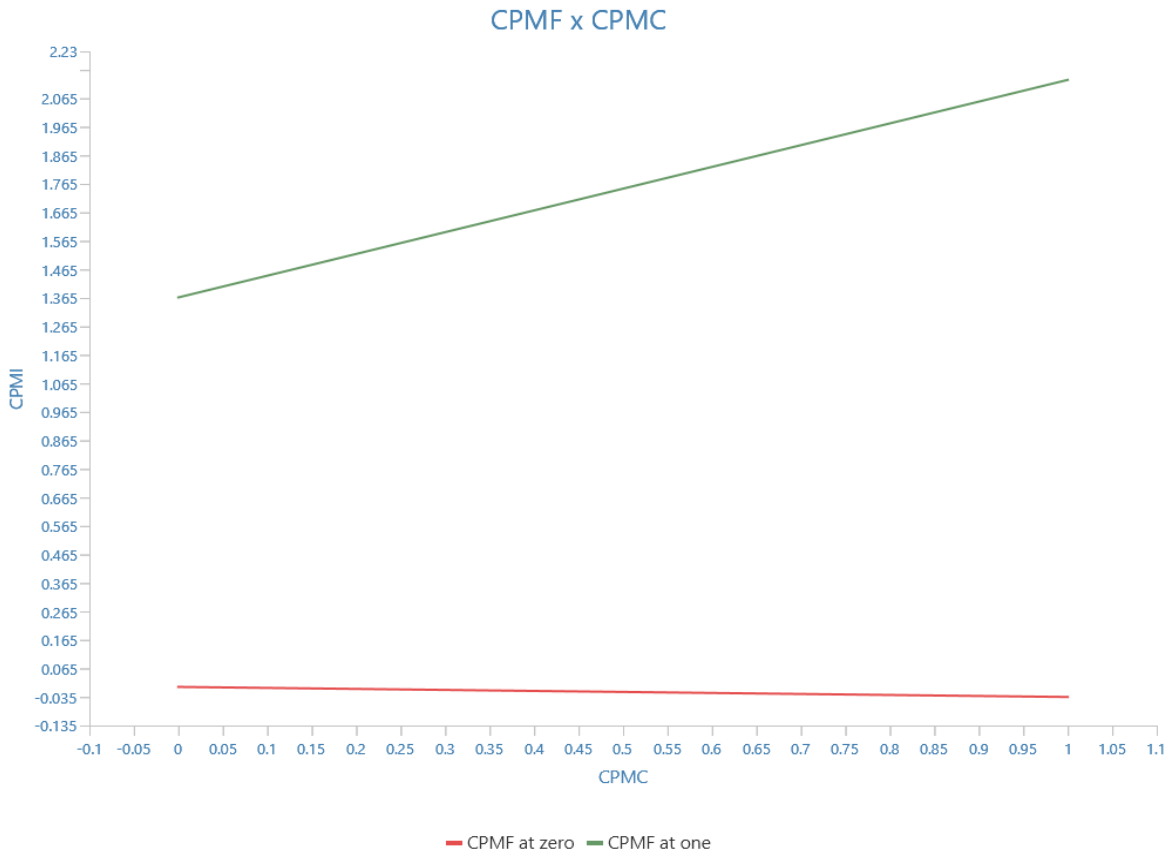
Turning the attention to the simple slopes analysis offers a deeper perspective. With CPMF at the zero level, i.e., absent, there is no relationship between CX performance metric collection (CPMC) and derived insight (CPMI). In essence, without an active framework, there is no evidence that collecting more metrics correlates with an increase in insights. By contrast, when CPMF is fully active (at 1 SD above the mean), there is a notable upward trajectory between data collection and insights, pointing to the enhancing role of the CX Performance Framework in transforming collected data into actionable insights.

Combining insights from both the table data and simple slopes analysis, it becomes evident that while the quantitative data suggests a potentially diminishing moderating role of CPMF, its practical utility emerges when it is utilised effectively. While the hypothesis is not strongly validated by the *p*-value of the interaction term at the 5% level, the simple slopes analysis offers the possibility of a different perspective. Consequently, businesses should understand that merely having a CX Performance Framework is not enough; it is the efficient

and appropriate deployment of this framework that determines its efficacy in optimising CX performance metric collection endeavours.

**Figure 8**

*H3e Simple Slopes Analysis*




### *5.4.3 Explanatory and Predictive Relevance of the Structural Model*

As indicated in Section 5.4, the Coefficient of Determination ($R^2$) represents the proportion of variance captured by each of the endogenous constructs, serving as an indicator of the model's explanatory power (Shmueli & Koppius, 2011) or its in-sample predictive strength (Rigdon, 2012). As the $R^2$ values of all the endogenous constructs exceeded .26, the model had substantial explanatory power (Cohen, 1988).

A more in-depth understanding of the model's explanatory power can be achieved by examining the effect size ($f^2$), which determines the influence of each exogenous variable. This metric quantifies the change in $R^2$ when a particular exogenous variable is excluded. In the context of PLS-SEM path modelling, the omission of an independent variable leads to a comparison in squared correlation values, helping to discern the impact of the excluded variable on the dependent variable. Cohen (1988) categorised the strength of an influencing variable at the structural level: an $f^2$ value of .35 denotes a strong effect, .15 indicates a

medium effect, and .02 suggests a weak effect. Essentially, $f^2$ measures how an exogenous latent variable enhances the $R^2$ of an endogenous latent variable. The effect size serves to measure the magnitude or strength of the relationship among latent constructs. The results (

Table *24*) revealed the structural model's explanatory and predictive relevance.

As the $R^2$ values indicate how much of the variability in an outcome is explained by its predictor(s), further analysis highlights, for instance, that Customer Data Analysis (CDA) explains 64% of the variability in DIF. This substantial explanatory power is also evident in the path between CX Performance Metrics Framework (CPMF) to CX Performance Metrics Insight (CPMI), and in the path from Differentiation (DIF) to Financial Performance (FP) with $R^2$ values of 68% and 64%, respectively. Similarly, Customer Journey Touchpoints Mapping (CJTM) accounts for 52% of the variability in Customer Journey Touchpoints Innovation (CJTI), while Differentiation (DIF) explains 43% of the variability in Market Performance (MP).

The $f^2$ values measure the effect size, with a notable influence of CX Performance Metrics Framework (CPMF) on CX Performance Metrics Insight (CPMI), and of Customer Journey Touchpoints Mapping (CJTM) on Customer Journey Touchpoints Innovation (CJTI) based on their especially large effect sizes of 2.07 and 2.44, respectively.

On the other hand, the $Q^2$ values offer insights into the model's predictive relevance. Positive $Q^2$ values for the endogenous constructs establish predictive relevance and suggest good predictive capabilities, as seen in the paths of Customer Data Analysis (CDA) to Differentiation (DIF), Customer Journey Touchpoints Mapping's (CJTM) to Customer Journey Touchpoints Innovation (CJTI), Differentiation (DIF) to Market Performance (MP), and Differentiation (DIF) to Financial Performance (FP). However, negative $Q^2$ values in the relationships of CX Performance Metrics Framework (CPMF) to CX Performance Metrics Collection (CPMC), and CX Performance Metrics Framework (CPMF) to CX Performance Metrics Insight (CPMI), suggest a lack of predictive relevance.

Although the model demonstrates strong explanatory power across multiple relationships, its predictive relevance varies, with certain paths lacking in this aspect.

**Table 24**

*Explanatory and Predictive Relevance of the Structural Model*

| Exogenous Constructs (Predictor) | Endogenous Constructs (Outcome) | $R^2$ | $f^2$ | $Q^2$ |
|---|---|---|---|---|
| CDA | | | 0.01 | |
| CDC | | | 0.00 | |
| CJTI | | | 0.56 | |
| CJTM | DIF | 0.64 | 0.02 | 0.48 |
| CPMC | | | 0.00 | |
| CPMI | | | 0.00 | |
| CDA x CDC | | | 0.09 | |
| CPMF | CPMC | 0.38 | 0.82 | -0.22 |
| CPMF | | | 2.07 | |
| CPMC | CPMI | 0.68 | -0.00 | -1.18 |
| CPMF x CPMC | | | -0.35 | |
| CJTM | CJTI | 0.52 | 2.44 | 0.52 |
| DIF | MP | 0.43 | 1.18 | 0.29 |
| DIF | FP | 0.64 | 0.02 | 0.20 |
| MP | | | 2,03 | |

*Note.* $R^2$=Coefficient of Determination; $f^2$=size effect; $Q^2$=Predictor Relevance; Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), and CX Performance Metrics Insight (CPMI), Differentiation (DIF), Market Performance (MP), Financial Performance (FP).

### *5.4.4 The Importance-Performance Map Analysis (IPMA)*

The Importance-Performance Map Analysis (IPMA) is an essential instrument within the PLS-SEM framework for interpreting the dynamics of the influencers of a focal construct. The analysis is often likened to concepts such as an importance-performance matrix or impact-performance map.

IPMA augments the depth of the PLS-SEM results as it compares two key metrics for exogenous constructs: the one metric is the *Importance* or overarching influence measured by the *Total effect* of each exogenous construct or predictor on the focal or endogenous construct; the other metric is the corresponding *Performance* or mean of the latent variable scores indicating how well the construct is measured. The Performance metric is rescaled to range between 0 and 100 to facilitate interpretation (Ringle & Sarstedt, 2016).

Beyond analysing the impact of exogenous constructs on endogenous constructs, IPMA provides a more detailed perspective by examining the effects of individual measuring items or variables, thereby offering a comprehensive understanding of their roles regarding a primary outcome construct. This multi-layered analysis is valuable for informed decision making. For example, a predictor construct that holds significant importance but exhibits underwhelming performance indicates a potential area for enhancement and subsequent influence on the overall value of the focal construct such as Differentiation. Conversely, a construct of minimal importance, even one that exhibits optimal performance, might not require extensive resource allocation due to its limited influence on the focal construct. Thus, by integrating evaluations of path coefficients with a performance metric, IPMA offers a multifaceted visualisation, facilitating the identification of priority areas and formulating strategies to improve the efficacy of the central focal construct (Ringle & Sarstedt, 2016).

In this research, IPMA was used to determine how various constructs of CXM, including their individual measuring items, influence Differentiation and Financial Performance. This in-depth analysis assisted in identifying the critical levers driving competitive advantage through differentiation, as well as financial outcomes.

From the exploration of the various constructs and specific measuring items of Customer Experience Management (CXM) relative to Differentiation (DIF) highlighted in the maps in Figures 9 and 10, it is evident that Mapping Customer Journey Touchpoints (CJTM) plays a central role in driving competitive differentiation. While broader constructs such as the routine Innovation of Customer Journey Touchpoints (CJTI) and the Customer Performance Metrics Framework (CPMF) make significant contributions (Figure 9), specific indicators like CJTM4 (*We map the customer's intended rational responses to fulfil the customer's need (job-to-be-done)*), CJTM5 (*We map the customer's intended emotional responses to fulfil the customer's need (job-to-be-done)*), CJTI1 *(We routinely apply gap analysis to identify our required capabilities (people, process & technology) for delivering our intended rational experiences to our customers)* and CJTI3 (*We regularly innovate our touchpoints along the entire customer journey*) emerge as particularly influential (Figure 10). It is noteworthy that certain items such as collecting customer data (highlighted by CDC2 *(We systematically collect data on the rational (the logical & tangible) aspects of customer experiences)* and CDC3 *(We systematically collect data on the emotional (the feelings & perceptions) aspects of customer experiences)*) demonstrate high performance values, yet their direct impact on Differentiation seems limited. For businesses aiming to achieve differentiation through CXM, a comprehensive understanding capturing the interaction between broader constructs and their individual components is essential for effective strategising.

Given their status as endogenous constructs, Market Performance (MP) and Differentiation (DIF) were clearly the dominant predictor constructs of Financial Performance

(FP) (Figure 11). MP demonstrates a commanding importance with a score of .78 and a robust performance value of 73%, compared to the corresponding lower importance and performance rating scores of DIF (.54 and 69%, respectively).

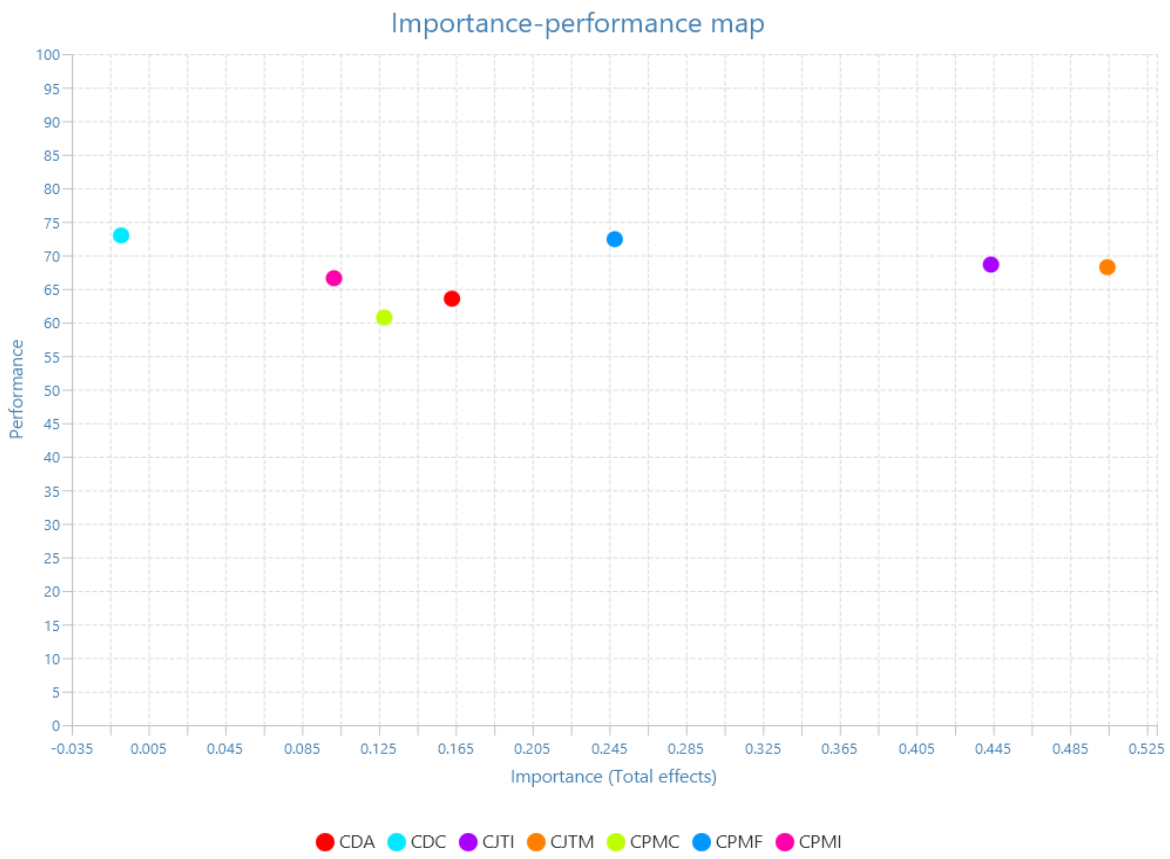
Among the CXM constructs, Mapping Customer Journey Touchpoints (CJTM) and the routine Innovation of Customer Journey Touchpoints (CJTI) are pronounced, with importance values of .27 and .24 respectively. Constructs like Customer Performance Metrics Framework (CPMF) and Data Analysis Capabilities (CDA) offer more modest contributions with importance values of .14 and .09 respectively. The impacts of other constructs like Customer Performance Metrics Competencies (CPMC), Implementation (CPMI), and Customer Data Collection (CDC) are relatively weak.

In the analysis of individual measuring items (Figure 12), specific indicators offer notable insights. CJTM4, CJTM5, CJTI1, and CJTI3, all associated with customer journey touchpoints, are prominent influencers of Financial Performance, with CJTM4 leading at an importance score of .15. In juxtaposition, the items connected to data collection, namely CDC2 and CDC3, while presenting high performance, lack direct influence reinforcing the earlier insight that collecting customer data, while performing well, may not be a direct influencer of financial outcomes.

Across both Differentiation and Financial Performance, the IPMA results reveal the central role of specific constructs in driving these outcomes. In particular, constructs such as CJTM and CJTI, and their associated measuring items like CJTM4 and CJTI3, unfailingly emerge as significant influencers of both differentiation and financial outcomes. Their consistent presence in both analyses underlines their foundational role in shaping the differentiating competitive advantage of a business through CXM and its financial returns. On the opposite end of the spectrum, the CDC construct, with specific reference to its measuring items CDC2 and CDC3, displays the least direct influence on both outcomes. Moreover, the constructs CPMC (CX Performance Metrics Collection) and CPMI (CX Performance Metrics Innovation) further solidify this trend by consistently demonstrating minimal impact on both Differentiation and Financial Performance, as evidenced by the constricted importance scores of their individual measuring items. These insights from the IPMA provide a clear roadmap for businesses to identify pivotal levers and potential areas of enhancement in their pursuit of competitive differentiation and financial success through Customer Experience Management (CXM).

**Figure 9**

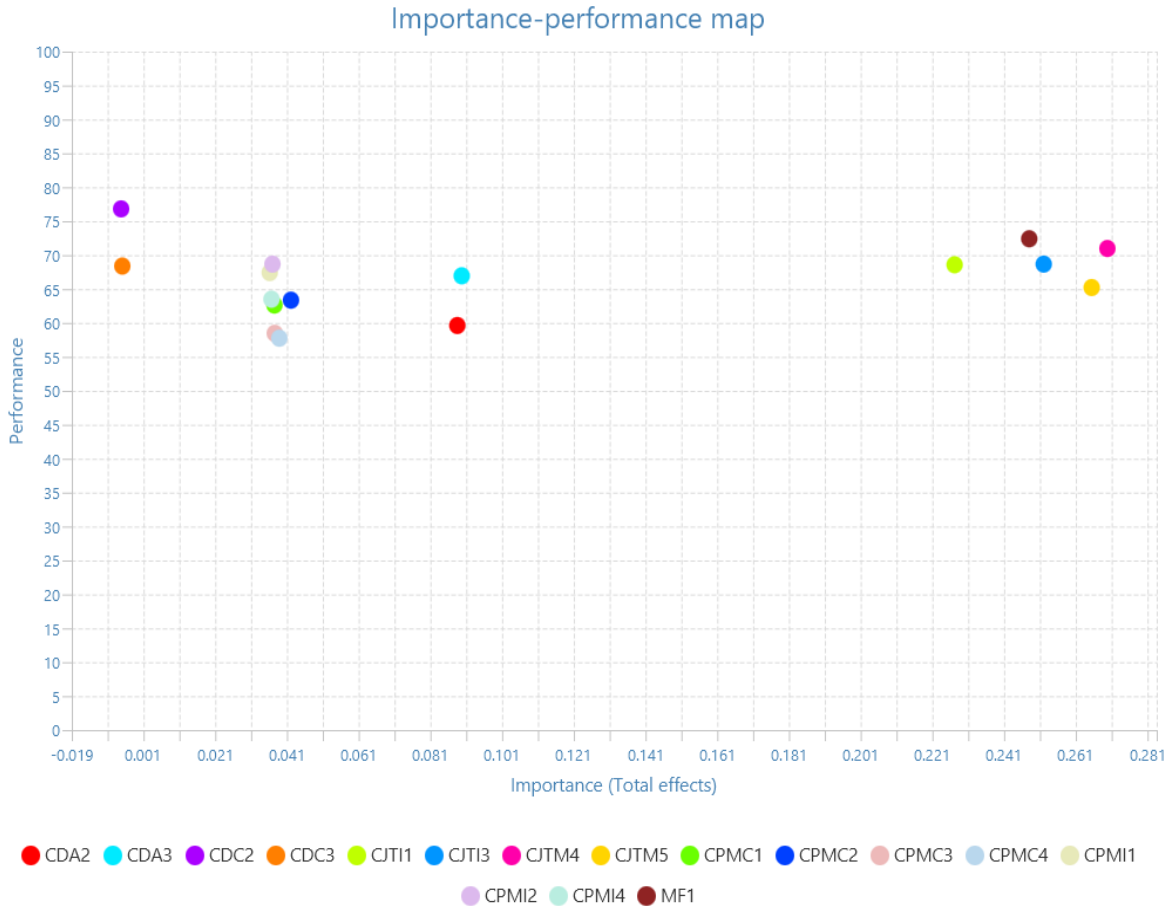
*IPMA of the Influence of all CXM Constructs on Differentiation*




*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), and CX Performance Metrics Insight (CPMI)

**Figure 10**

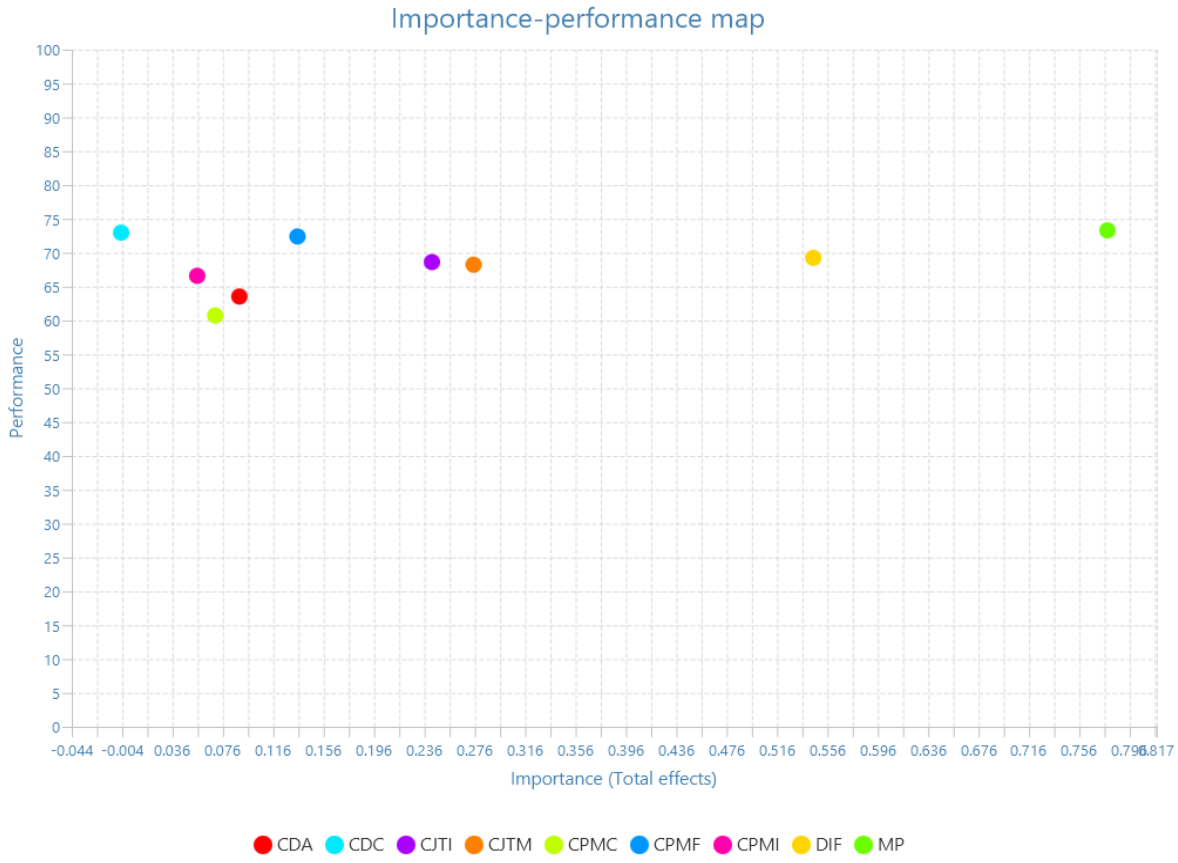
*IPMA of the Influence of Specific CXM Measuring Items on Differentiation*




*Note.* Refer to Table 12 for measurement item descriptions

**Figure 11**

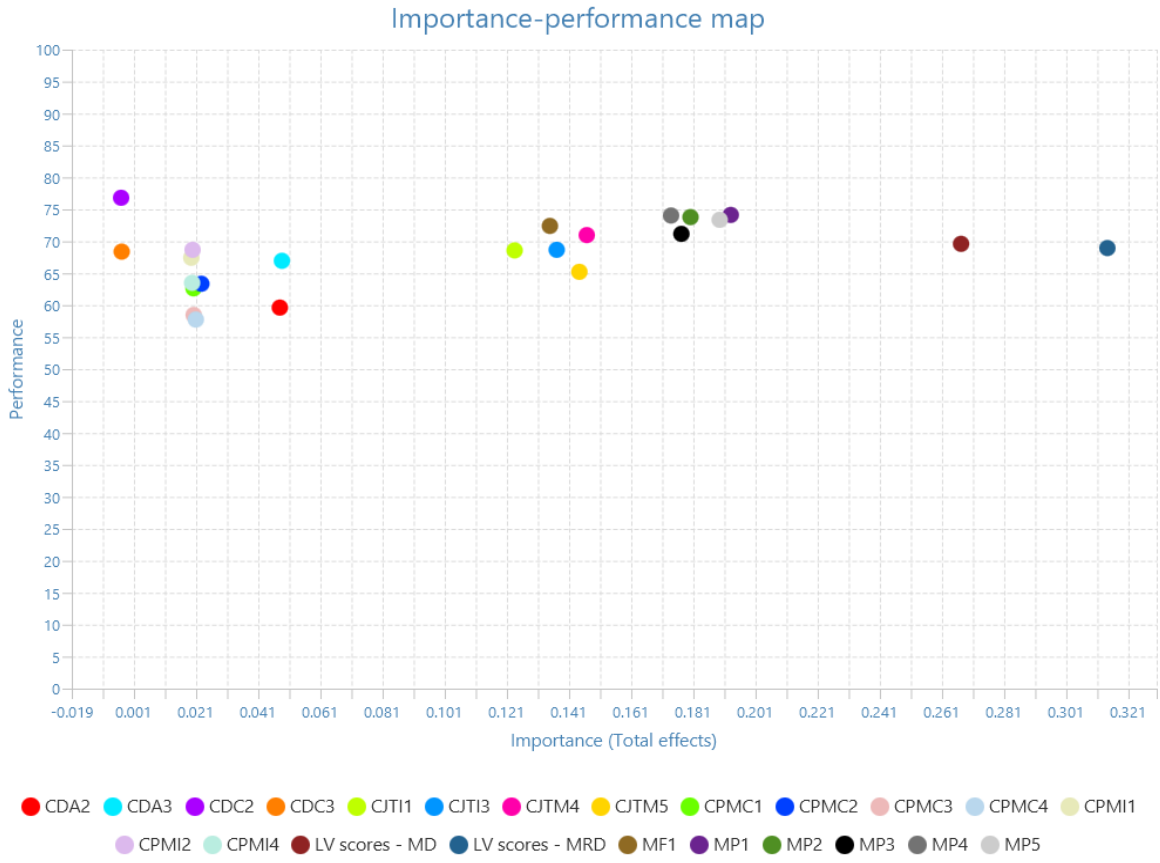
*IPMA of the Influence of all CXM Constructs on Financial Performance*




*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Market Differentiation (MD), Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF), Market Performance (MP)

**Figure 12**

*IPMA of the Influence of Specific CXM Measuring Items on Financial Performance*




*Note.* Refer to Table 12 for measurement item descriptions.

### *5.4.5 Discussion and Analysis*

In the context of this study, the analysis was directed towards addressing the research question: *How can existing CXM models be advanced and integrated into an enhanced framework that provides deeper insights into its essential dimensions (being Customer Understanding and Insight, Experience Design, and CX Performance Metrics & Measurement) grounded in theoretically driven measurable items?* The study examined the multidimensional and complex direct, mediating, and moderating relationships between essential CXM dimensions and related practices, differentiation as a competitive advantage, and overall business performance outcomes.

Hypotheses H1 and H2 centered around the potential of the customer data collection and analysis (CDC and CDA) and the mapping of customer journey touchpoints (CJTM) to foster business Differentiation (DIF). Notably, the direct influence of CDC and CDA on DIF was not supported (H1a and H1b), emphasising that mere data collection is not an automatic precursor to differentiation, based on the data of the study. Similarly, the direct

impact of CJTM on differentiation was not significant (H2a). However, H2b illustrated that the routine innovation of customer journeys touchpoints (CJTI) has a pronounced positive influence on differentiation, offering businesses a tangible path to enhancing their differentiation strategies.

In probing the relationship between Differentiation and business performance outcomes, the study underscored the significant positive influence of Differentiation (DIF) on Market Performance (MP) (H4) but no significance was found with Financial Performance (FP) (H5). Nevertheless, H6 solidly established a direct positive relationship between Market Performance and Financial Performance, positioning Market Performance as a precursor to financial business performance.

The mediation analyses provided further insight. In H2d, the innovation of customer journey touchpoints (CJTI) played a pivotal role in influencing the effect of customer journey touchpoint mapping (CJTM) on Differentiation (DIF), offering evidence for the key mediating function of CJTI. In stark contrast, in the analysis of H3d there was no evidence found of a significant mediating effect of CX performance metrics insight (CPMI) on the relationship between the collection of CX performance metrics (CPMC) and Differentiation (DIF). Based on the data of the study, this implies that gaining insights from mere performance metrics collection does not guarantee enhanced differentiation. Most notably, H7 demonstrated the critical mediating role of Market Performance (MP) between Differentiation (DIF) and Financial Performance (FP). This points towards a sequence where differentiation advances market performance which subsequently improves financial outcomes.

Regarding moderating effects, H1c concentrated on the synergy between customer data collection (CDC) and its analysis (CDA). Individually, CDC and CDA displayed minimal, nonsignificant direct effects on Differentiation (DIF). However, when interconnected, CDA emerged as a significant moderator, influencing the degree and direction of the relationship between CDC and DIF. It accentuates that while collecting customer data is crucial, its true potential is unlocked when it corresponds with robust data analysis capabilities.

H3e examined CX Performance Metrics further. The collection of CX Performance Metrics (CPMC) showed a direct positive effect (H3c) on generating Customer Performance Metrics Insight (CPMI), and the existence of a CX Performance Metrics Framework (CPMF) demonstrated a direct positive effect on CX Performance Metrics Collection (CPMC). However, the moderating role of the performance framework (CPMF) turned out to be complex (H3e). While initial data hinted at a potential diminishing effect of CPMF on converting CX performance data to insights, a deeper exploration via simple slopes analysis suggested its beneficial role, particularly when dynamically and aptly deployed. The key

insight here is that the inherent value of CPMF is not realised through mere adoption, but rather through its strategic implementation.

The analysis further explores the research questions: *Which CX dimensions and practices are most crucial in establishing a competitive advantage for businesses, and what role does CXM maturity play in enhancing these dimensions and practices?* alongside *How does CXM differentiation, achieved through strategic implementation and enhanced maturity, impact the market and financial performance of businesses?* These questions are paramount in advancing the field of Customer Experience Management (CXM) and guided the investigation on the specific practices within the essential CXM dimensions, and their subsequent influence on differentiation and business performance outcomes.

Specific practices are clearly important in the intricate landscape of CXM dimensions, their associated practices, and their subsequent influence on differentiation and business performance outcomes. Notably, the routine innovation of customer journey touchpoints (CJTI) significantly influences the effect of customer journey touchpoint mapping (CJTM) on Differentiation (DIF), providing tangible benefits. In contrast, the practices of Customer Data Collection (CDC) and its subsequent analysis (CDA) underscore the importance of a comprehensive and holistic approach. Here, mere implementation is not enough; rather, the precision and extent of its execution are paramount.

One of the key objectives of the research study, as indicated in Section 1.5.2, was twofold: first, to identify the essential CXM dimensions (or constructs) that markedly influence the competitive advantage of a business through differentiation, and second, to examine whether the progression in the maturity of these CXM dimensions correlates with key business performance outcomes. The results of the path coefficients analysis and the IPMA illuminated the distinct relationship between the maturity levels of specific CXM constructs and the subsequent financial outcomes, thus addressing the research questions posed.

Considering the second objective, the term *maturity* refers to the degree to which businesses perform specific practices within the CXM constructs, with higher scores on the measuring items indicating a more mature or advanced level of that practice. Heightened maturity levels tend to be positively linked with higher scores on Differentiation and Financial Performance. This association is particularly pronounced with the constructs CJTM and CJTI. The significant positive path coefficients between CJTM and DIF via CJTI, and between CJTI and DIF, imply that high maturity scores for these constructs tend to be associated with high Differentiation. Thus, the results suggest that comprehensive adoption and advanced implementation of the respective CXM practices correlate directly with

increased Differentiation and indirectly with Financial Performance via the performance of the business in the market (PM).

The research therefore underscores a key inference: businesses that attain high levels of maturity for certain CXM constructs — meaning they adopt and excel in the specific practices within those constructs — can expect an increased effect on their differentiation as competitive advantage, and consequently, an improved financial performance. In contrast, those organisations that only embrace practices at lower levels of maturity will likely observe a more muted impact on both differentiation and subsequent financial performance.

As businesses strive to leverage CXM for enhanced differentiation and improved performance outcomes, it is suggested that they prioritise strategically those CXM dimensions and practices that this study has empirically identified as impactful.

### *5.4.6 CXM Maturity Diagnostic Instruments*

In response to the research question, *How can an empirically validated CXM maturity diagnostic instrument be developed that enables businesses to assess their level of CXM maturity effectively?* this study embarked on the objective to provide businesses with an empirically validated CXM diagnostic instrument, translating abstract theoretical concepts into actionable practices. The insights gathered have underscored the differential impact of CXM constructs on business differentiation and financial performance, highlighting the critical importance of achieving maturity in these constructs as discussed in Section 5.4.5.

In direct response to this research question and the insights acquired, the research has formulated two distinct yet complementary CXM Maturity Diagnostic Instruments. These instruments not only fulfill the research objective but also accommodate the tangible need for businesses to assess and refine their CXM practices strategically. In doing so, the theoretical findings are bridged with actionable instruments, providing businesses with a roadmap to navigate the complexities of CXM.

#### 5.4.6.1 Comprehensive CXM Maturity Diagnostic Instrument.

The *Comprehensive CXM Maturity Diagnostic Instrument* stands as a testament to the complex composite of academic and practitioner insights. Developed through deductive theoretical analysis, its origins and comprehensive structure are detailed in Table 1, with further analysis provided in Section 3. From this process, 43 best practices – or measuring items - were determined, each reflecting the essential CXM dimensions and their corresponding sub-dimensions. Notably, each of these practices stand as global benchmarks, aligning specifically with stage 5 of the maturity journey, denoted as global sustainable performance excellence. These practices are further broken down to reveal sub-

practices or core components, underscoring the foundational actions that culminate in a holistic best practice.

The embodiment of these practices encapsulates the trajectory of a business's CXM maturity. Beginning with fragmented CX initiatives and culminating in an advanced, systematised approach, they traverse the spectrum from stages 1 through 5 of maturity.

For businesses endeavoring to assess their CXM maturity through this diagnostic instrument, the evaluation process is rooted in self-assessment. Organisations assess their competence or capability against each of the 43 measuring items. A score of 1 indicates that the business never engages in the associated best practice. Conversely, a score of 5 signifies consistent application of the best practice, representing an advanced state of maturity. This gradient, in essence, provides businesses with a tangible metric, mapping their CXM maturity progression from foundational efforts and stabilisation to eventual integration, optimisation, and excellence.

In optimising the utility of the CXM Maturity Diagnostic Instruments, organisations are advised to adopt a systematic methodology. Initiating with the establishment of a baseline, it is paramount to identify current practices and discern areas requiring improvement. Periodic reassessments, reinforced by aligning evaluations with prevailing industry benchmarks, ensure that CXM maturity evolution is both tracked and strategically directed. Refer to Table 25 for the Comprehensive CXM Maturity Diagnostic Instrument.

**Table 25**

*Comprehensive CXM Maturity Diagnostic Instrument*

| CXM Dimension and Sub-Dimension | CXM Best Practice |
|---|---|
| *All the statements pertain to the business being represented and the responses should reflect the business's experiences and perspectives.*<br>*1 = Strongly Disagree; 2 = Disagree; 3 = Somewhat Disagree; 4 = Neutral;*<br>*5 = Somewhat Agree; 6 = Agree; 7 = Strongly Agree* | |
| Customer Understanding and Insight<br>The following statements center around Customer Understanding and Insight - the process of establishing a cohesive and shared comprehension of a business's customers, including their needs, wants, perceptions, and preferences. This process involves collecting and analysing customer and employee feedback to generate actionable insights with tangible value. | |
| Customer Data Collection | We have an integrated Voice of the Customer (VoC) programme with multiple listening paths. |
| | We systematically collect data on the rational (the logical and tangible) aspects of customer experiences. |
| | We systematically collect data on the emotional (the feelings and perceptions) aspects of customer experiences. |

| CXM Dimension and Sub-Dimension | CXM Best Practice |
|---|---|
| | We follow a well-defined customer-segmented approach when gathering customer insights to guide our CX priorities. |
| Customer Data Analysis | We collect various types of data (such as solicited data, unsolicited data, structured data, unstructured data) for the comprehensive understanding of our customer segments. |
| | We analyse the data we collect to create empathy maps for each of our customer segments. |
| | We synthesise the data we collect to create personas for each of our customer segments. |
| | We monitor shifts in our customer segments to identify trends in customers' behaviour. |
| Customer Data Insight Distribution | We routinely assess if our brand promises resonate with our customer segments. |
| | We have a closed-loop feedback process for communicating regular customer insights with all employees (not only front office or customer-facing employees). |
| | Our employees have a comprehensive understanding of the experiences that our customers expect from us. |
| | We regularly update our customer segment personas from insights we get from our Voice of the Customer (VoC) programme's data. |
| | We use our customer persona insights to inform our customer experience decisions. |
| Customer Experience Design<br>The following statements center around Customer Experience Design - the careful crafting, optimisation and innovation of customer touchpoints and interactions along the customer journey to create seamless, engaging, and memorable experiences. | |
| Customer Journey Touchpoints Mapping | We have a defined process to design experiences for our customer segments. |
| | We consistently use a defined process to design experiences for our customer segments. |
| | We map the customer's intended rational responses to fulfil the customer's need (job-to-be-done). |
| | We map the customer's intended emotional responses to fulfil the customer's need (job-to-be-done). |
| | We map the interdependencies (i.e., people, process, channel, technology) that are controllable by our business (our business design and manage). |
| | We map the interdependencies (i.e., people, process, channel, technology) that are not controllable by our business (our business monitor and respond). |
| | We understand Moments-of-Truth (MoT) that can build or destroy trust along the entire customer journey. |

| CXM Dimension and Sub-Dimension | CXM Best Practice |
|---|---|
| | We use a variety of methodologies (such as Design Thinking, Co-creation, Human-Centered Design) as part of our experience design process. |
| Customer Journey Touchpoints Delivery | We consistently deliver reliable experiences regardless of the channel. |
| | We have a defined recovery-loop process in place for failed experiences at each touchpoint. |
| | We ensure customer peace-of-mind by delivering the intended rational experience to our customers. |
| | We ensure customer peace-of-mind by delivering the intended emotional experiences to our customers. |
| Customer Journey Touchpoints Innovation | We routinely apply gap analysis to identify our required capabilities (people, process and technology) for delivering our intended rational experiences to our customers. |
| | We routinely apply gap analysis to identify our required capabilities (people, process and technology) for delivering our intended emotional experiences to our customers. |
| | We regularly innovate our touchpoints along the entire customer journey. |
| | We regularly design new customer experiences from insights gained. |
| <u>CX Performance Metrics and Measurement</u><br>The following questions center around CX Performance Metrics and Measurement, establishing a framework for consistent data gathering related to various CX measures across a business. This framework enables analysis and utilises information for creating and reporting metrics to assess CX success, driving impactful results. Measurement serves to achieve specific goals, not an end goal itself. | |
| CX Performance Metrics Framework | We have an integrated CX measurement framework that collects data across each customer segment's experience. |
| | Our CX measurement framework defines subsets of CX metrics to demonstrate how each business unit contributes to the customer experience. |
| | Our CX measurement framework consists of descriptive metrics for each customer segment's experience. |
| | Our CX measurement framework consists of perception metrics for each customer segment's experience. |
| | Our CX measurement framework consists of behavioural outcome metrics for each customer segment's experience. |
| | Our CX measurement framework consists of attitudinal outcome metrics for each customer segment's experience. |
| CX Performance Metrics Collection | We collect descriptive metrics data regularly for each customer segment's experience.<br>*Descriptive metrics provide operational data on customer interactions with a business (i.e. average call time, web analytics data, average transaction value, call and email volume, average holding time, etc.)* |

| CXM Dimension and Sub-Dimension | CXM Best Practice |
|---|---|
| | We collect perception metrics data regularly for each customer segment's experience.<br>*Perception metrics provide the measurement of the perceived experience by a customer, determining how a customer thinks and feels about aspects of a specific experience they had.* |
| | We collect behavioural outcome metrics data regularly for each customer segment's experience.<br>*Behavioural Outcome metrics provide the measurement of the intended behaviours of a customer after an experience or multiple experiences with a business (i.e. churn rates, renewal rates, Customer Lifetime Value, up-sell, cross-sell, cost to serve, actual recommendations made, actual purchases made, acquisition, retention, market share, wallet-allocation-rule, etc.).* |
| | We collect attitudinal outcome metrics data regularly for each customer segment's experience.<br>*Attitudinal Outcome metrics provide the measurement of the intended attitudes of a customer after an experience or multiple experiences with a business (i.e., NPS, CSat, ServQual, Likelihood to purchase, brand preference, word of mouth, etc.).* |
| CX Performance Metrics Insight | We model the relationship between CX metrics and related business performance metrics. |
| | We have business-unit specific dashboards that visually represent the actionable CX KPIs by linking CX metrics with business metrics. |
| | We view CX metrics as an important part of the business scorecard reporting to inform all CX decisions. |
| | We link CX metrics with budget allocation to achieve our CX business objectives. |

#### 5.4.6.2 Impact-Driven CXM Maturity Diagnostic Instrument.

The realm of CXM is both expansive and complex, necessitating diagnostic instruments that address specific levels of assessment. Whereas the Comprehensive CXM Maturity Diagnostic Instrument facilitates an exhaustive exploration with its 43 measuring items (business best practice), the *Impact-Driven CXM Maturity Diagnostic Instrument* concentrates on practices that have an evident influence on business differentiation and financial performance.

This focused instrument (see

Table *26*), featuring 16 empirically validated best practices, is derived from the foundational comprehensive maturity diagnostic instrument. While these practices are integrated within the comprehensive framework, their inclusion in the impact-driven instrument has been substantiated through empirical and statistical analysis. Their structured ranking reflects the intended emphasis based on each practice's empirical impact on business differentiation and financial performance.

Operating as a strategic directive, the Impact-Driven CXM Maturity Diagnostic Instrument offers businesses an invaluable perspective, steering them toward practices with the most substantial returns within the broader context of CXM, delineated by its comprehensive counterpart. Additionally, the consistency in the evaluative methodologies across both instruments ensures that businesses can transition and adapt with ease, enhancing the instruments' applicability and utility.

**Table 26**

*Impact-Driven CXM Maturity Diagnostic Instrument*

| | CXM Dimension | CXM Sub-Dimension | CXM Best Practice |
|---|---|---|---|
| | *All the statements pertain to the business being represented and the responses should reflect the business's experiences and perspectives.*<br>*1 = Strongly Disagree; 2 = Disagree; 3 = Somewhat Disagree; 4 = Neutral;*<br>*5 = Somewhat Agree; 6 = Agree; 7 = Strongly Agree* | | |
| 1 | Customer Experience Design | Customer Journey Touchpoints Mapping | We map the customer's intended rational responses to fulfil the customer's need (job-to-be-done). |
| 2 | Customer Experience Design | Customer Journey Touchpoints Mapping | We map the customer's intended emotional responses to fulfil the customer's need (job-to-be-done). |
| 3 | Customer Experience Design | Customer Journey Touchpoints Innovation | We regularly innovate our touchpoints along the entire customer journey. |
| 4 | CX Performance Metrics and Measurement | CX Performance Metrics Framework | We have an integrated CX measurement framework that collects data across each customer segment's experience. |
| 5 | Customer Experience Design | Customer Journey Touchpoints Innovation | We routinely apply gap analysis to identify our required capabilities (people, process and technology) for delivering our intended rational experiences to our customers. |
| | Customer Understanding and Insight | Customer Data Analysis | We synthesise the data we collect to create personas for each of our customer segments |
| 7 | Customer Understanding and Insight | Customer Data Analysis | We analyse the data we collect to create empathy maps for each of our customer segments. |
| 8 | CX Performance Metrics and Measurement | CX Performance Metrics Collection | We collect perception metrics data regularly for each customer segment's experience.<br>*Perception metrics provide the measurement of the perceived experience by a customer, determining how a customer thinks and feels about aspects of a specific experience they had.* |
| 9 | CX Performance Metrics and Measurement | CX Performance Metrics Collection | We collect descriptive metrics data regularly for each customer segment's experience.<br>*Descriptive metrics provide operational data on customer interactions with a business (i.e. average call time, web analytics data, average transaction value, call and email volume, average holding time, etc.)* |
| 10 | CX Performance Metrics and Measurement | CX Performance Metrics Collection | We collect behavioural outcome metrics data regularly for each customer segment's experience.<br>*Behavioural Outcome metrics provide the measurement of the intended behaviours of a customer after an experience or multiple experiences with a business (i.e., churn rates, renewal rates, Customer Lifetime* |

| | CXM Dimension | CXM Sub-Dimension | CXM Best Practice |
|---|---|---|---|
| | | | *Value, up-sell, cross-sell, cost to serve, actual recommendations made, actual purchases made, acquisition, retention, market share, wallet-allocation-rule, etc.)* |
| 11 | CX Performance Metrics and Measurement | CX Performance Metrics Collection | We collect attitudinal outcome metrics data regularly for each customer segment's experience.<br>*Attitudinal Outcome metrics provide the measurement of the intended attitudes of a customer after an experience or multiple experiences with a business (i.e. NPS, CSat, ServQual, Likelihood to purchase, brand preference, word of mouth, etc.)* |
| 12 | CX Performance Metrics and Measurement | CX Performance Metrics Insight | We model the relationship between CX metrics and related business performance metrics. |
| 13 | CX Performance Metrics and Measurement | CX Performance Metrics Insight | We have business-unit specific dashboards that visually represent the actionable CX KPIs by linking CX metrics with business metrics. |
| 14 | CX Performance Metrics and Measurement | CX Performance Metrics Insight | We link CX metrics with budget allocation to achieve our CX business objectives. |
| 15 | Customer Understanding and Insight | Customer Data Collection | We systematically collect data on the rational (the logical and tangible) aspects of customer experiences. |
| 16 | Customer Understanding and Insight | Customer Data Collection | We systematically collect data on the emotional (the feelings and perceptions) aspects of customer experiences. |

*Note.*

The statements center around Customer Understanding and Insight - the process of establishing a cohesive and shared comprehension of a business's customers, including their needs, wants, perceptions, and preferences. This process involves collecting and analysing customer and employee feedback to generate actionable insights with tangible value.

The statements center around Customer Experience Design - the careful crafting, optimisation and innovation of customer touchpoints and interactions along the customer journey to create seamless, engaging, and memorable experiences.

The questions center around CX Performance Metrics and Measurement, establishing a framework for consistent data gathering related to various CX measures across a business. This framework enables analysis and utilises information for creating and reporting metrics to assess CX success, driving impactful results. Measurement serves as a means to achieve specific goals, not an end goal itself.

### *5.4.7 Operationalisation of CXM*

As businesses increasingly recognise the importance of CXM in achieving a competitive advantage, the research question arised: *What strategies can businesses adopt to effectively integrate and operationalise CXM dimensions and related practices into their daily management frameworks and practices?* This question supports the exploration of integrating CXM into a business's daily management and measurement framework and practices as a priority. Renowned researchers like Holmlund et al. (2020) and Palmer (2010), along with findings from this research study, validate the significant role of CXM in competitive differentiation and financial outcomes.

While Section 2.1.6 analysed various management and measurement systems, the Balanced Scorecard (BSC) emerged as a compelling solution for proposing the effective integration and operationalisation of CXM in a business's system.

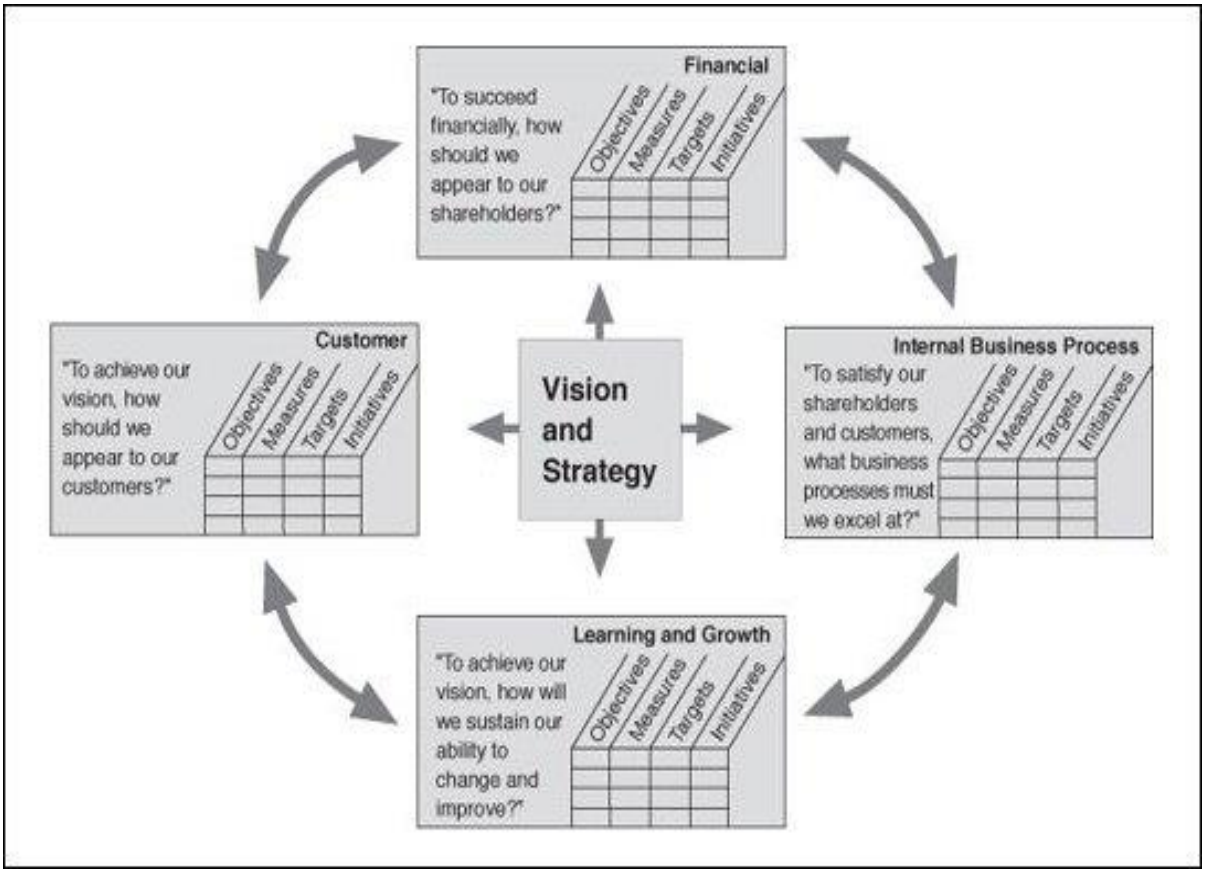
Developed by Robert Kaplan and David Norton (1996), the BSC provides a multidimensional view, encompassing not only a Financial perspective with financial metrics but also Customer, Internal Business Processes, and Learning and Growth perspectives. This comprehensive approach underscores the importance of businesses realising and effectively utilising all their assets, both tangible and intangible. BSC's dynamic nature is particularly advantageous in adapting to unpredictable market conditions.

A key feature of the BSC is its ability to translate strategy into actionable insights, coordinating stakeholders towards a collective vision (Kaplan & Norton, 1996). The accompanied Strategy Map enhances this capability by visually representing value creation across the BSC's four perspectives. Furthermore, the BSC's incorporation of double-loop learning signifies its proactive essence. This process enables managers not just to refine existing strategies but also to question and modify the assumptions underlying them, fostering a more adaptive and responsive strategic approach.

In the traditional Balanced Scorecard (BSC) framework, the four perspectives are depicted equitably, symbolising the balanced alignment of both financial and non-financial drivers towards the realisation of a business's overarching vision and goals as depicted in Figure 13. However, with the increasing emphasis of CXM as a strategic differentiator for competitive advantage and financial performance, there arises a need for reconfiguration. In this context, the Customer perspective — informed by the overall business vision — becomes the pivotal driver steering the BSC.

**Figure 13**

*Balanced Scorecard Framework*




*Note.* The Balanced Scorecard (BSC) framework with the four perspectives depicted equitably, symbolising the balanced alignment of both financial and non-financial drivers towards the realisation of a business's overarching vision and goals. From *Using the Balanced Scorecard as a Strategic Management System,* by R.S. Kaplan and D.P. Norton, 1996, p.76. Copyright 1996 by Harvard Business Review.

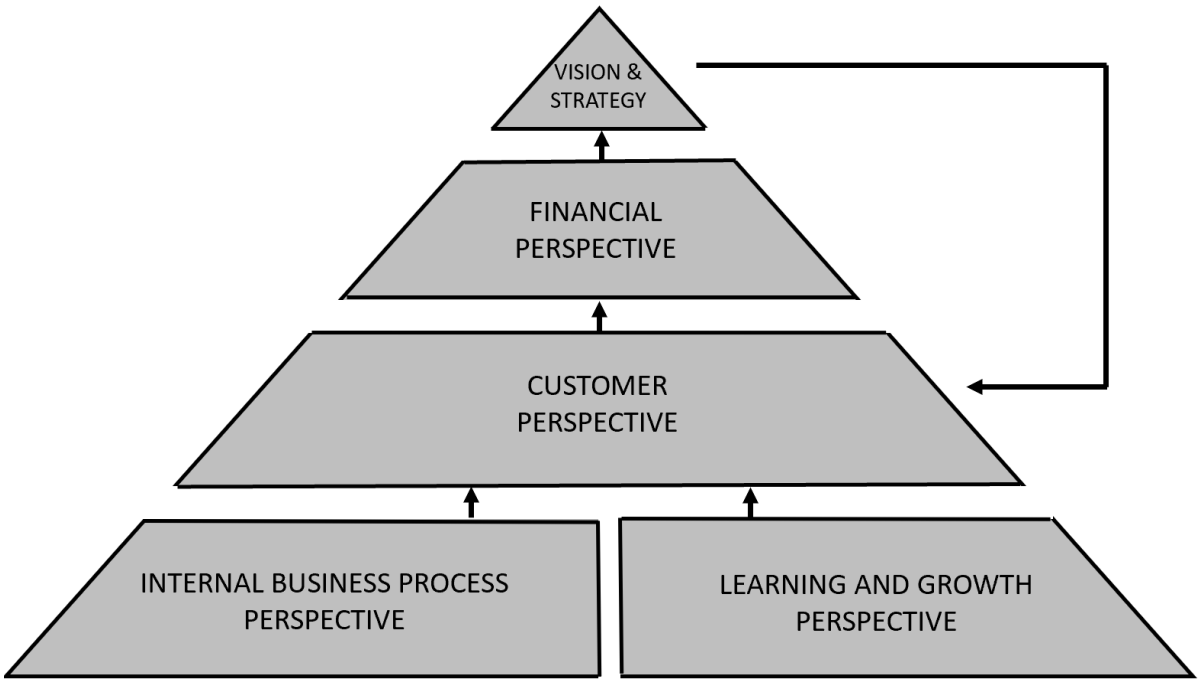
The efficiency of internal business operations, characterised by the Internal Business Process perspective, plays a foundational role. It is equally imperative to prioritise elements encapsulated within the Learning and Growth perspective, such as skilled leadership, competent and empowered employees, and a robust technological infrastructure.

Given these nuanced shifts in priority, an adaptation of the conventional BSC framework is proposed. Instead of a circular layout, a hierarchical triangular structure is recommended (Figure 14). At the foundational level, the Internal Business Process and Learning and Growth perspectives intersect and mutually influence each other. Built upon this foundation is the Customer perspective, which, in turn, influences and feeds into the Financial perspective. At the top of this hierarchy is the overarching vision and strategy. Notably, this pinnacle vision and strategy loop back to the pivotal Customer perspective

driver, ensuring a continuous cyclical effect. For a business to realise its potential and thrive, all these aspects should invariably correlate positively with the financial outcomes, articulated from the Financial perspective.

**Figure 14**

*Adapted Hierarchical BSC for CXM*




*Note.* With the increasing emphasis of CXM as a strategic differentiator for competitive advantage and financial performance, an adaptation of the conventional BSC framework is proposed. Instead of a circular layout, a hierarchical triangular structure is proposed with the Customer Perspective as the central driver towards the realization of a business's overarching vision and goals. Adapted from *Using the Balanced Scorecard as a Strategic Management System,* by R.S. Kaplan and D.P. Norton, 1996, p.76. Copyright 1996 by Harvard Business Review.

Following the introduction of this proposed BSC structure, it becomes pertinent to emphasise that the specific CXM dimensions and practices, derived from our study and summarised in Table 8, can seamlessly integrate into the BSC framework.

With this restructuring the CX-focused Strategy Map (Figure *15*) emerges to supplement the hierarchical BSC. This map visually articulates and communicates the relationship between the stratified BSC perspectives and the seamless integration of the specific CXM dimensions and practices derived from the study and summarised in Table 8. The strategic goals outlined in the BSC find their manifestation here.

Figure 16 presents the essential business operational metrics and CX metrics corresponding to each BSC perspective.

Figure 15

*Figure 16* presents the essential business operational metrics and CX metrics corresponding to each BSC perspective.

**Figure 15**

*CXM dimensions integrated BSC Strategy Map*

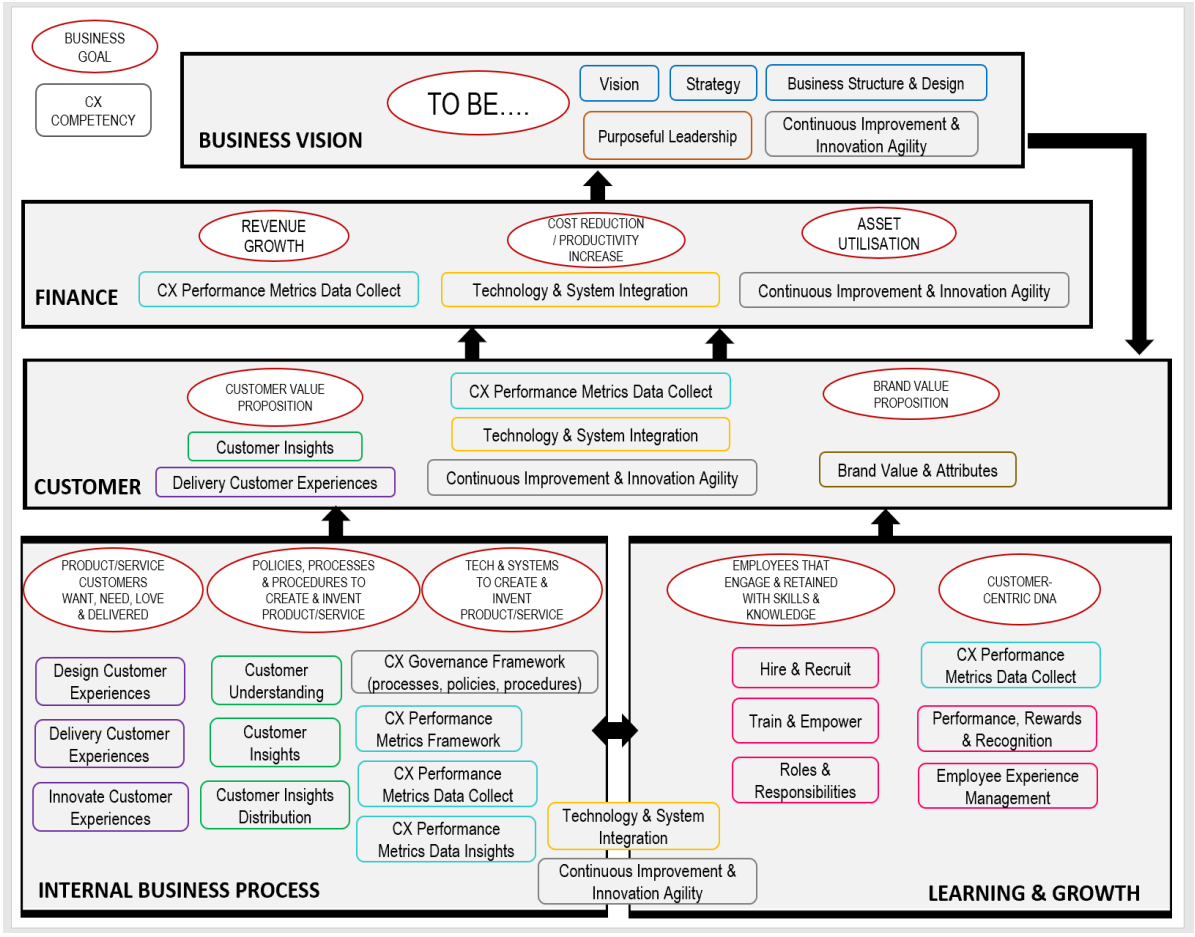
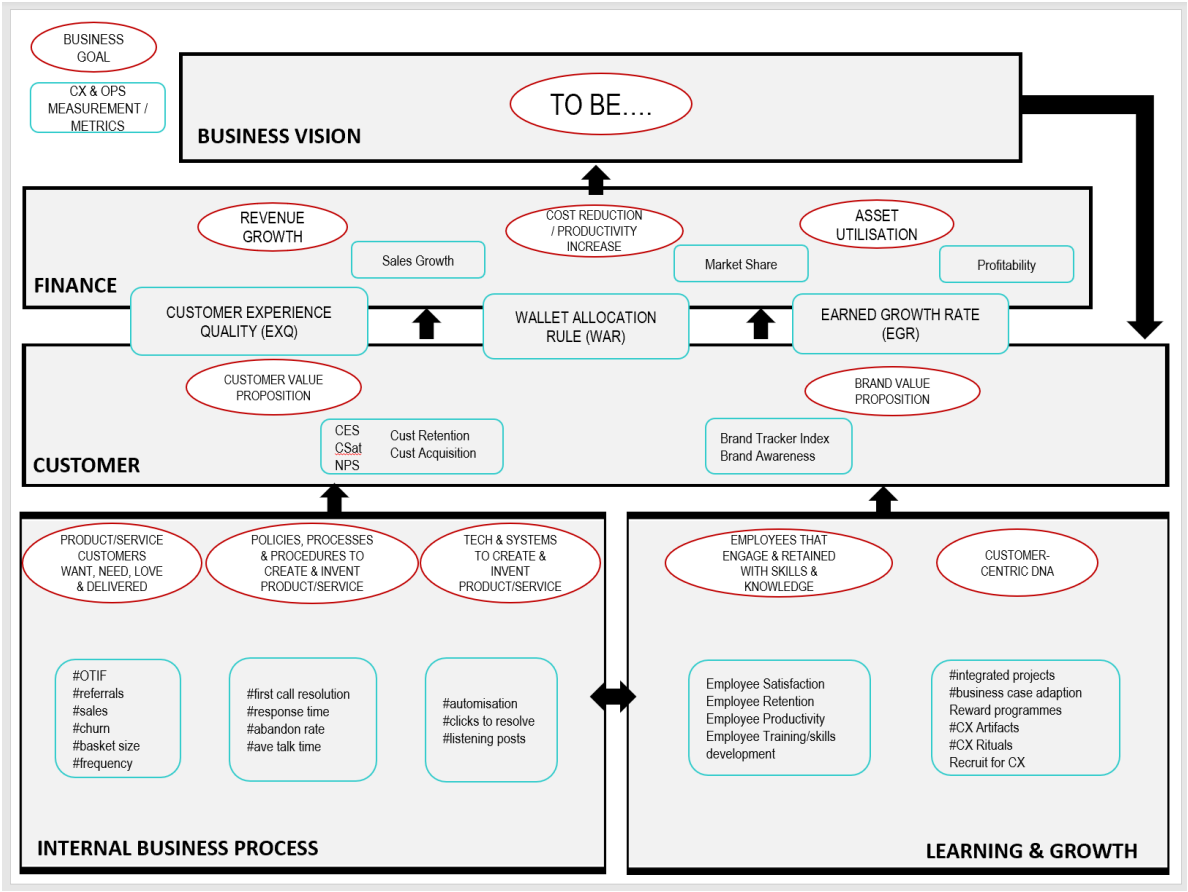


**Figure 16**

*BSC Strategy Map: Business Operations and CX Metrics*




## 5.5 Summary

This chapter used SmartPLS4 to reveal the potential of the CXM construct as an instrument for business differentiation and its consequential relationships with market and financial outcomes. The comprehensive analysis of the conceptual model revealed a reflective-reflective hierarchical configuration featuring exogenous constructs such as Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), and CX Performance Metrics Insight (CPMI). Differentiation (DIF), Market Performance (MP), and Financial Performance (FP) served as endogenous constructs, with Differentiation (DIF) standing distinctively as the higher-order construct.

A number of observations can be made from the analysis conducted on both the measurement and structural models.

The measurement model demonstrated credible reliability and validity across various criteria. Indicator reliability was affirmed as all item loadings adhered to the recommended

threshold of 0.708, with a marked absence of multicollinearity based on VIF values below 5 for all items. The internal consistency of the model was established, with the composite reliability values of all constructs exceeding the benchmark of .7. The model further exhibited robustness with the AVE values of convergent validity consistently surpassing .5. Discriminant validity was confirmed threefold: by the Fornell and Larcker criterion whereby the square roots of AVE for each construct were greater than their respective intercorrelations; by cross-loadings where each item loaded higher on its latent variable than on others; and by the Heterotrait-Monotrait Ratio (HTMT) which maintained values below the prescribed .9 threshold.

The validation of the structural model yielded satisfactory outcomes. The coefficient of determination, $R^2$, demonstrated satisfactory values. Moreover, half of the hypothesised paths in the structural model garnered empirical support, particularly for paths embodying mediating and moderating relationships that accentuate the integrated, multidimensional nature of CXM. Those relationships with β values exceeding 0.1 were statistically significant at the .001 level, further validating the model.

Two mediating relationships were especially prominent in their significance. The routine Innovation of Customer Journey Touchpoints (CJTI) played a pivotal role, serving as a full mediator between the Mapping of Customer Journey Touchpoints (CJTM) and Differentiation (DIF). Similarly, Market Performance (MP) fully mediated the relationship between Differentiation (DIF) as a competitive advantage and Financial Performance (FP).

Moderating effects revealed insightful distinctions, accentuating that while collecting customer data (CDC) is crucial, its true potential is unlocked when it corresponds with robust data analysis capabilities (CDA). Additionally, the value of a customer performance metrics framework (CPMF) lies not merely in its existence, but in its strategic application to convert collected CX performance metrics into actionable insights.

While the model possesses strong explanatory power in describing various relationships, its predictive relevance is not uniform across all paths. This disparity in predictive capability underscores areas that may benefit from deeper exploration in future studies.

The chapter also highlights the direct correlation between the maturity levels of specific CXM constructs and subsequent financial outcomes. The term 'maturity' signifies the degree to which businesses have incorporated and advanced within specific CXM constructs. Higher maturity in key constructs, notably CJTM and CJTI, aligns with enhanced differentiation and improved financial results.

The research introduces two distinct diagnostic CXM maturity instruments: the Comprehensive CXM Diagnostic Maturity Instrument and the Impact-Driven CXM Diagnostic

Maturity Instrument. These instruments enable businesses to assess their CXM maturity and identify pivotal practices driving competitive differentiation and financial success.

Furthermore, the importance of integrating CXM into daily business operations is emphasised. While various management and measurement systems were assessed, the Balanced Scorecard (BSC) was identified as the most suitable for embedding CXM in daily business undertakings. The BSC offers a multidimensional view, encompassing Financial, Customer, Internal Business Processes, and Learning and Growth perspectives. With CXM's rising prominence, a shift in the BSC framework is proposed: transitioning from its traditional circular form to a hierarchical triangular structure. In this evolved framework, the Customer perspective assumes a central driving role. The chapter introduces the CX-focused Strategy Map, elucidating the relationship between the modified BSC perspectives and the specific CXM dimensions and practices identified in this study. Emphasising the importance of aligning both operational and CX metrics with outcomes underscores CXM's indispensable role in the current business environment.

# Chapter 6
# Conclusion and Recommendations

This study explored the multidimensional facets of CX and the strategic implications of CXM within the contemporary market environment. In an era where consumers wield increasing power and where their expectations are constantly evolving (Homburg et al., 2017), the imperative for businesses to prioritise CXM has become evident. Traditional differentiation methods based on product or service features are losing ground, making way for CX to emerge as a pivotal strategy for obtaining a differentiating competitive advantage (Bagdare & Jain, 2013; Schmitt, 1999).

However, despite CX's pronounced significance, the prevailing literature on CXM is marked by fragmentation and is predominantly anecdotal in nature (Homburg et al., 2017; Lemon & Verhoef, 2016). The differing interpretations and terminologies posited by researchers (De Keyser et al., 2015; Prahalad & Hamel, 2009), and practitioners (Bliss, 2015; CX Core Competencies – CXPA (n.d.); Forrester Research, 2022a; Manning & Bodine, 2012) further underscore the diversity and complexities in the realm of CX. Drawing upon the seminal works of respected scholars (Grønholdt et al., 2015; Homburg et al., 2017; Klink et al., 2021; Lemon & Verhoef, 2016; Moorman & Rust, 1999), this research contributes to the academic dialogue by providing a deeper insight into the complexities and opportunities associated with CXM.

## 6.1 Research Findings

The research findings reveal the multifaceted nature of CXM and its impact on business differentiation as a competitive advantage and business performance. The insights not only validate certain CXM dimensions and practices within the CXM construct but also challenge pre-existing notions, facilitating a more informed application of CXM in contemporary business environments. These insights directly contribute to the understanding of how businesses can measure, integrate, and operationalise CXM's essential dimensions to enhance competitive advantage and financial performance.

The study ventured into the essential dimensions of CXM. The three dimensions were Customer Understanding and Insight comprising Customer Data Collection (CDC) and Customer Data Analysis (CDA); Customer Experience Design comprising Customer Journey Touchpoints Mapping (CJTM) and Customer Journey Touchpoints Innovation (CJTI); and CX Performance Metrics and Measurements comprising CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), and CX Performance Metrics Insight (CPMI). Exploring these dimensions enhanced the CXM framework,

deepening insights into its essential dimensions and practices for establishing a competitive differentiated advantage through CXM.

The findings revealed while the practices of Customer Data Collection (CDC) and Customer Data Analysis (CDA) are integral components of CXM, they do not inherently foster Differentiation (DIF), underscoring that mere data collection isn't a precursor for competitive advantage.

Contrarily, improvements within Customer Experience Design, particularly the routine Innovation of Customer Journey Touchpoints (CJTI), emerged as pivotal avenues for businesses seeking to amplify their CXM differentiation as competitive advantage and increase financial performance. Such improvements underscore the significance of experience design in enhancing CXM maturity and its impact on competitive advantage and financial performance.

These findings highlight which essential dimensions and practices establish a differentiated CXM competitive advantage through the development of the empirically validated CXM maturity diagnostic instrument.

The expected mediation by CX Performance Metrics Insight (CPMI) in the relationship between CX Performance Metrics Collection (CPMC) and Differentiation (DIF) was not evident, suggesting that gaining insights from mere performance metrics collection doesn’t guarantee enhanced Differentiation (DIF). Enhancing this narrative was the discovery surrounding the CX Performance Metrics Framework (CPMF). The research accentuates that for businesses to have an overly rigid or incompatible CX Performance Metric Framework (CPMF) might hinder rather than aid the conversion of collected CX performance metrics into meaningful insights. To truly harness the potential of such frameworks, strategic and deliberate implementation is what determines its efficacy in optimising CX performance metric collection endeavours.

These findings demonstrate the impact of CXM differentiation on market and financial performance, illustrating the complex dynamics between CXM practices and business performance.

Moreover, the dynamic between Differentiation (DIF) and Market Performance (MP) accentuates the necessity of intertwining CXM strategies with overarching business objectives. Notably, the non-linear relationship between Differentiation (DIF) and Financial Performance (FP) suggests a layered approach: differentiation advances Market Performance (MP), which in turn influences financial outcomes, demonstrating the strategic operationalisation of CXM for enhancing both competitive advantage and financial outcomes.

In addition to its theoretical exploration, this research introduced a pragmatic dimension with the development of a CXM Maturity Diagnostic Instrument, providing businesses an empirically validated tool that enables businesses to effectively assess their CXM maturity.

This instrument was informed by the identification of essential CXM dimensions and practices. As part of this exploration, a distinct pattern regarding maturity levels emerged. Businesses that displayed a higher level of maturity, especially in areas like the Mapping of Customer Journey Touchpoints (CJTM) and their routine innovation (CJTI), were better positioned for Differentiation (DIF). This Differentiation (DIF) subsequently translated into improved Financial Performance (FP).

The research further emphasised the need to transition CXM from an isolated initiative to a foundational component of a company's overarching business strategy. As part of this exploration, the Balanced Scorecard (BSC) was identified as the most appropriate framework for integrating CXM into daily business operations. Based on this understanding, the research introduced a distinct CX-focused Strategy Map, proposing a change in the conventional approach of the BSC. By situating the Customer perspective as the primary driver, it illuminates the synergy between the redefined BSC perspectives and the essential CXM dimensions and practices identified. This provided a strategy for businesses to effectively integrate and operationalise CXM dimensions and related practices into their daily management frameworks.

In conclusion, the research has provided a comprehensive understanding of the interrelations within CXM, offering businesses valuable insights into the significance of CXM in achieving competitive differentiation and improved business performance.

## 6.2 Theoretical Implications

In the evolving landscape of CXM, the research study establishes a distinct position by integrating global perspectives, analytical methodologies, and detailed insights. The foundational research of Grønholdt et al. (2015), constrained primarily to Danish firms, provided a specific perspective on CXM. By extending the research scope to include global organisations across varied industries and sizes, this investigation broadens the applicability and generalisability of CXM models, enabling a more comprehensive understanding suitable for diverse business contexts.

This study's employment of the second-generation statistical analysis, PLS-SEM, not only allows for a deeper exploration of the multifaceted relationships within CXM but also accentuates its quantitative nature. This quantitative design provided a platform for statistical

explanatory analysis, thus enabling a level of analytical depth advanced to the first-generation methods employed in previous studies (Klink et al., 2021).

Resulting from the in-depth deductive theoretical analysis of established CX practitioners and academics (refer to Table 1), the comprehensive CXM framework serves as a holistic view of the CXM domain. Although the research centred on three essential CXM dimensions (Customer Understanding and Insight, Customer Experience Design, and CX Performance Metrics and Measurement), its foundations are deeply rooted in this extensive theoretical analysis, offering an enhanced insight into the CXM realm.

This study further presents a significant theoretical advancement concerning the relationship between a business's Differentiation (DIF) through CXM as a competitive advantage and its ensuing Financial Performance (FP). While CX practitioners infer such a connection, academic research (Grønholdt et al., 2015; Klink et al., 2021) offers empirical substantiation. The research augments this understanding by analysing specific essential CXM dimensions and their related practices. It affirms that Differentiation (DIF) improves Market Performance (MP), subsequently impacting financial outcomes. By examining the moderating and mediating effects within CXM constructs and their relations to Differentiation (DIF), the study amplifies insights into the cohesive and integrated dynamics of CXM.

Another significant theoretical contribution is evident in the domain of Customer Understanding and Insight. While prior research underscored the importance of customer-centric insights, the research study provides a more detailed delineation. It suggests that practices like Customer Data Collection (CDC) and Analysis (CDA), though essential to CXM, do not directly lead to a business’s differentiation as competitive advantage. This insight underscores the need for businesses to move beyond mere data aggregation, steering them towards a deeper, strategic comprehension of customer insights to secure competitive advantages.

Moreover, the emphasis of this study on the strategic significance of Customer Experience Design and CX Performance Metrics yields informative findings. Where Klink et al. (2021) and Homburg et al. (2017) addressed aspects of experience design, this research emphasises its critical role by highlighting the innovation of Customer Journey Touchpoints (CJTI). Such continual and routine innovation emerges as a critical mechanism for businesses aiming for Differentiation (DIF) as competitive advantage and Financial Performance (FP). Additionally, contrary to traditional perspectives, the study contends that deriving insights from the simple collection of CX performance metrics (CPMC), lacks the efficacy to support Differentiation (DIF). Further reinforcing this perspective, the research suggests that merely possessing a CX Performance Metrics Framework (CPMF) is

insufficient. To truly harness its potential, businesses need to shift from passive adoption towards a strategic and deliberate implementation of such a framework.

Considering the presented findings and discussions, this research contributes to the theoretical understanding of CXM. By critically assessing existing models, building upon foundational literature, and presenting in-depth insights grounded in empirical evidence, this study enhances the understanding of CXM.

## 6.3 Managerial Implications

The managerial implications derived from this research offer fundamental insights for businesses aiming to leverage CXM as a competitive differentiator. As businesses embark on their CXM journey, they often face a multifaceted and complex landscape, making it challenging to discern an optimal starting point or to prioritise focal areas.

To address this, the research study presents two distinct CXM Maturity Diagnostic Instruments. The Comprehensive CXM Maturity Diagnostic Instrument (see Table 25) is rooted in robust theoretical foundations (see Table 1). This instrument not only assists businesses to ascertain their current CXM maturity but also highlights potential strategic gaps. In addition, the Impact-Driven CXM Maturity Diagnostic Instrument (see

Table *26*) offers empirical guidance on the essential CXM dimensions and practices that steer market differentiation, enabling businesses to channel their resources and efforts toward maturing in practices and CXM areas that significantly influence financial performance.

Emphasising maturity underscores the need for continuously improving CXM practices. With the ever-evolving nature of customer preferences and market dynamics, businesses must adopt a proactive stance, continually adapting to maintain a competitive advantage.

Furthermore, this research advocates for the comprehensive integration of CXM into the broader strategic framework of an organisation. CXM is not a standalone project or entity, but a holistic approach that needs to permeate all operational facets of a business. Embracing a systems-thinking methodology ensures that various organisational components work in union, often resulting in outcomes that transcend the capabilities of individual elements.

Incorporating CXM within strategic management and measurement frameworks like the Balanced Scorecard (BSC) can be pivotal. Businesses that currently deploy the BSC or equivalent frameworks should consider restructuring them, as outlined in this study. By placing the 'customer perspective' at the forefront and aligning it with the overarching goals and objectives, businesses can ensure a more evident focus on customer-centric outcomes.

A paramount insight from the research revolves around the importance of the effective Mapping of Customer Journey Touchpoints (CJTM), and especially their routine innovation (CJTI). It highlights the need for businesses to consider the myriad interdependencies — people, processes, channels, and technology — when innovating customer journey touchpoints. Notably, while some touchpoints fall under the direct purview of businesses, others influenced by external stakeholders also demand attention, as they too form integral parts of the broader CX ecosystem.

Finally, to actualise effective change, businesses must focus on the core trifecta of organisational competencies: People, Processes, and Technology Systems. An uncompromising commitment to these pillars — continuous employee development (emotional, cognitive, and technical upskilling), digital transformation strategies that resonate and align with CXM principles, and integration of emerging technologies like AI, big data and analytics — is indispensable.

## 6.4 Future Research Recommendations

In the context of modern business dynamics, CXM has become increasingly significant. This research has focused on the essential CXM dimensions, namely Customer Understanding and Insight, Customer Experience Design, and CX Performance Metrics and Measurement — providing a concentrated exploration of their role in competitive market differentiation and financial performance. While this focused approach offers valuable insights, the other dimensions within the CXM framework warrants investigation. Future research could explore the remaining dimensions of the enhanced CXM framework, such as CX Vision, Strategy, Leadership, Brand Alignment, People Development, and CX Governance. Investigating these additional dimensions would offer a broader understanding of the CXM construct and its impact on business outcomes.

The current model, despite its substantial explanatory power, exhibits variations in its predictive relevance across different paths. This disparity underscores the need for further research, potentially involving different samples, sizes, or characteristics.

The present understanding of CXM, primarily based on reflective insights on the CXM construct provides a starting point, however, a deeper exploration into a formative construction of the scale can be investigated. This formative approach might capture more nuanced aspects of the management of customer experiences, providing an extended understanding of its dimensions.

Further refinement of the existing CXM model is recommended. Future studies might examine additional hypotheses, moderators, and outcome variables that would expand the CXM theory. Of particular interest is the domain of mapping and innovating customer journey touchpoints — a critical driver identified in this study. Incorporating the multidimensional constructs of CX, as outlined by Schmitt (1999), and insights from the Customer Experience Touchpoints, Context, Qualities (TCQ) Nomenclature (De Keyser et al., 2020), could provide more detailed insights into this dimension.

Given the specific timeframe of this research, it is crucial to periodically review all CXM dimensions and practices, especially as they evolve in response to technological advancements, market changes, and shifts in customer preferences. Moreover, diversifying methodological approaches can yield a broader spectrum of insights into CXM. This includes considering alternative research methodologies such as longitudinal studies, exploratory and mixed-method designs.

Resource limitations undoubtedly influenced the scope of this research. Thus, future investigations, equipped with more extensive resources — whether of time, budget, or participant access — may provide more exhaustive explorations of the varied facets of CXM.

Such studies could involve multi-country comparisons or more specific examinations of distinct industries.

The reliance on self-reported financial measures in this study highlights the importance of incorporating objective financial performance metrics in subsequent research. Objective metrics, such as ROA or stock market prices, integrated with new CX measurements such as the Customer Experience Quality (EXQ) scale (Klaus & Maklan, 2012), the Wallet Allocation Rule (WAR) (Keiningham et al., 2011) and Earned Growth Rate (EGR) (Reichheld et al., 2021) would provide a more tangible and unbiased lens through which the impact of CXM on business outcomes can be gauged.

While this research captured perceptions predominantly from the CX and Marketing sectors, the role of other departments like IT and Operations in shaping CXM cannot be underestimated. As CX capabilities span all areas, incorporating these diverse perspectives would provide a comprehensive view of CXM's organisational role.

Future research is encouraged to examine the proposed adaptation of the Balanced Scorecard (BSC) in conjunction with a CXM-focused strategy map. Such studies should detail the specific CXM enhancements within the adapted BSC and conduct pilot tests across various business contexts to address potential challenges and understand its applicability across sectors and scales. The potential integration of modern technologies, such as AI and data analytics, within this BSC framework, is another area warranting exploration. Additionally, longitudinal evaluations and interdisciplinary collaborations could contribute to a more refined understanding of both strategic and practical implications.

Given the limited empirical research shared from CX practitioners' frameworks that informed the study, there is a clear opportunity to refine the CXM maturity diagnostic instrument. Future research can engage more closely with industry stakeholders and practitioners to further align the instrument with real-world implementation distinctions, validating and refining the identified practices and ensuring their relevance and applicability.

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Zhou, K. Z., Yim, C. K., & Tse, D. K. (2005). The effects of strategic orientations on technology- and market-based breakthrough innovations. *Journal of Marketing, 69*(2), 42-60. https://doi.org/10.1509/jmkg.69.2.42.60756

Zikmund, W. G., & Babin, B. J. (2007). *Essentials of marketing research* (3rd ed.). Thomson South Western.

Zolkiewski, J., Story, V., Burton, J., Chan, P., Gomes, A., Hunter-Jones, P., O'Malley, L., Peters, L. D., Raddats, C., & Robinson, W. (2017). Strategic B2B customer experience management: The importance of outcomes-based measures. *Journal of Services Marketing*. DOI: 10.1108/JSM-10-2016-0350

## Declaration of Authorship

I, Sumarie Schreiner, hereby declare that this dissertation/thesis entitled “Customer Experience Management (CXM): towards examining the linkages and impact on business performance” and the work presented in it are my own and has been generated by me as the result of my own original research. I declare that I have authored this thesis independently, that I have not used other than the declared sources/resources, and that I have explicitly marked all material which has been quoted either literally or by content from the used sources. According to my knowledge, the content or parts of this thesis have not been presented to any other examination authority and have not been published. Where any part of this dissertation has previously been submitted for a degree or any other qualification at this university or any other institution, this has been clearly stated. Where I have used or consulted the published work of others, this is always clearly attributed. Where I have quoted from the works of others, the source is always given. With the exception of such quotations, this dissertation is entirely my own work.

Cape Town, 30 October 2023:

Signature: _____

# Appendix A

## Table A 1

*A Review of CX literature*

| Key Words | Author | Name of article/book | Sources |
|---|---|---|---|
| Co-creation; Authenticity; Experiential marketing; Customer experience management; Transcendent experience; Transformational experience | Holbrook, M. B., & Hirschman, E. C. (1982) | The experiential aspects of consumption and consumer behaviour | Journal of Consumer Research |
| | Patrício, L., Fisk, R. P. & Constantine, L. (2011) | Multi-level service experience design | Journal of Service Research |
| | Hwang, J. & Seo, S. (2016) | A critical review of research on customer experience management | International Journal of Contemporary Hospitality Management |
| Customer experience (CX); Dimensions; Research methods; Scale development | Havíř, D. (2017) | A comparison of the approaches to customer experience analysis | Economics and Business |
| Customer experience concept; Customer experience context; Customer experience tools; Measurement; Understanding of Customer Experience; Customer experience management; Customer experience strategy | De Keyser, A., Lemon, K., Klaus, P. & Keiningham, T. (2015) | Interdisciplinary discussion on customer experience management and development of foundational premises underlying CX | Marketing Science Institute Working Paper Series 2015 |
| Customer experience; Customer experience management; Customer experience insight; Big data analytics | Holmlund, M., Van Vaerenbergh, Y., Ciuchita, R., Ravald, A., Sarantopoulos, P., Ordenes, FV. & Zaki, M. (2020) | Customer experience management in the age of big data analytics: A strategic framework | Journal of Business Research |
| Customer experience management; Long-term customer loyalty; Higher-order resource; Marketing concept | Homburg, C., Jozić, D. & Kuehnl, C. (2017) | Customer experience management: toward implementing an evolving marketing concept | Journal of the Academy of Marketing Science |
| Customer experience management; Competitive advantage; Customer experience; Emotional and rational behaviour | Shaw, C. (2007) | The DNA of customer experience: How emotions drive value | Palgrave Macmillan Publishers |
| | Shaw, C. & Ivens, J. (2002) | The future of customer experience: Building great customer experiences | PwC |
| | Gentile, C., Spiller, N. & Noci, G. (2007) | Develop and extend the framework of customer experience | European Management Journal |
| Customer experience; Customer experience management | Andajani, E. (2015) | Understanding customer experience management in retailing | Procedia - Social and Behavioural Sciences |

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|---|---|---|---|
| | Kranzbühler, A. M., Kleijnen, M. H. P., Morgan, R. E. & Teerling, M. (2018) | Classification and examination of CX research from a business and customer perspective | International Journal of Management Reviews |
| | Lemon, K.N. & Verhoef, P.C. (2016) | Examining the roots and origins of CX research throughout the customer journey | Journal of Marketing |
| | Verhoef, P.C., Lemon, K.N., Parasuraman, A., Roggeveen, A., Tsiros, M. & Schlesinger, L.A. (2009) | Propose a conceptual model of customer experience | Journal of Retailing |
| | Schmitt, B.H. (2003) | Process for managing CX | Wiley and Sons Publishers |
| | Schmitt, B.H. (2003) | Customer experience management: A revolutionary approach to connecting with your customer | Wiley and Sons Publishers |
| | Schmitt, B.H. (1999) | Provide a framework for experiential marketing | Journal of Marketing management |
| | Palmer, A. (2010) | Customer experience management: A critical review of an emerging idea | Journal of Services Marketing |
| Customer experience; Customer experience management; Experience gap; Budgets; Business performance; Business outcomes | KPMG (2021) | Six CX pillars | KPMG |
| | Ray, A. & Mennella, J. (2019) | Marketers take more control as cx expectations and budgets rise | Gartner Inc |
| Customer experience; Customer experience nomenclature | De Keyser, A. (2021) | E3 - Touchpoints, qualities, and contexts | Spotify podcast |
| Customer experience; Customer journey; Customer-centricity; Consumer experience; Consumer journey; Goals and self-regulation model | Becker, L. (2020) | Development of foundational premises underlying CX from a customer-centric perspective | Doctoral dissertation, University of Turku |
| | Gilmore, J.H. (2003) | Frontiers of the Experience Economy | Batten Briefings, Darden Graduate School of Business Administration |
| | LaSalle, D. & Britton, T.A. (2003) | Priceless: Turning ordinary products into extraordinary experiences | Harvard Business School Press |
| Customer experience; Experience economy | Pine, B.J. & Gilmore, J.H. (1998) | Experience economy and different CX types | Harvard Business Review |
| Customer loyalty; Customer experience | Mascarenhas, O.A., Kesavan, R. & Bernacchi, M. (2006) | Explain the role of total customer experience in sustaining lasting customer loyalty | Journal of Consumer Marketing |

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|---|---|---|---|
| Customer service experience; Customers experience; Customer perceived value; Value in use | Helkkula, A. & Kelleher, C. (2010) | Review of the circularity of the concept of customer service experience and customer perceived value | Journal of Customer Behaviour |
| Customer-dominant logic; Value formation; Customer logic; Customer eco-system | Heinonen, K. & Strandvik, T. (2015) | Customer-dominant logic: foundations and implications | Journal of Services Marketing |
| Financial performance; Customer experience; Customer experience management; CEM; CXM | Klink, R. R., Zhang, J. Q. & Athaide, G. A. (2021) | Measuring customer experience management and its impact on financial performance | European Journal of Marketing |
| Value exchange; Economic value exchange | Banton, C. (2020) | Economic value | Investopedia Industry platform |
| Value exchange; Marketing management; Economic value exchange | Carù, A. & Cova, B. (2003) | Revisiting consumption experience marketing literature | Marketing Theory |
| | Hult, G. T. M., Ketchen, D. J. & Slater, S. F. (2005) | Market orientation and performance: An integration of disparate approaches | Strategic Management Journal |
| | Prahalad, C.K. & Ramaswamy, V. (2004) | Emphasize the value of co-creation experiences | Journal of Interactive Marketing |
| | Vargo, S. & Lusch, R.F. (2004) | Dominant logic of marketing | Journal of Marketing |
| Value exchange; Marketing management; Economic value exchange; Experience economy | Wallman, J. (2020a) | Progression of economic value | WXO |
| | Wallman, J. (2020b) | The two families of the experience economy | WXO |

**Table A 2**

*A Review of CXM literature*

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| Business management; Business improvement methodologies; Continuous improvement; Business philosophy; Competencies | Liker, J. K. & Morgan, J. M. (2006) | The Toyota way in services: The case of lean product development | Academy of Management Perspectives |
| Co-creation; Authenticity; Experiential marketing; Customer experience management; Transcendent experience; Transformational experience | Hwang, J. & Seo, S. (2016) | A critical review of research on customer experience management | International Journal of Contemporary Hospitality Management |
| Customer experience (CX); Dimensions; Research methods; Scale development | Havíř, D. (2017) | A comparison of the approaches to customer experience analysis | Economics and Business |
| Customer experience concept; Customer experience context; Customer experience tools; Measurement; Understanding of Customer Experience; Customer experience management; Customer experience strategy | De Keyser, A., Lemon, K., Klaus, P. & Keiningham, T. (2015) | Interdisciplinary discussion on customer experience management and development of foundational premises underlying CX | Marketing Science Institute Working Paper Series 2015 |
| Customer experience; Customer experience management; Customer experience insight; Big data analytics | Holmlund, M., Van Vaerenbergh, Y., Ciuchita, R., Ravald, A., Sarantopoulos, P., Ordenes, FV. & Zaki, M. (2020) | Customer experience management in the age of big data analytics: A strategic framework | Journal of Business Research |
| Customer experience management; Long-term customer loyalty; Higher-order resource; Marketing concept | Homburg, C., Jozić, D. & Kuehnl, C. (2017) | Customer experience management: toward implementing an evolving marketing concept | Journal of the Academy of Marketing Science |
| Customer experience management; Competitive advantage; Customer experience; Emotional and rational behaviour | Gentile, C., Spiller, N. & Noci, G. (2007) | Develop and extend the framework of customer experience | European Management Journal |
| Customer experience; Customer experience management | Andajani, E. (2015) | Understanding customer experience management in retailing | Procedia - Social and Behavioural Sciences |
| | Verhoef, P.C., Lemon, K.N., Parasuraman, A., Roggeveen, A., Tsiros, M. & Schlesinger, L.A. (2009) | Propose a conceptual model of customer experience | Journal of Retailing |

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| | Schmitt, B.H. (2003) | Customer experience management: A revolutionary approach to connecting with your customer | Wiley and Sons Publishers |
| Customer experience; Customer experience management; Customer-driven growth; Competencies; Maturity model; Maturity matrix; Practices; Competencies | Bliss, J. (2015) | Chief Customer Officer 2.0: How to build your customer-driven growth engine. | Wiley and Sons Publishers |
| Customer experience; Customer experience management; Experience gap; Budgets; Business performance; Business outcomes | Ray, A. & Mennella, J. (2019) | Marketers take more control as cx expectations and budgets rise | Gartner Inc |
| Customer experience; Customer experience nomenclature | De Keyser, A. (2021) | E3 - Touchpoints, qualities, and contexts | Spotify podcast |
| Customer experience; Customer journey; Customer-centricity; Consumer experience; Consumer journey; Goal and self-regulation model | Becker, L. (2020) | Development of foundational premises underlying CX from a customer-centric perspective | Doctoral dissertation, University of Turku |
| Customer experience; Differentiation; Financial performance; Emotions; Market performance | Grønholdt, L., Martensen, A., Jørgensen, S. & Jensen, P. (2015) | Customer experience management and business performance | International Journal of Quality and Service Sciences |
| Customer experience; Experience economy | Pine, B.J. & Gilmore, J.H. (1998) | Experience economy and different CX types | Harvard Business Review |
| Customer experience; Experience gap; Customer experience management | Yohn, D. L. (2019) | Why every company needs a Chief Experience Officer | Harvard Business Review |
| | Harvard Business Review Analytical Services (2017) | Closing the customer experience gap | Harvard Business Review |
| Customer loyalty; Customer experience | Mascarenhas, O.A., Kesavan, R. & Bernacchi, M. (2006) | Explain the role of total customer experience in sustaining lasting customer loyalty | Journal of Consumer Marketing |
| Customer service experience; Customers experience; Customer perceived value; Value in use | Helkkula, A. & Kelleher, C. (2010) | Review of the circularity of the concept of customer service experience and customer perceived value | Journal of Customer Behaviour |
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| Financial performance; Customer experience; Customer experience management; CEM; CXM | Klink, R. R., Zhang, J. Q. & Athaide, G. A. (2021) | Measuring customer experience management and its impact on financial performance | European Journal of Marketing |

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| Value exchange; Economic value exchange | Banton, C. (2020) | Economic Value | Investopedia Industry platform |
| Value exchange; Marketing management; Economic value exchange | Vargo, S. & Lusch, R.F. (2004) | Dominant logic of marketing | Journal of Marketing |
| Value exchange; Marketing management; Economic value exchange; Experience economy | Wallman, J. (2020a) | Progression of economic value | WXO |
| | Wallman, J. (2020b) | The two families of the experience economy | WXO |
| Systems thinking; Organisation structure; Customer experience | Budelmann, K. (2020) | CX and Systems Thinking | People Design Industry platform |
| Systems thinking; Organisation structure; Management practices; Performance; Feedback processes; Continuous learning; Continuous improvement | Arnold, R. D. & Wade, J. P. (2015) | A definition of systems thinking: A systems approach | Science Direct |
| | Senge, P. M. & Sterman, J. D. (1990) | Systems thinking | (MIT) Massachusetts Institute of Technology |
| | Vikhornova, A. (2018) | What we can learn from the history of Systems Thinking | Medium.com |
| | Senge, P. M. (1990) | The fifth discipline: The art and practice of the learning organization | Doubleday Publishers |
| | Smith, M. K. (2013) | Peter Senge and the learning organization. | Online |

**Table A 3**

*A Review of business management frameworks and strategy differentiation as a competitive advantage literature*

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| Balanced Scorecard; Empirical research; Research design; Simulation experiment | Strohhecker, J. (2004) | Simulation based experiments for testing the balanced scorecard's built-in performance improvement theory | System Dynamics Conference |
| Business management | Forbes Coaches Council (2018) | Working in and on your business: 10 tips for finding a balance | Forbes Research |
| Business management; Business improvement methodologies; Continuous improvement; Business philosophy; Competencies | Lean Methods Group (2017) | The seven steps of Hoshin planning - Lean methods group | Lean Methods Institute |
| | Liker, J. K. & Morgan, J. M. (2006) | The Toyota way in services: The case of lean product development | Academy of Management Perspectives |
| | Senge, P. M. (1990) | The fifth discipline: The art and practice of the learning organization | Doubleday Publishers |
| | Smith, M. K. (2013) | Peter Senge and the learning organization/ systems thinking | Infed Industry Platform |
| | Soliman, M. H. A. (2020) | The Toyota way to effective strategy deployment: How organizations can focus energy on key priorities through Hoshin Kanri to achieve the business goals | Journal of Operations and Strategic Planning |
| Business management; Strategy; Competitive advantage; Competencies | Porter, M.E. (1979) | How competitive forces shape strategy | Harvard Business Review |
| | Porter, M. E. (1996) | The core competence of the corporation | Harvard Business Review |
| | Prahalad, C. K. & Hamel, G. (2009) | The core competence of the corporation | Knowledge and Strategy e-book |
| Business process management; Knowledge management; Maturity model; Design methodology; CMM (Capability Maturity Model) | De Bruin, T., Rosemann, M., Freeze, R. & Kulkarni, U. (2005) | Understanding the main phases of developing a maturity assessment model | Australasian Conference on Information Systems |
| Business strategy; Competitive strategy; Business planning models; Business management; Strategic management | Aguilar, F. (1967) | Scanning the business environment | Macmillan Co Publishers |
| | Ansoff, H.I. (1965) | Corporate strategy: Business policy for growth and expansion | McGraw Hill Book Company Publishers |
| | Barney, J. (1991) | Firm resources and sustained competitive advantage | Journal of Management |

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| | Hax, A. C. & Wilde, D. L. (2002) | The Delta Model -Toward a unified framework of strategy | SSRN Electronic Journal |
| | Mintzberg, H., Ahlstrand, B. & Lampel, J. (1998) | Strategy safari. A guided tour through the wilds of strategic management | Free Press Publishers |
| | Ormanidhi, O. & Stringa, O. (2008) | Porter's model of generic competitive strategies | Business Economics |
| | Porter, M.E. (1979) | How competitive forces shape strategy | Harvard Business Review |
| | Porter, M.E. (1996) | What is a strategy | Harvard Business Review |
| | Prahalad, C. K. & Hamel, G. (2009) | The core competence of the corporation | Knowledge and Strategy |
| | Treacy, M. & Wiersema, F. (1993) | Provide a competitive strategy framework based on customer intimacy and other value disciplines | Harvard Business Review |
| | Ungerer, M., Ungerer, G. & Herholdt, J. (2016) | Review and examine the strategic business landscape | KR Publishing |
| | Value Based Management.net (2022) | Explain the Delta model as a business management framework | Industry platform |
| | Maslow, A.H. (1943) | A theory of human motivation | Psychological Review |
| | Yüksel, I. (2012) | Developing a multi-criteria decision-making model for PESTEL analysis | International Journal of Business and Management |
| Lean management; Business management; Business management frameworks; Business improvement methodologies; Continuous improvement Business philosophy; Competencies | Kanban Software for Agile Project Management. (2022) | What is the Hoshin Kanri X Matrix | Kanban Software |
| | Kaplan, R. S. & Norton, D. P. (1996) | The balanced scorecard - Translating strategy into action | Harvard Business Review /book |
| | Kaplan, R. S. & Norton, D. P. (1992) | The balanced scorecard: Measures That drive performance | Harvard Business Review |
| | Leanproduction.co. (2021) | Hoshin Kanri: Policy deployment method \| lean production | Lean Production Industry platform |
| Market orientation; Responsiveness; Performance; Resource-based view | Hult, G. T. M., Ketchen, D. J. & Slater, S. F. (2005) | Market orientation and performance: An integration of disparate approaches | Strategic Management Journal |
| Strategic management; Competitive strategies; Globalisation | Hitt, M.A., Ireland, R.D. & Hoskisson, R.E. (1999) | Strategic management: competitiveness and globalization: concepts and cases | South-Western College Publishers |

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| SWOT analysis; Strategic management; Research methods; Globalisation | Kotler, P. & Armstrong, G. (2016) | Principles of marketing: A global and African perspective | Pearson |
| | Richards, B. (2018) | Amateurs talk strategy. Professionals talk logistics | KPMG |

**Table A 4**

*A Review of CXM maturity matrices literature*

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| Customer experience association | Cxpa.org (n.d.) | CX core competencies - CXPA | CXPA Industry platform |
| Customer experience management | Deloitte Digital (2019) | How the right CX operating model can pave the way to future success | Deloitte Insights |
| Customer experience management; Long-term customer loyalty; Higher-order resource; Marketing concept | Homburg, C., Jozić, D. & Kuehnl, C. (2017) | Customer experience management: Toward implementing an evolving marketing concept | Journal of the Academy of Marketing Science |
| Customer experience management; CXM; Maturity model; Maturity matrix; Practices; Competencies | Burns, M., Gazala, M., Zoia, G. & Hartig, K. (2016) | The Gartner customer experience management maturity model | Gartner Inc |
| | Forrester Research (2016) | Customer experience management maturity model | Forrester Research |
| | Gartner, Inc. (2020) | The Gartner customer experience management maturity model for CMOs | Gartner Inc |
| | KPMG (2018) | The KPMG customer maturity assessment | KPMG |
| Customer experience maturity measurement | Florentine, S. (2021) | How to measure your customer experience maturity. | CMS Wire Industry platform |
| Customer experience; Continuous improvement; Customer experience management; Customer experience performance | Forrester Research (2022a) | Forrester decisions for customer experience | Forrester Research |
| | Forrester Research (2022b) | Improve customer experiences with Forrester's CX index | Forrester Research |
| Customer experience; Customer experience management; Customer experience competencies; Customer centricity | Temkin, B., Lucas, A., Rodstrom, J., Zdatny, I. & Jaffe, J. (2017) | The Four customer experience core competencies: Blueprint for customer-centric organizations | Temkin Group Insights |
| Customer experience; Customer experience management; Customer-driven growth; Competencies; Maturity model; Maturity matrix; Practices | Schumacher, A., Erol, S. & Sihn, W. (2016) | A maturity model for assessing industry 4.0 readiness and maturity of manufacturing enterprises | Procedia CIRP |
| | Bliss, J. (2015) | Chief Customer Officer 2.0: How to build your customer-driven growth engine. | John Wiley & Sons Publishers |
| | KPMG. (2018) | The KPMG customer maturity assessment | KPMG |
| Customer experience; Customer experience management; Customer-driven growth; Competencies; Maturity model; Maturity matrix; Practices; Customer centricity | Manning, H., Bodine, K. & Forrester Research (2012) | Outside in: the power of putting customers at the center of your business | Forrester Research / New Harvest Houghton Mifflin Harcourt Publishers |

| | | | |
|---|---|---|---|
| Customer experience; Differentiation; Financial performance; Emotions; Market performance | Grønholdt, L., Martensen, A., Jørgensen, S. & Jensen, P. (2015) | Customer experience management and business performance | International Journal of Quality and Service Sciences |
| Customer experience; Experience maturity; Customer experience management | XM Institute (2019) | Benchmark your customer experience maturity | Qualtrics XM Institute |
| Experience management; Management program; Customer experience management | XM Institute (2022) | Maturing your experience management program | Qualtrics XM Institute |
| Financial performance; Customer experience; Customer experience management; CEM; CXM | Klink, R. R., Zhang, J. Q. & Athaide, G. A. (2021) | Measuring customer experience management and its impact on financial performance | European Journal of Marketing |
| Maturity models; Maturity; Business process management; Design principles | Pöppelbuß, J. & Röglinger, M. (2011) | What makes a useful maturity model? A framework of general design principles for maturity models and its demonstration in business process management | European Conference on Information Systems |
| | Consulta (2018) | Know your Customer Maturity | Consulta |

**Table A 5**

*A Review of CXM metrics and measurement literature*

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| Business performance; Business measurement | Hayes, B.E. (2015) | Business linkage analysis | Business Over Broadway Industry platform |
| Co-creation; Authenticity; Experiential marketing; Customer experience management; Transcendent experience; Transformational experience | Imhoff, G. & Klaus, P. (2020) | The dawn of traditional CX metrics? Examining satisfaction, EXQ, and WAR | International Journal of Market Research |
| Customer centricity; Customer experience measurement; Customer experience | Hayes, B.E. (2013) | TCE -Total customer experience - Building business through customer-centric measurement and analytics | Business over Broadway Publishers |
| Customer experience measurement | Gartner, Inc. (2018) | Key Findings from the customer experience survey | Gartner Inc |
| | Deloitte Insights (2020) | Measuring human relationships and experiences | Deloitte Insights |
| Customer experience measurement; Customer experience metrics | Davey, N. (2022) | Will NPS 3.0 solve net promoter score's shortcomings? | My Customer Industry platform |
| | Klaus, P. & Maklan, S. (2012) | Develop measurement for customer experience quality (EXQ) | Journal of Service Management |
| | Yaiser, M. (2021) | Use the NPS impact simulator in your CX prioritisation | Forrester Research |
| Customer experience measurement; Customer experience metrics; Customer loyalty; Customer satisfaction | Klaus, P. & Maklan, S. (2013) | Develop measurement for customer experience quality (EXQ) | International Journal of Market Research |
| Customer experience measurement; Customer experience; CX; dimensions; Research methods; Scale | Parasuraman, A., Berry, L.L. & Zeithaml, V.A. (1991) | Refinement and reassessment of the SERVQUAL scale | Journal of Retailing |
| Customer experience measurement; Metrics | Temkin, B. (2014) | Customer effort, net promoter, and thoughts about CX metrics | C |
| Customer experience; Business performance; Customer experience ecosystem; Customer experience transformation | Crandell, C. (2013) | Customer experience: Is it the chicken or egg | Forbes Industry platform |
| | Manning, H. (2019) | For CX, it's all about proving business results | Forrester Research |
| Customer experience; Customer experience management; Customer | Keiningham, T.L., Aksoy, L., Buoye, A. & Cooil, B. (2011) | Customer loyalty isn't enough. grow your share of wallet | Harvard Business Review |

| Key words | Author | Name of article/book | Sources |
|---|---|---|---|
| satisfaction; CX Quality (EXQ); Measurements; Share-of-category; Share-of-wallet; Wallet allocation rule; Customer loyalty | Keiningham, T.L., Aksoy, L., Williams, L. & Buoye, A. (2015) | The wallet allocation rule: Winning the battle for share | John Wiley and Sons Publishers |
| Customer experience; Customer experience management; CX measurement; CX metrics | Reichheld, F. (2003) | The one number you need to grow - NPS | Harvard Business Review |
| | Reichheld, F., Darnell, D. & Burns, M. (2021) | Net Promoter 3.0. | Harvard Business Review |
| | Schmidt, M. (2021) | Measure three types of customer experience metrics | Forrester Research |
| Customer experience; Customer experience management; CX measurement; CX metrics; Business performance | Schmidt-Subramanian, M., Patel, N. & Williams, J. (2020) | How customer experience drives business growth | Forrester Research |
| Customer experience; Customer experience management; Outcomes-based measures | Zolkiewski, J., Story, V., Burton, J., Chan, P., Gomes, A., Hunter-Jones, P., O'Malley, L., Peters, L. D., Raddats, C. & Robinson, W. (2017) | Strategic B2B customer experience management: the importance of outcomes-based measures | Journal of Services Marketing |
| Customer experience; Differentiation; Financial performance; Emotions; Market performance | Grønholdt, L., Martensen, A., Jørgensen, S. & Jensen, P. (2015) | Customer experience management and business performance | International Journal of Quality and Service Sciences |
| Customer loyalty | Futurelab (2009) | The two loyalty models compared in a nutshell | Futurelab Industry platform |
| | Jimnovo.com (n.d) | Customer loyalty | Jimnovo Industry platform |
| Customer loyalty; Customer loyalty measurement | Hayes, B.E. (2013) | What is customer loyalty? A customer loyalty measurement framework | Business Over Broadway Industry platform |
| Customer satisfaction | Jones, T.O. & Sasser, W.E. Jr. (1995) | Why satisfied customers defect | Harvard Business Review |
| Customer satisfaction; Customer loyalty; Business performance; Customer measurement system; Customer management system | Consulta (2018) | Business linkage analysis–An important cog in the CE management wheel | Consulta |
| | Qualtrics XM Institute (2020) | What is NPS? Ultimate guide to net promoter score in 2022 | Qualtrics XM Institute |
| | Johnson, M. & Gustafsson, A. (2000) | Improving customer satisfaction, loyalty, and profit: An integrated measurement and management system | Jossey-Bass Publishers |
| Performance outcomes; Market orientation; Organisational management | Homburg, C. & Pflesser, C. (2000) | A multiple-layer model of market-oriented organizational culture: Measurement issues and performance outcomes | Journal of Marketing Research |

## Table A 6

*The consistency matrix for main research question: propositions 1, 2 and 3*

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | | | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|---|---|
| Proposition 1: If a business comprehensively collects and analyses customer data (CDC and CDA) to gain Customer Understanding and Insight, then it will positively contribute to the business's Differentiation (DIF) as a competitive advantage in the context of CXM. | P1a, P1b, P1c | P1a: If a business collects customer data (CDC), then its potential for Differentiation (DIF) is enhanced, affirming the foundational role of data collection in competitive differentiation. | H1a, H1b, H1c | H1a: The collection of customer data (CDC) to gain Customer Understanding & Insight has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | <u>Customer Understanding and Insight</u> Collection of Customer Data (CDC) - independent (exogenous) Analysis of Customer Data (CDA) - independent (exogenous); moderating |
| | | P1b: If a business analyses the collected customer data (CDA), then the significance of this analysis in enhancing the business's Differentiation (DIF) is increased, highlighting the role of data analysis in leveraging collected data for competitive advantage. | | H1b: The analysis of customer data collected (CDA) to gain Customer Understanding & Insight has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | |
| | | P1c: If a business effectively integrates the collection (CDC) and analysis (CDA) of customer data, then this integrated approach influences the business's competitive advantage, emphasising the collective effect of data collection and analysis on enhancing differentiation. | | H1c: The analysis of customer data (CDA) moderates the relationship btw the collection of customer data (CDC) to gain Customer Understanding & Insight and a business's Differentiation (DIF) as a competitive advantage. | moderated | |
| Proposition 2: If a business strategically maps customer journey touchpoints (CJTM) and | P2a, P2b, P2c | P2a: If a business maps customer journey touchpoints (CJTM), then its potential for Differentiation (DIF) is directly enhanced, acknowledging the direct impact of customer journey mapping on competitive differentiation. | H2a, H2b, H2c, H2d | H2a: The mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | <u>Customer Experience Design</u> Customer Journey Touchpoint Mapping (CJTM) - independent (exogenous) Innovation of Customer Journey |

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | | | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|---|---|
| routinely innovates these touchpoints (CJTI) as integral components of Customer Experience Design, then it will mutually contribute to enhancing the business's Differentiation (DIF) as a competitive advantage within the realm of CXM. | | P2b: If a business maps customer journey touchpoints (CJTM), then it also promotes the routine innovation of these touchpoints (CJTI), illustrating the role of customer journey mapping in facilitating touchpoint innovation. | | H2b: The routine innovation of customer journey touchpoints (CJTI) as part of Customer Experience Design has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | Touchpoints (CJTI) - dependent (endogenous); mediating |
| | | | | H2c: The mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design has a positive effect on the routine innovation of customer journey touchpoints (CJTI). | direct | |
| | | P2c: If a business continuously innovates customer journey touchpoints (CJTI), then this innovation directly contributes to enhancing the business's Differentiation (DIF), demonstrating how innovation complements mapping endeavours to further competitive differentiation. | | H2d: The routine innovation of customer journey touchpoints (CJTI) mediates the relationship btw the mapping of customer journey touchpoints (CJTM) as part of Customer Experience Design and a business's Differentiation (DIF) as competitive advantage. | mediated | |
| Proposition 3: If a business comprehensively collects diverse CX performance metrics (CPMC) and subsequently analyses and adopts insights gained from these metrics (CPMI), then it will significantly contribute to enhancing the business's Differentiation | P3a, P3b, P3c | P3a: If a business collects CX performance metrics (CPMC), then its Differentiation (DIF) is directly enhanced, emphasising the foundational role of metrics collection in competitive differentiation. | H3a, H3b, H3c, H3d, H3e | H3a: The collection of various CX performance metrics (CPMC) has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | <u>CX Performance Metrics and Measurement</u> CX Performance Metrics & Measurement Framework (CPMF) - independent (exogenous); moderating CX Performance Metrics Collection (CPMC) - dependent (endogenous) CX |
| | | P3b: If a business analyses and adopts insights from CX performance metrics (CPMI), then this process further enhances Differentiation (DIF), highlighting the significant role of CX | | H3b: The analysis and adoption of CX performance metrics insights gained (CPMI) has a positive effect on a business's Differentiation (DIF) as a competitive advantage. | direct | |

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | | | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|---|---|
| (DIF) as a competitive advantage. | | performance metrics insights in leveraging collected metrics for competitive advantage. | | H3c: The collection of various CX performance metrics (CPMC) has a positive effect on the analysis and adoption of CX performance metrics insights gained (CPMI). | direct | Performance Metrics Insight (CPMI) - dependent (endogenous); mediating |
| | | | | H3d: The analysis and adoption of CX performance metrics insights gained (CPMI) mediates the relationship between the collection of various CX performance metrics (CPMC) and a business's Differentiation (DIF) as competitive advantage. | mediated | |
| | | P3c: If a business implements a CX Performance Metrics framework (CPMF) to direct the collection of CX performance metrics (CPMC) and the analysis and adoption of insights (CPMI), then the impact of these activities on the business's Differentiation (DIF) is enhanced, ensuring a structured and integrated approach to leveraging metrics for competitive advantage. | | H3e: A CX Performance Metrics framework (CPMF) moderates the relationship btw collection of various CX performance metrics (CPMC) and a business's analysis and adoption of CX performance metrics insights gained (CPMI) | moderated | |

*Note.* Statistical Data Analysis: Partial least squares Structural Equation Modeling (PLS-SEM)

- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation

- Prefaced by testing the reliability and validity of each variable as part of the Measurement Model assessment (indicator reliability, internal consistency reliability, convergent validity and discriminant validity).

## Table A 7

*The consistency matrix for main research question: propositions 4, 5, 6, and 7*

**Main Research Question**
How can businesses effectively measure, integrate, and operationalise the essential dimensions of CXM and its practices, thereby enhancing their competitive advantage through differentiation and improving financial performance?

| Proposition | Hypothesis | | Hypothesised Relationships | Variables |
|---|---|---|---|---|
| Proposition 4:<br>If a business achieves Differentiation (DIF) as a competitive advantage through CXM practices, including customer data collection (CDC) and analysis (CDA), customer journey touchpoint mapping (CJTM) and innovation (CJTI), and CX performance metrics collection (CPMC) and innovation (CPMI), then its Market Performance (MP) is positively influenced. | H4, H7 | H4: The greater a business's Differentiation (DIF) as competitive advantage through CXM (CDC, CDA, CJTM, CJTI, CPMC, CPMI), the greater its Market Performance (MP). | direct | Differentiation (DIF) as higher order construct - dependent (endogenous) |
| Proposition 5:<br>If a business attains a degree of Differentiation (DIF) as a competitive advantage through comprehensive CXM practices, encompassing customer data collection (CDC), customer data analysis (CDA), customer journey touchpoint mapping (CJTM), customer journey touchpoint innovation (CJTI), CX performance metrics collection (CPMC), and CX performance metrics innovation (CPMI), then its Financial Performance (FP) is positively influenced. | H5, H7 | H5: The greater a business's Differentiation (DIF) as competitive advantage through CXM (CDC, CDA, CJTM, CJTI, CPMC, CPMI), the greater its Financial Performance (FP). | direct | Market Performance (MP) - dependent (endogenous); mediating |
| Proposition 6:<br>If a business achieves a level of Market Performance (MP), then its Financial Performance (FP) is directly influenced in a positive manner. | H6 | H6: The greater a business's Market Performance (MP), the greater its Financial Performance (FP). | direct | Financial Performance (FP) - dependent (endogenous) |
| Proposition 7:<br>If a business's Market Performance (MP) is enhanced, then its Financial Performance (FP) is significantly affected, establishing an important relationship between its Differentiation (DIF) as a competitive advantage and its Financial Performance (FP). | H6, H7 | H7: A business's Market Performance (MP) mediates the relationship between a business's Differentiation (DIF) as competitive advantage and its Financial Performance (FP). | mediated | |

*Note.* Statistical Data Analysis: Partial least squares Structural Equation Modeling (PLS-SEM)

Partial least squares Structural Equation Modeling (PLS-SEM)

- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation

- Explanatory and Predictive Relevance analysis as part of the Structural Model evaluation

**Table A 8**

*The consistency matrix for sub-research questions*

| Sub-questions | Proposition | Hypothesis | Hypothesised Relationships | Statistical Data Analysis Methodology |
|---|---|---|---|---|
| How can existing CXM models be advanced and integrated into an enhanced framework that provides deeper insights into its essential dimensions (being Customer Understanding and Insight, Experience Design, and CX Performance Metrics & Measurement) grounded in theoretically driven measurable items? | P1a<br>P1b<br>P1c | H1a<br>H1b<br>H1c | direct<br>direct<br>moderated | Partial least squares Structural Equation Modeling (PLS-SEM)<br>- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation<br>- Prefaced by testing the reliability and validity of each variable as part of the Measurement Model assessment (indicator reliability, internal consistency reliability, convergent validity and discriminant validity) |
| | P2a<br>P2b<br>P2c | H2a<br>H2b<br>H2c<br>H2d | direct<br>direct<br>direct<br>mediated | |
| | P3a<br>P3b<br>P3c | H3a<br>H3b<br>H3c<br>H3d<br>H3e | direct<br>direct<br>direct<br>mediated<br>moderated | |
| How can an empirically validated CXM maturity diagnostic instrument be developed that enables businesses to assess their level of CXM maturity effectively? | P1a<br>P1b<br>P1c | H1a<br>H1b<br>H1c | direct<br>direct<br>moderated | Partial least squares Structural Equation Modeling (PLS-SEM)<br>- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation<br>- Prefaced by testing the reliability and validity of each variable as part of the Measurement Model assessment (indicator reliability, internal consistency reliability, convergent validity and discriminant validity)<br>- Explanatory and Predictive Relevance analysis as part of the Structural Model evaluation |
| | P2a<br>P2b<br>P2c | H2a<br>H2b<br>H2c<br>H2d | direct<br>direct<br>direct<br>mediated | |
| | P3a<br>P3b<br>P3c | H3a<br>H3b<br>H3c<br>H3d<br>H3e | direct<br>direct<br>direct<br>mediated<br>moderated | |
| | 4 | H4 | direct | |
| | 5 | H5 | direct | |
| Which CX dimensions and practices are most critical in establishing a competitive advantage for businesses, and what is the role of CXM maturity in enhancing these dimensions and practices? | 4 | H4 | direct | Partial least squares Structural Equation Modeling (PLS-SEM)<br>- All hypotheses tested via bootstrapping and regression analysis in PLS-SEM framework as part of the Structural Model evaluation<br>- Explanatory and Predictive Relevance analysis as part of the Structural Model evaluation |
| | 5 | H5 | direct | |
| | 6 | H6 | direct | |
| | 7 | H7 | mediated | |
| How does CXM differentiation, as a result of strategic implementation and enhanced maturity, affect the market and financial performance of businesses? | 4 | H4 | direct | |
| | 5 | H5 | direct | |
| | 6 | H6 | direct | |
| | 7 | H7 | mediated | |

| | | | | |
|---|---|---|---|---|
| | | | | - Importance-Performance Map Analysis (IPMA) |
| What strategies can businesses adopt to effectively integrate and operationalise CXM dimensions and related practices into their daily management frameworks and practices? | | | | |

**Table A 9**

*The a priori CXM conceptual model measuring items*

| CXM Dimension (construct) | | Indicator Code | Measuring Item |
|---|---|---|---|
| Customer Understanding and Insight | Customer Data Collection (CDC) | CDC1 | We have an integrated Voice of the Customer (VoC) programme with multiple listening paths. |
| | | CDC2 | We systematically collect data on the rational (the logical and tangible) aspects of customer experiences. |
| | | CDC3 | We systematically collect data on the emotional (the feelings and perceptions) aspects of customer experiences. |
| | | CDC4 | We follow a well-defined customer-segmented approach when gathering customer insights to guide our CX priorities. |
| | Customer Data Analysis (CDA) | CDA1 | We collect various types of data (such as solicited data, unsolicited data, structured data, unstructured data) for the comprehensive understanding of our customer segments. |
| | | CDA2 | We analyse the data we collect to create empathy maps for each of our customer segments. |
| | | CDA3 | We synthesise the data we collect to create personas for each of our customer segments. |
| | | CDA4 | We monitor shifts in our customer segments to identify trends in customers' behaviour. |
| | Customer Data Insight Distribution (CID) | CID1 | We routinely assess if our brand promises resonate with our customer segments. |
| | | CID2 | We have a closed-loop feedback process for communicating regular customer insights with all employees (not only front office or customer-facing employees). |
| | | CID3 | Our employees have a comprehensive understanding of the experiences that our customers expect from us. |
| | | CID4 | We regularly update our customer segment personas from insights we get from our Voice of the Customer (VoC) programme's data. |
| | | CID5 | We use our customer persona insights to inform our customer experience decisions. |
| Customer Experience Design | Customer Journey Touchpoints Mapping (CJTM) | CJTM1 | We have a defined process to design experiences for our customer segments. |
| | | CJTM2 | We consistently use a defined process to design experiences for our customer segments. |
| | | CJTM4 | We map the customer's intended rational responses to fulfil the customer's need (job-to-be-done). |
| | | CJTM5 | We map the customer's intended emotional responses to fulfil the customer's need (job-to-be-done). |
| | | CJTM6 | We map the interdependencies (i.e. people, process, channel, technology) that are controllable by our business (our business design and manage). |

| CXM Dimension (construct) | | Indicator Code | Measuring Item |
|---|---|---|---|
| | | CJTM7 | We map the interdependencies (i.e. people, process, channel, technology) that are not controllable by our business (our business monitor and respond). |
| | | CJTM8 | We understand Moments-of-Truth (MoT) that can build or destroy trust along the entire customer journey. |
| | | CJTM9 | We use a variety of methodologies (such as Design Thinking, Co-creation, Human-Centered Design) as part of our experience design process. |
| | Customer Journey Touchpoints Delivery (EDel) | EDel1 | We consistently deliver reliable experiences regardless of the channel. |
| | | EDel2 | We have a defined recovery-loop process in place for failed experiences at each touchpoint. |
| | | EDel3 | We ensure customer peace-of-mind by delivering the intended rational experience to our customers. |
| | | EDel4 | We ensure customer peace-of-mind by delivering the intended emotional experiences to our customers. |
| | Customer Journey Touchpoints Innovation (CJTI) | CJTI1 | We routinely apply gap analysis to identify our required capabilities (people, process and technology) for delivering our intended rational experiences to our customers. |
| | | CJTI2 | We routinely apply gap analysis to identify our required capabilities (people, process and technology) for delivering our intended emotional experiences to our customers. |
| | | CJTI3 | We regularly innovate our touchpoints along the entire customer journey. |
| | | CJTI4 | We regularly design new customer experiences from insights gained. |
| CX Performance Metrics and Measurement | CX Performance Metrics Framework (CPMF) | CPMF1 | We have an integrated CX measurement framework that collects data across each customer segment's experience. |
| | | CPMF2 | Our CX measurement framework defines subsets of CX metrics to demonstrate how each business unit contributes to the customer experience. |
| | | CPMF3 | Our CX measurement framework consists of descriptive metrics for each customer segment's experience. |
| | | CPMF4 | Our CX measurement framework consists of perception metrics for each customer segment's experience. |
| | | CPMF5 | Our CX measurement framework consists of behavioural outcome metrics for each customer segment's experience. |
| | | CPMF6 | Our CX measurement framework consists of attitudinal outcome metrics for each customer segment's experience. |
| | CX Performance Metrics Collection (CPMC) | CPMC1 | We collect descriptive metrics data regularly for each customer segment's experience.<br>*Descriptive metrics provide operational data on customer interactions with a business (i.e. average call time, web analytics data, average transaction value, call and email volume, average holding time, etc.)* |

| CXM Dimension (construct) | | Indicator Code | Measuring Item |
|---|---|---|---|
| | | CPMC2 | We collect perception metrics data regularly for each customer segment's experience. *Perception metrics provide the measurement of the perceived experience by a customer, determining how a customer thinks and feels about aspects of a specific experience they had.* |
| | | CPMC3 | We collect behavioural outcome metrics data regularly for each customer segment's experience. *Behavioural Outcome metrics provide the measurement of the intended behaviours of a customer after an experience or multiple experiences with a business (i.e. churn rates, renewal rates, Customer Lifetime Value, up-sell, cross-sell, cost to serve, actual recommendations made, actual purchases made, acquisition, retention, market share, wallet-allocation-rule, etc.).* |
| | | CPMC4 | We collect attitudinal outcome metrics data regularly for each customer segment's experience. *Attitudinal Outcome metrics provide the measurement of the intended attitudes of a customer after an experience or multiple experiences with a business (i.e. NPS, CSat, ServQual, Likelihood to purchase, brand preference, word of mouth, etc.).* |
| | CX Performance Metrics Insight (CPMI) | CPMI1 | We model the relationship between CX metrics and related business performance metrics. |
| | | CPMI2 | We have business-unit specific dashboards that visually represent the actionable CX KPIs by linking CX metrics with business metrics. |
| | | CPMI3 | We view CX metrics as an important part of the business scorecard reporting to inform all CX decisions. |
| | | CPMI4 | We link CX metrics with budget allocation to achieve our CX business objectives. |
| Differentiation (DIF) | Market Differentiation (MD) | MD1 | It is difficult for our competitors to imitate us. |
| | | MD2 | Our solutions are unique and nobody, but our business can offer them. |
| | | MD3 | Our business processes, routines and culture are not easily copied. |
| | | MD4 | Our advantages are embodied in our business; you can't copy us by stealing our employees away from us. |
| | | MD5 | It took us several years to build our brand name reputation; you can't easily copy that. |
| | Innovation Differentiation (ID) | ID1 | We are constantly investing in generating new capabilities that give us an advantage compared to our competitors. |
| | | ID2 | If ever there was a new way of serving customers, our business would be able to offer that. |
| | Market Agility & Responsiveness Differentiation (MRD) | MRD1 | In our business we operate in an agile approach to quickly respond to fundamental competitor shifts in our industry. |
| | | MRD2 | In our business we operate in an agile approach to quickly respond to fundamental technology shifts in our industry |
| | | MRD3 | In our business we operate in an agile approach to quickly respond to fundamental regulatory shifts in our industry. |

| CXM Dimension (construct) | Indicator Code | Measuring Item |
|---|---|---|
| | MRD4 | In our business we operate in an agile approach to quickly respond to fundamental consumer behavioural shifts in our industry. |
| Market Performance (MP) | MP1 | Our business outperforms our competitors with respect to achieving customer satisfaction over the past 3 years. |
| | MP2 | Our business outperforms our competitors with respect to achieving behavioural customer loyalty over the past 3 years. |
| | MP3 | Our business outperforms our competitors with respect to achieving attitudinal customer loyalty over the past 3 years. |
| | MP4 | Our business outperforms our competitors with respect to achieving drivers for shareholders value over the past 3 years. |
| | MP5 | Our business outperforms our competitors with respect to achieving customer life value over the past 3 years. |
| Financial Performance (FP) | FP1 | Relative to our competitors, our business performed better in terms of overall financial performance over the past 3 years. |
| | FP2 | Relative to our competitors, our business performed better in terms of overall sales growth over the past 3 years. |
| | FP3 | Relative to our competitors, our business performed better in terms of market share over the past 3 years. |
| | FP4 | Relative to our competitors, our business performed better in terms of profitability over the past 3 years. |

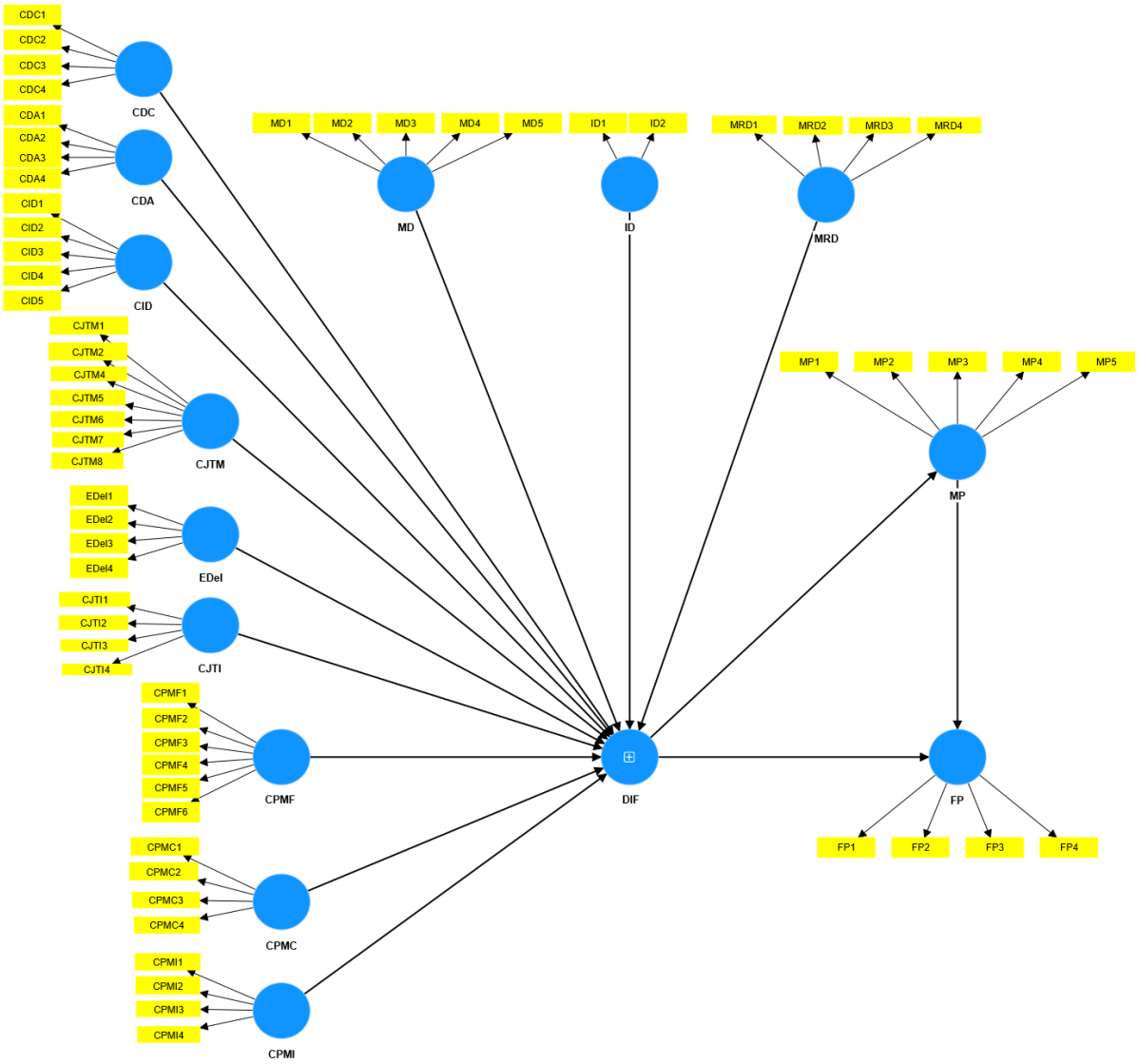
**Table A 10**

*Post hoc minimum sample size*

| Hypothesis | β | Alpha 5%, power 80% |
|---|---|---|
| Collection of Customer Data -> Differentiation | -0,009 | 78390 |
| Customer Data Analysis -> Differentiation | 0,164 | 231 |
| Customer Data Analysis x Customer Data Collection -> Differentiation | 0,123 | 406 |
| Customer Journey Touchpoint Mapping -> Differentiation | 0,184 | 183 |
| Customer Journey Touchpoint Innovation -> Differentiation | 0,443 | 32 |
| Customer Journey Touchpoint Mapping -> Customer Journey Touchpoint Innovation | 0,722 | 12 |
| CX Performance Metrics Collection -> Differentiation | 0,058 | 1837 |
| CX Performance Metrics Insight -> Differentiation | 0,102 | 593 |
| CX Performance Metrics Collection -> CX Performance Metrics Insight | 0,688 | 14 |
| CX Performance Metrics Framework -> CX Performance Metrics Collection | 1,374 | 4 |
| CX Performance Metrics Framework -> CX Performance Metrics Insight | 0,707 | 13 |
| CX Performance Metrics Framework x CX Performance Metrics Collection -> CX Performance Metrics Insight | -0,212 | 137 |
| Differentiation -> Market Performance | 0,652 | 15 |
| Differentiation -> Financial Performance | 0,038 | 4380 |
| Market Performance -> Financial Performance | 0,778 | 11 |

**Figure A 1**

*The a priori CXM Conceptual Model*




*Note.* Customer Data Collection (CDC), Customer Data Analysis (CDA), Customer Data Insight Distribution (CID); Customer Journey Touchpoints Mapping (CJTM), Customer Journey Touchpoints Delivery (EDel); Customer Journey Touchpoints Innovation (CJTI), CX Performance Metrics Framework (CPMF), CX Performance Metrics Collection (CPMC), CX Performance Metrics Insight (CPMI), Market Differentiation (MD), Innovation Differentiation (ID); Market Agility & Responsiveness Differentiation (MRD), Differentiation (DIF), Market Performance (MP), Financial Performance (FP)

# Appendix B

## Survey Questionnaire

Dear Respondent,

I am writing to request your valuable participation in my doctoral research study which aims to identify critical best practices for Customer Experience Management (CXM).

The insights and experiences of Customer Experience practitioners are crucial for developing a comprehensive CXM maturity framework that will help determine the most effective practices for continuous improvement in CXM. Additionally, this study aims to explore the relationships among CX best practice maturity, market differentiation, and key business performance indicators.

Your participation in this study would require approximately 15 minutes of your time. Please be assured that all information collected during this study will be treated with the utmost confidentiality and anonymity. Your responses will be carefully aggregated and analysed collectively, guaranteeing the safeguarding of your individual privacy, while upholding the integrity of the research process in accordance with international protocols and laws, such as GDPR and POPIA. As a token of my appreciation, the research findings and recommendations will be made available to all participants upon request.

Participation in this research is entirely voluntary, and you have the freedom to withdraw from the study at any point should you choose to do so. If you have any questions or concerns regarding the study, please do not hesitate to reach out to us:
Sumarie Schreiner: +27 82 875 4743 or sumarie@brandbrew.co.za, or my supervisor, Dr. J. C. de Villiers (MBA, Ph.D.): kosie@enterprise-dynamics.co.za

By clicking the button below, you acknowledge and agree to the following:
- Your participation in the study is voluntary.
- You are 18 years of age or older.
- You are aware that you may choose to terminate your participation at any time and for any reason.

Thank you for considering this request. Your contribution will significantly enhance our understanding of Customer Experience Management.

Warm regards,
Sumarie Schreiner (CCXP)
Swiss School of Management

o I consent, begin the study
o I do not consent, I do not wish to participate

*Skip To: End of survey = I do not consent, I do not wish to participate*

This survey is designed to gather insights in six distinct sections, each focusing on a specific aspect of Customer Experience Management (CXM):
Section 1: Customer Understanding and Insights
Section 2: Customer Experience Design
Section 3: CX Performance Metrics and Measurements
Section 4: Differentiation
Section 5: Market Performance
Section 6: Financial Performance

Please note that all the questions in this survey pertain to the business you are representing. When 'we' is used in a question or statement, it refers to your business. Your responses should reflect your business's experiences and perspectives.

Q1: Which industry are you in?
- o Healthcare
- o Education
- o Retail
- o e-commerce
- o Manufacturing
- o Information Technology
- o Finance and Banking
- o Food and Beverage
- o Energy and Utilities
- o Transport and Logistics
- o Media and Entertainment
- o Construction and Real Estate
- o Consulting
- o Other

*Display Q2:*
*If Which industry are you in? = Consulting*

Q2: I am working in an advisory function for a client and able to respond with in-depth knowledge of all matters relating to customer experience within the business.
- o Yes
- o No

*Skip To: End of survey = No*
*Display Q3:*
*If I am working in an advisory function for a client and able to respond with in-depth knowledge of... = Yes*

Q3: What is the geographical location of your business?
Select ALL that apply.

- ▢ Europe
- ▢ Africa
- ▢ Middle East
- ▢ Asia
- ▢ Australia and Oceania
- ▢ North America
- ▢ Latin America

Q4: What is the size of your business?
- o < 50 employees
- o 51 - 350 employees
- o 351 - 750 employees
- o 751 - 1500 employees
- o 1500 + employees

Q5: How many years has your business been operating?
- o < 3 years
- o 3 to 5 years
- o 5 to 10 years
- o 10+ years

Q6: How long has Customer Experience been recognised as a key focus area within your business?
- o < 1 year
- o 1 to 3 years
- o 3 to 5 years
- o 5 + years

Q7: What is your position in the business?
- o Group Executive
- o Senior management
- o Mid management

o Other (please specify)

Q8: Are you a Certified Customer Experience Professional (CCXP)?
o Yes
o No

Q9: What department are you in? (If working in an advisory function for a client, respond with the department you work closest with).
o Customer Experience (CX)
o Marketing
o Product
o Operations
o Finance
o IT
o Human Resources
o Other (please specify)

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Section 1: Customer Understanding and Insights

The following questions center around Customer Understanding and Insights. These encompass the process of establishing a cohesive and shared comprehension of a business's customers, including their needs, wants, perceptions, and preferences. This process involves collecting and analysing customer and employee feedback to generate actionable insights with tangible value.

Q10: We have an integrated Voice of the Customer (VoC) programme with multiple listening paths.
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree
o Strongly disagree

Q11: We systematically collect data on the RATIONAL (the logical & tangible) aspects of customer experiences.
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree
o Strongly disagree

Q12: We systematically collect data on the EMOTIONAL (the feelings & perceptions) aspects of customer experiences.
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree
o Strongly disagree

Q13: We follow a well-defined customer-segmented approach when gathering customer insights to guide our CX priorities.
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree

o Strongly disagree

Q14: We collect the following information for the comprehensive understanding of our customer segments.
Select ALL that apply.

▢ Solicited data (1)
▢ Unsolicited data (2)
▢ Structured data (3)
▢ Unstructured data (4)

Q15: We analyse the data we collect to create empathy maps for each of our customer segments.
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree
o Strongly disagree

Q16: We synthesise the data we collect to create personas for each of our customer segments.
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree
o Strongly disagree

Q17: We monitor shifts in our customer segments to identify trends in customers' behaviour.
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree
o Strongly disagree

Q18: We routinely assess if our brand promises resonate with our customer segments.
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree
o Strongly disagree

Q19: We have a closed-loop feedback process for communicating regular customer insights with ALL employees (not only front office or customer-facing employees).
o Strongly agree
o Agree
o Somewhat agree
o Neutral
o Somewhat disagree
o Disagree
o Strongly disagree

Q20: Our employees have a comprehensive understanding of the experiences that our customers expect from us.
o Strongly agree

- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q21: We regularly update our customer segment personas from insights we get from our Voice of the Customer (VoC) programme's data.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q22: We use our customer persona insights to inform our customer experience decisions.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

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Section 2: Customer Experience Design

The following questions center around Experience Design. This entails the careful crafting, optimisation and innovation of customer touchpoints and interactions along the customer journey to create seamless, engaging, and memorable experiences.

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Q23: We have a defined process to design experiences for all our customer segments.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q24: We consistently use a defined process to design experiences for all our customer segments.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

---

The next questions refer to the 'entire customer journey touchpoints' covering the complete end-to-end journey, including pre-purchase, purchase, and post-purchase stages. This encompasses all customer interactions and experiences, from initial engagement to post-purchase support and beyond.

Q25: We map the entire customer journey touchpoints for our customer experiences.

- o Yes
- o No

Q26: We map the customer's intended RATIONAL responses to fulfil the customer's need (job-to-be-done).
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q27: We map the customer's intended EMOTIONAL responses to fulfil the customer's need (job-to-be-done).
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q28: We map the interdependencies (i.e. people, process, channel, technology) that ARE controllable by our business (our business design & manage).
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q29: We map the interdependencies (i.e. people, process, channel, technology) that ARE NOT controllable by our business (our business monitor & respond).
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q30: We understand Moments-of-Truth (MoT) that can build or destroy trust along the entire customer journey.
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q31: We use the following methodologies as part of our experience design process.
Select ALL that apply.

- ▢ Design Thinking (1)
- ▢ Co-Creation (with customers, partners and employees) (2)
- ▢ Human-Centred Design (HCD) (3)

Q32: We consistently deliver reliable experiences regardless of the channel.
- o Strongly agree
- o Agree

- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q33: We have a defined recovery-loop process in place for failed experiences at each touchpoint.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

---

Customer "peace-of-mind" refers to a state in which customers feel confident, reassured, and satisfied with their interactions and experiences with a business. It signifies a sense of trust and reliability that their expectations will be consistently met.

Please rate your agreement with the below statements.

Q34: We ensure customer peace-of-mind by delivering the intended RATIONAL experiences to our customers.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q35: We ensure customer peace-of-mind by delivering the intended EMOTIONAL experiences to our customers.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q36: We routinely apply gap analysis to identify our required capabilities (people, process & technology) for delivering our intended RATIONAL experiences to our customers.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q37: We routinely apply gap analysis to identify our required capabilities (people, process and technology) for delivering our intended EMOTIONAL experiences to our customers.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q38: We regularly innovate our touchpoints along the entire customer journey.
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q39: We regularly design new customer experiences from insights gained.
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

***Thank you for reaching this point in the survey. Your progress is greatly appreciated.***

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**Section 3: CX Performance Metrics & Measurement**

The following questions center around CX Performance Metrics & Measurement. This entails establishing a framework for consistent data gathering related to various CX measures across a business. This framework enables analysis and utilises the information for creating and reporting metrics to assess CX success, driving impactful results. Measurement serves as a means to achieve specific goals, not an end goal itself.

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Q40: We have an integrated CX measurement framework that collects data across each customer segment's experience.
- o Yes
- o No

*Skip To: Q42 If We have an integrated CX measurement framework… = No*
*Display Q41: If We have an integrated CX measurement framework… = Yes*

Q41: Our CX measurement framework defines subsets of CX metrics to demonstrate how each business unit contributes to the customer experience.
- o Yes
- o No

Q42: We collect DESCRIPTIVE METRICS for each customer segment's experience.
*Descriptive metrics provide operational data on customer interactions with a business (i.e. average call time, web analytics data, average transaction value, call and email volume, average holding time, etc.).*
- o Always
- o Most of the time
- o About half the time
- o Sometimes
- o Never

Q43: We collect PERCEPTION METRICS for each customer segment's experience.
*Perception metrics provide the measurement of the perceived experience by a customer, determining how a customer thinks and feels about aspects of a specific experience they had.*
- o Always
- o Most of the time
- o About half the time
- o Sometimes
- o Never

Q44: We collect BEHAVIOURAL OUTCOME METRICS for each customer segment's experience.
*Behavioural Outcome metrics provide the measurement of the intended behaviours of a customer after an experience or multiple experiences with a business (i.e. churn rates, renewal rates, Customer Lifetime Value,*

*up-sell, cross-sell, cost to serve, actual recommendations made, actual purchases made, acquisition, retention, market share, wallet-allocation-rule, etc.).*

- o Always
- o Most of the time
- o About half the time
- o Sometimes
- o Never

Q45: We collect ATTITUDINAL OUTCOME METRICS for each customer segment's experience.
*Attitudinal Outcome metrics provide the measurement of the intended attitudes of a customer after an experience or multiple experiences with a business (i.e. NPS, CSat, ServQual, likelihood to purchase, brand preference, word of mouth, etc.).*

- o Always
- o Most of the time
- o About half the time
- o Sometimes
- o Never

Q46: We model the relationship between CX metrics and related business performance metrics.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q47: We have business-unit specific dashboards that visually represent the actionable CX KPIs by linking CX metrics with business metrics.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q48: We view CX metrics as an important part of the business scorecard reporting to inform all CX decisions.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q49: We link CX metrics with budget allocation to achieve our CX business objectives.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

***Thank you for your continued engagement. Your insights are invaluable.***

**Section 4: Differentiation**

The following questions will focus on your business's differentiation in the market. This differentiation entails the creation of unique value in your products, services, or overall offering. This distinguishes your business from competitors, strengthens its customer attraction and retention capabilities, and ultimately establishes a competitive advantage.

Please rate your agreement with the following statements.

Q50: It is difficult for our competitors to imitate us.
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q51: Our solutions are unique and nobody, but our business can offer them.
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q52: Our business processes, routines and culture are not easily copied.
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q53: Our advantages are embodied in our business; you can't copy us by stealing our employees away from us.
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q54: It took us several years to build our brand name reputation; you can't easily copy that.
- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q55: We are constantly investing in generating new capabilities that give us an advantage compared to our competitors.
- o Strongly agree
- o Agree
- o Somewhat agree

- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q56: If ever there was a new way of serving customers, our business would be able to offer that.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

---

The following statements refer to the agility of your business to respond to industry shifts.

Q57: We respond quickly to COMPETITOR shifts in our industry.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q58: We respond quickly to TECHNOLOGY shifts in our industry.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q59: We respond quickly to REGULATORY shifts in our industry.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

Q60: We respond quickly to CONSUMER BEHAVIOURAL shifts in our industry.

- o Strongly agree
- o Agree
- o Somewhat agree
- o Neutral
- o Somewhat disagree
- o Disagree
- o Strongly disagree

***Thank you for your continued engagement. Your insights are invaluable.***

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**Section 5: Market Performance**

The following questions focus on your business's market performance. This encompasses its effectiveness and success in the marketplace. It involves key aspects that determine your competitive position and ability to achieve desired outcomes, ultimately driving sustainable growth.

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Q61: Relative to your competitors, how well did your business perform in terms of the following measures over the past 3 years?

If your business is less than 3 years old, please focus on the most recent year.

| | Very Poor | Poor | Below Average | Average | Above Average | Good | Excellent |
|---|---|---|---|---|---|---|---|
| Customer Satisfaction | o | o | o | o | o | o | o |
| Behavioural Customer Loyalty | o | o | o | o | o | o | o |
| Attitudinal Customer Loyalty | o | o | o | o | o | o | o |
| Shareholder Value | o | o | o | o | o | o | o |
| Customer Life Value | o | o | o | o | o | o | o |

**Section 6: Financial Performance**

The following questions focus on your business's financial performance. This involves evaluating and measuring your business's financial health, success, and efficiency. The financial performance encompasses diverse financial indicators and metrics that provide insights into your business's financial standing, profitability, and overall financial well-being.
Please rate your agreement with the following statements.

Q62: Relative to your competitors, how well did your business perform in terms of the following measures over the past 3 years? If your business is less than 3 years old, please focus on the most recent year.

| | Very Poor | Poor | Below Average | Average | Above Average | Good | Excellent |
|---|---|---|---|---|---|---|---|
| Overall Financial Performance | o | o | o | o | o | o | o |
| Overall Sales Growth | o | o | o | o | o | o | o |
| Market Share | o | o | o | o | o | o | o |
| Profitability | o | o | o | o | o | o | o |

Q63: Please share any relevant information you deem important regarding Customer Experience Management or the survey.

**End of Survey**

Your response has been recorded.

I thank you for taking the time to complete this survey.
Your insights are invaluable and greatly appreciated.

If you are interested in receiving the results of this survey, please send a request to sumarie@brandbrew.co.za.