

The Power of Closed-Loop Feedback

Exploring how closed-loop feedback propels CVS Health toward its consumer-centric vision

Medallia



Imagine a young woman, struggling to breathe as she records survey feedback through video, describing an endless loop of phone calls and conversations with different call center representatives while she tries to attain approval of a medication that could help to save her native lungs. All she wants is for someone to hear her feedback and acknowledge that she is a real human being on the other end of the survey. She just wants someone to pay attention, to care and to take action to get her the help she so desperately needs.

This woman is a consumer of CVS Health. At the time her feedback was received, we thankfully had the technology, processes and representatives to hear her feedback, take action, and deliver medication that would save her lungs to her front door the next day, and on time as expected in the following months. This is just one of thousands of stories behind why CVS Health's leadership is committed to closing the loop on all consumer feedback for all survey programs, regardless of brand or survey type, empowered in large part by the Medallia platform.

Within a year of establishing CVS Health's closed-loop feedback (CLF) program, our frontline teams have contacted over 3 million consumers to resolve the human concerns on the other end of the survey and have seen Net Promoter System (NPS) scores continue to increase as a result, some business units hitting all-time high NPS scores.



A Vision for Consumer-Centricity

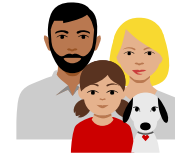
CVS Health is on a journey toward a truly consumer-centric approach to health care, guided by the vision of our CEO Karen Lynch – a lofty ambition considering the complexity of the U.S. health care system. The scope and scale of our reach is unparalleled, servicing over 100 million people across many brands: Aetna, CVS Caremark, Signify Health, Oak Street Health and more than 9,000 CVS Pharmacy locations.

Thirty percent of our consumers have overlapping relationships with multiple CVS Health brands, and consumers generally have a wide range of different interactions and experiences with those brands. For some, CVS Health is a convenient stop on the way home, or an app on their phone; for others, it's an essential aspect of their health care, which they rely on to live. We are committed to taking action on insights to improve experiences in alignment with consumer needs and expectations.



~85%

of Americans live within 10 miles of a CVS Pharmacy



>110m

Pharmacy Benefit Managers (PBM) members



>47m

unique digital consumers

According to Srikant Narasimhan, VP of Enterprise Customer Experience at CVS Health, “When we set out on this journey, we needed to define what consumer-centricity meant to us. To start, we needed to make sure we were listening to our consumers at key points along their journey. Consumers are the best evaluators of a company’s performance. But since feedback is only as valuable as the action it drives, we then needed to provide our colleagues with the right training, consumer insights and processes to help empower them to deliver a heartfelt and personalized experience. To truly be consumer-centric, consumers and colleagues need to be central in CVS Health operations, product/service designs and purpose.”

Consumer-centricity has become the holy grail of differentiation and growth across businesses and industries, but few companies have been able to truly realize consistent, broad perception from consumers that they are indeed consumer-centric. We are committed to prove otherwise, through a deliberate CLF strategy and processes aimed at achieving long-term, sustainable positive impact for consumers and the business alike.

Medallia



CVS Health Consumer-Centricity

Our consumer-centric vision is to give consumers a key voice in our operations, by not only listening to their feedback, but empowering our colleagues to act on it in real time and systemically.

 **CVS**Health[®]

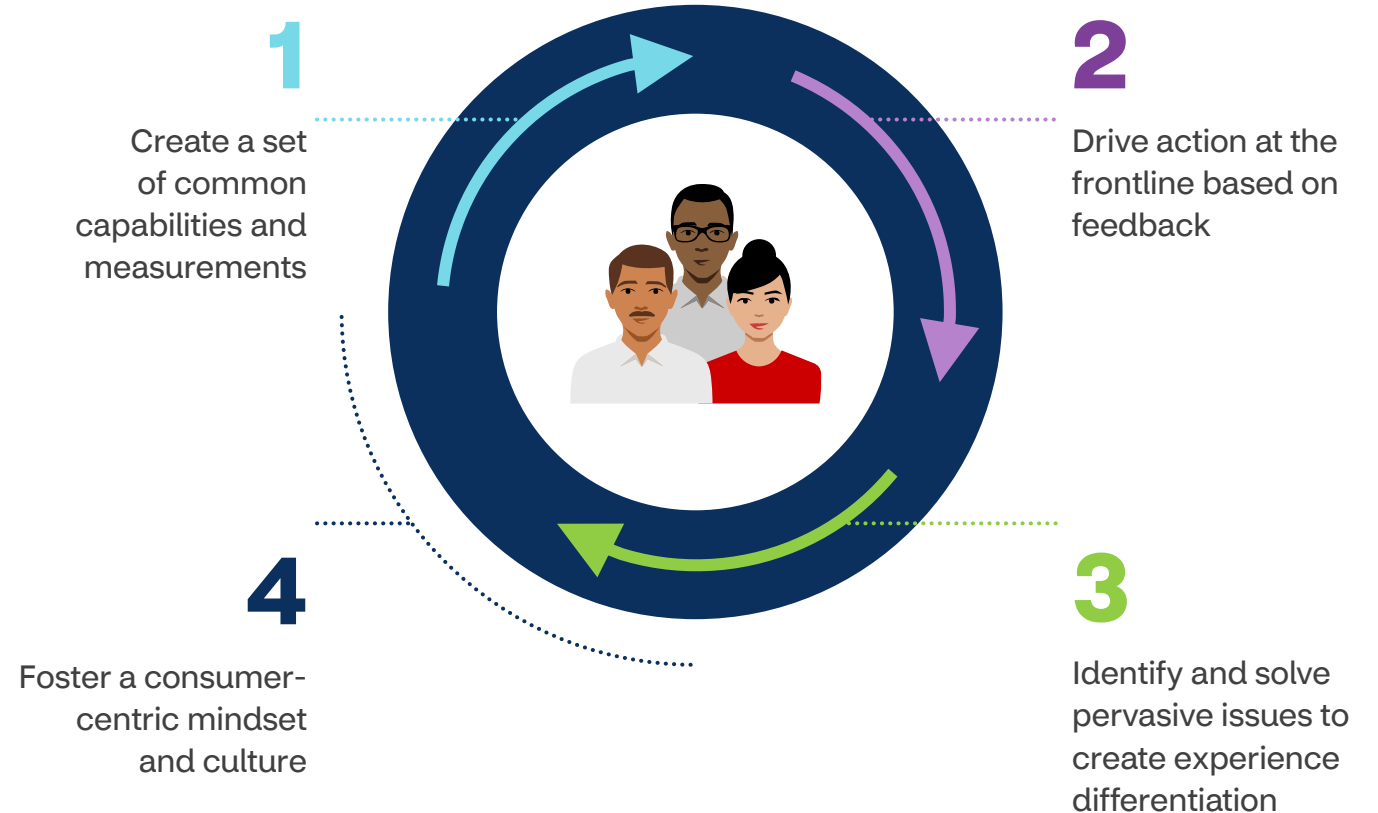
Consumer-Centric Strategy: Four Execution Pillars

At CVS Health, consumer feedback helps us better understand how we can provide the best care possible. With dedicated teams, tools and processes in place, we are building a strong Voice of the Consumer (VoC) foundation, advancing our ability to listen, learn, and ultimately drive action focused on improving how we do business to consistently deliver outstanding experiences.

When you put the consumer at the center of everything you do, you start to think differently. You develop empathy for the consumer. As we look across our consumer touchpoints, we are focused on four key pillars to drive consistency across the enterprise:

- 1 | Advancing our common capabilities
- 2 | Driving action at the frontlines
- 3 | Creating experience differentiation
- 4 | Fostering a consumer-centric culture

Our Consumer-Centric Strategy



Data-Driven Evidence on the Value of CLF

OPERATIONAL



Improve Response Rates



Increase CX Metrics

FINANCIAL



Improve Operational Efficiency



Increase Retention



Reduce Churn

The cost of not closing the loop is high. Medallia research shows that companies that consistently close the loop with consumers have a 23-point higher NPS, on average, than those who don't. Companies that close the loop with consumers within the critical 24- to 48-hour period after feedback is received may see a notable 6-point NPS increase, compared to those who close the loop in two or more weeks.

The reasons for this gap are clear; without rapidly closing the loop with consumers, organizations lose the chance to perform service recovery with unhappy consumers, and they lose the opportunity to inspire and reinforce preferred consumer behavior in happy consumers. They lose the chance to manage the brand's reputation with loyal and disloyal consumers alike, risking increased churn, increased negative word-of-mouth, decreased brand equity and decreased overall spend. Perhaps more importantly, organizations that don't close the loop lack the consumer and frontline insight required to diagnose and address pervasive issues. Without CLF processes, it is extremely difficult to pinpoint the full scope of issues which impact consumers, determine the scale of that impact, and analyze how and why those issues should be resolved.

According to Krystian Patterson, Enterprise Strategy for CLF at CVS Health, "Closed-loop feedback is a balance between science and art. When our organization standardized around a single primary CX metric and a common Voice of the Customer platform, we made a commitment that after three months of feedback collection, we would begin to act. Once our team members became familiar with the types of feedback we receive and gained comfort with the program, we shifted our focus to training them to take action."

Why Close the Loop?

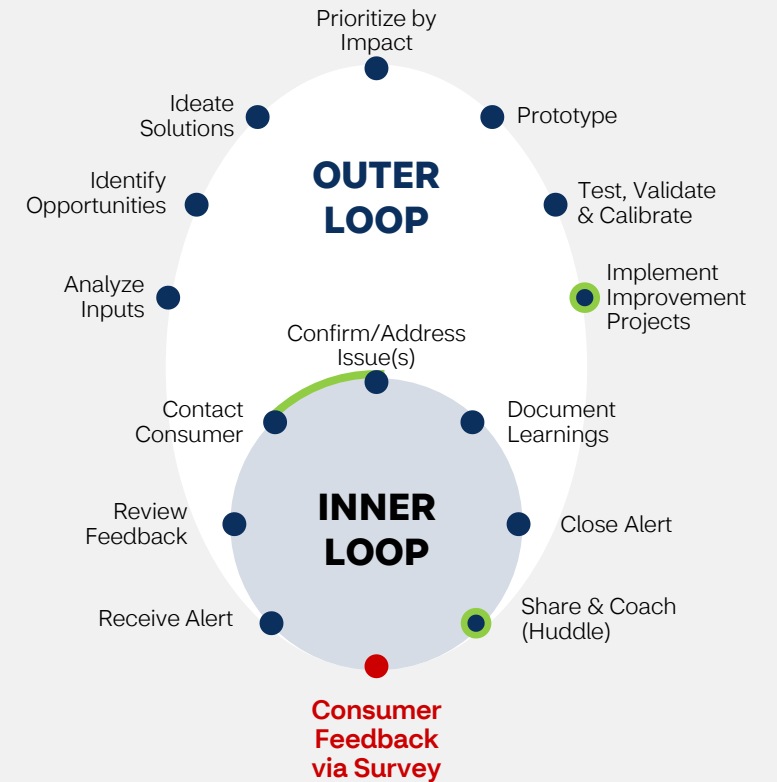
According to Medallia research, 75% of customer experience (CX) feedback efforts fail to demonstrate business value for organizations, even though executive leaders across industries readily and frequently question the value and impact of CX. Why? What is missing?

According to Rachel Terlau, Head of Medallia's Strategic Advisory practice, in order to bridge the gap between CX measurement and CX management, create a cultural shift from reactivity to proactivity, and to ultimately maximize business growth, teams must act on feedback by closing the feedback loop. Specifically, this requires not only following up with consumers on their feedback in near real-time - defined as the "inner loop" - but also harnessing consumer insights to proactively drive continuous improvement and foster innovation within the broader organization - the "outer loop." When organizations act via both the inner loop and the outer loop, they mature and evolve the customer experience in alignment with customer needs, expectations, and opportunities, and proactively manage the customer experience as a strategic lever for business growth.

Across all industries, CLF actions are proven to impact tangible business results. Medallia research shows that CLF has a direct connection to several critical operational and financial metrics, such as improved response rates, increased Net Promoter System (NPS) scores, greater operational efficiency, increased customer retention, and decreased churn. The health care industry is certainly no exception. In fact, 42% of consumers say that personal experience and peer recommendations directly influence their choice of a health care provider – more than double that of other industries like hospitality and travel, where only 20% of consumers say that personal experience and peer recommendations directly influence their choice.

In our case at CVS Health, Medallia found that effective CLF practices directly improved NPS scores and influenced consumer behaviors. For example, within CVS Pharmacy, consumer spend per visit increased up to 30% because of CLF action.

High-Level Overview of Closed-Loop Feedback Model



The Risk of Not Getting Started with CLF

Srikant Narasimhan, CVS Health, said that “Customer feedback is a mirror held up to a company; if you are willing to look, your customers will show you your inefficiencies and opportunities. That said, being willing to listen and, even more, act on feedback can be challenging. The best organizations in the world accept that challenge. At CVS Health, closing the loop is a critical part of that process. We have to be willing to not only listen to our customers but engage with them directly to learn and get better. We have to be willing to look hard into the mirror. We need to embrace the ways our customers challenge us and look to improve. Closing the loop enables that and is a critical tool for our consumer-centric vision.”

An extremely common pitfall that many organizations struggle to avoid is the desire to start at the finish line with CLF initiatives. Medallia's Strategic Advisory team works closely with many leading CX organizations to initiate and optimize their CLF efforts, and witness their clients fall into the trap of trying to start at the finish line with CLF initiatives. Advanced, mature CLF programs involve multiple facets that take time and energy to develop. They need the right processes, technology, dedicated resourcing, a consumer-centric culture, cross-functional coordination, and executive leadership buy-in. Trying to solve for everything at once before getting started with CLF efforts only results in lost time as well as an opportunity to

improve CX and drive innovation. Worse yet, lack of CLF action leads to more consumers who feel unseen, unheard and uncared for.

The risk of not getting started with CLF is particularly apparent due to the nature of the health care industry. For example, not everything is within the immediate control of the Consumer Experience design team; there are perpetual outside forces impacting how patients can be served throughout their health journey. Whether navigating regulatory and legal boundaries or the challenges of dealing with intermediaries, such as employers or plan sponsors, an inherent layer of complexity is always present when designing and implementing an enterprise CLF strategy.

Medallia shared that CVS Health, however, has rolled out a CLF approach over the last two years that represents the type of thoughtful balance all organizations should seek. “We were praised for carefully avoiding the “all or nothing” trap,” shared Krystian Patterson, CVS Health. “By establishing a long-term vision and a clear end goal, even though our initial approach started with a narrow, focused scope. We understood that to play the long game in a highly complex and ever-evolving organization, it’s more important to get started, learn, iterate and expand over time through incremental improvements, rather than attempt for perfection and allow business complexity to prevent progress.”



How Do You Scale a Closed-Loop Feedback Program Across Millions of Interactions?

When the CVS Health Enterprise Customer Experience team established our CLF strategy and began to address scaling efforts across the enterprise, we carefully considered the complexities of CVS Health’s breadth and reach.

“Our first step in laying out our vision for closing the loop across the enterprise was to define the consumer,” Krystian Patterson said, “CVS Health did not have a single definition of a consumer; a customer could be someone visiting one of our more than 9,000 Retail locations, a member with Aetna insurance business, a member having their prescription drug benefit managed by CVS Caremark or receiving care from a clinician at home, or in one of our clinics.”

After establishing the definition of consumer, the CVS Health Enterprise Customer Experience team began to create a set of standardized “guard rails” to articulate their long-term vision for CLF; considering specific best practices, disciplines and goals that could be applied across all lines of business.

Balanced, intentional prioritization also played a critical role in implementing CLF at scale. The Enterprise Customer Experience team focused on striking a balance between resource availability and anticipated volume of survey alerts, in order to implement a process that was both achievable and effective. Furthermore, the team prioritized CLF action for the highest impact topics and themes that emerged in feedback, using Medallia’s Text Analytics capabilities, alongside operational data like call center volumes, to determine where to focus efforts most efficiently.

These guard rails helped the CVS Health Enterprise Customer Experience team to establish a strong foundation for our CLF program and make fantastic strides in advancing how teams action upon feedback to follow up with consumers, perform service recovery, and uncover insights which are used to continuously improve service and experience delivery. However, the Enterprise Customer Experience team was still finding some inconsistency in levels of maturity, cultural buy-in and understanding of CLF processes and best practices across business units – a common challenge for large, complex organizations.

Enterprise Closed-Loop Guard Rails



Follow-up to all severe detractors with Rapid Response email



Follow-up with select promoters/passives



Expedited alerts for urgent issues/high impact themes with faster response SLA and telephonic outreach



Follow-up conducted within 24 hours



Using CLF data for root cause analysis



Dedicated time/teams established to do closed-loop activities

Evaluating CLF Program Maturity at CVS Health

In early 2023, Medallia's Strategic Advisory team collaborated with CVS Health to design and pilot a CLF Maturity Assessment. Medallia often receives questions from their clients asking, "What are others doing for CLF that we are not? How can I take my program to the next level?" which inspired the teams to partner in an assessment that would seek to help CVS Health advance our own program and create a repeatable framework for Medallia to proactively answer these types of questions with their other clients. The CLF Maturity Ladder serves as the framework for the assessment. It reflects identified markers and incremental stages of CLF program evolution, ranging from programs that are just getting started in initiating their CLF capabilities, to those that use CLF as a strategic lever to drive continuous improvement and innovation. The ladder focuses in on several "success domains" within the broader CLF umbrella: strategy and process, measures and reporting, system and automation, skills and competencies, and culture and buy-in.

"At Medallia, we have found many of our clients experience success from taking a brief pause, lifting their heads above water, and getting the right people in a room to take an unbiased look at the current state of CLF maturity in order to align on a clear path forward. You must be honest with yourself about where you are today, and

why, to get where you want to go." said Lauren Taylor Crawford, Director of Strategic Advisory.

The purpose of a CLF Maturity Assessment is three-fold:

- 1** Build a common understanding among cross-functional participants of what mature CLF programs entail across defined success domains and align on what tangible steps are required to advance maturity
- 2** Establish a documented current state baseline of CLF maturity for participating business units through rich and honest dialogue, in terms of what's going well, what's missing, and what challenges are preventing progress
- 3** Identify concrete improvement opportunities through gap analysis and Medallia's advising that can be prioritized to maximize outcomes for consumers, colleagues, and the business

The assessment was conducted with cross-functional CLF experts from four CVS Health business units over a two-month period. As a first step, Medallia held a CLF "Lunch & Learn" with the participants to educate teams on the art of the possible and orient around the capabilities required to

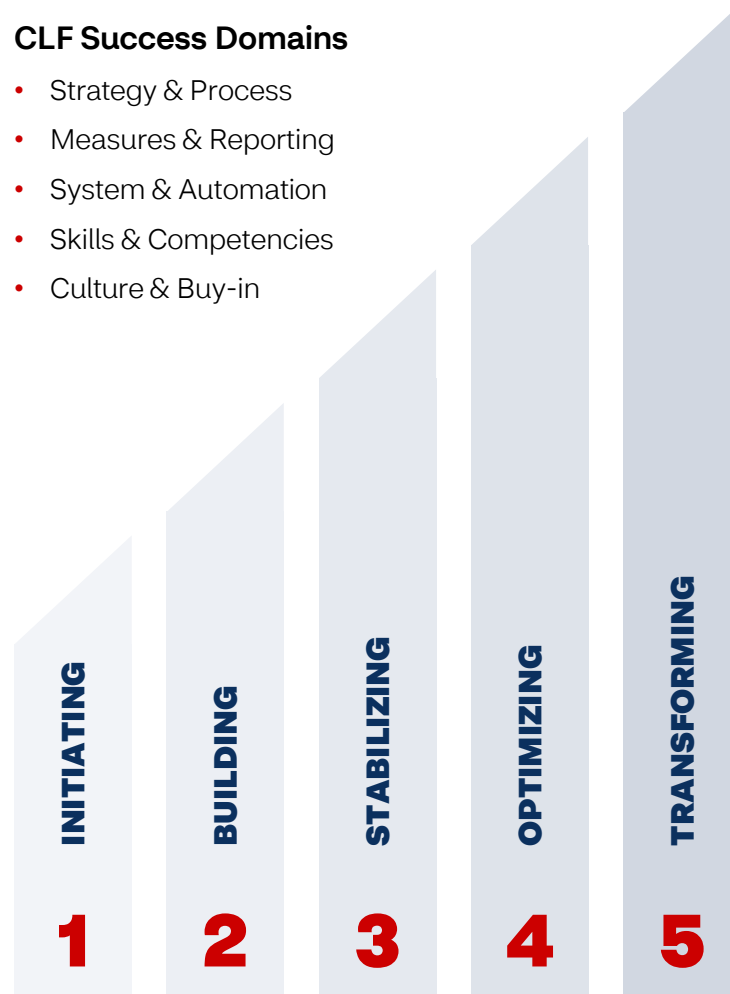
achieve the organization's big picture vision and strategy with CLF. Then, Medallia facilitated rich dialogue across each of the business units individually to evaluate overall CLF maturity, as well as maturity within each of the discrete success domains. Participants candidly shared where they felt they landed on the maturity ladder, what was working well in the CLF program, what was not working, what held them back from reaching the next level, and why.

Following these discussions, the Medallia team collaborated with the CVS Health Enterprise Customer Experience team to clarify gaps and opportunities, based on the CVS Health team's in-depth knowledge of the business and consumers, and Medallia's broader industry perspective on CLF best practices. The assessment team then regrouped with each business unit to share the findings, solicit feedback, brainstorm new ideas, refine the details, and break down the ideas into discrete improvement initiatives.

CLF Maturity Ladder

CLF Success Domains

- Strategy & Process
- Measures & Reporting
- System & Automation
- Skills & Competencies
- Culture & Buy-in



The assessment process demonstrated how it is challenging – yet critical – to strike a balance between establishing strategic enterprise-level consistency and standards, while taking a customized approach for each business unit based on specific consumer challenges they face. At CVS Health, Retail requires a very different CLF strategy compared to Specialty Pharmacy, as an example. A tailored, business unit-by-business unit approach, rather than quickly standing up broad stroke processes and SLAs across the enterprise, was necessary and worth the upfront time investment to achieve longer-term, relevant, strategic value outcomes for us at CVS Health.

The CVS Health Enterprise team utilized the recommendations and ideas from the assessment, along with our enterprise CLF guard rails, to develop detailed roadmaps for each distinct CLF program. Leaders from each business unit were held responsible and accountable for maturing CLF through these roadmaps. Together, we established a joint path forward with clear actions and goals.

Today CVS Health is demonstrating advanced maturity in several areas. For example, we have expanded outreach beyond service recovery for detractors to also include promoter communication. The team has started reaching out to brand promoters to thank them for providing

feedback and to understand what makes the experience exceptional. Not only does this step of the process delight the consumer (who was not expecting a response to their feedback), but colleagues also benefit from the chance to surprise and delight the consumer and celebrate the wins. The business too benefits from deeper engagement with loyal consumers, which leads to positive word-of-mouth and increased referrals.

Another example of advanced maturity is through the creation of the HEART committee, which was developed for the sole purpose of driving outer loop action within the business based on patient insights. The HEART committee brings together senior leaders within CVS Retail Health Services business to review patient pain points and commit to specific actions to address them. The group meets at a consistent cadence to review pain points, develop resolution plans, and discuss progress for initiatives in-flight. The HEART committee exemplifies the necessary accountability that leaders have to take as part of CLF efforts to enact real, sustained change that results in positive outcomes for patients' lives.

These are just a few examples of how we are sharing CLF process insights at a broader level within the organization, as well as with external audiences.

What's Next for CVS Health?

Moving Beyond the Inner Loop

While CVS Health's CLF journey has quickly expanded to include all areas of the enterprise, there is more work to do. We plan to regularly assess program maturity, double-down on opportunities to drive outer loop improvements within the business, challenge our CLF leaders to become more proactive, increase colleague empowerment through the CLF process, and continue to advance our technical capabilities.

Specifically, we intend to further integrate our operational data, customer segmentation data, historical feedback data, and relevant consumer behavior data to drive an innovative approach for consumer engagement. The team aims to consistently surprise and delight consumers, and ensure every moment of engagement is heartfelt, by empowering our 300+ thousand colleagues to deliver a consistent experience.

Another key tool to advance our program is to further leverage AI technology to improve the quality of consumer interactions and insight. Journey orchestration and automation is a key focus area to drive operational efficiency and more personalized, targeted experiences for consumers.

Lastly, teams are focused on further formalization of the outer loop process within each business unit. Insights from CLF activities are brought forward at business unit level steering committees, which have designated leaders with authority to prioritize initiatives that are targeted at improving the consumer experience. CLF insight is now becoming recognized as a key component for the organization to proactively address pervasive issues within the organization, and drive material business impact and value as a result.

One-to-many Communications

CVS Health receives between 16 and 17 million pieces of feedback annually from consumers who are willing to take the time out of their hectic lives to complete a survey. Through CLF, we can demonstrate that their feedback warrants action.

CVS Health's Enterprise CX Team collaborated with the business units' digital and marketing teams to create Active Listening microsites called: "You spoke, we listened." After a consumer submits their survey, they land on the site, where they see a list of initiatives that are specifically intended to improve the consumer experience - each of which was directly sourced from consumer feedback. These Active Listening sites are a way to

immediately demonstrate CVS Health's commitment to using the voice of the consumer to drive experience improvement, and the content is regularly updated to ensure relevance and timeliness. Over 85% of CVS Health's consumers have found the "You spoke, we listened" content to be useful.

Advisory Councils

In addition, several areas of the organization are starting to create consumer advisory councils, which bring in consumers from across demographics and NPS segments (promoters, passives, and detractors) to participate in virtual meetings with CVS Health's senior leaders and engage in active conversation related to experience improvement opportunities. This two-way dialogue between consumers and leaders builds the trust and loyalty needed to drive meaningful change in the health care industry today.

CX Champions and Broader Communications

Lastly, CVS Health established a unique SteerCo, called the Enterprise CX Champions, comprised of CVS Health senior leader attendees. The Champions meet bi-weekly to evaluate performance against defined goals and bring cross-enterprise consumer experience insights and opportunities from CLF to the forefront of the discussion. Representatives from each line of business regularly join the Enterprise CX Champions meeting to showcase in-flight initiatives targeted at improving the consumer experience based on feedback, and to brainstorm innovation opportunities with like-minded colleagues. Additionally, part of the agenda is left open to share and discuss video consumer feedback – whether positive or negative – so the leaders have an opportunity to hear directly from consumers.

“It’s one thing to read comments, and it’s another to have a room of executives hear from consumers when we get something wrong in the experience, and the pain it causes. Then the flip side to that is hearing the joy and appreciation when we get something right for our consumers, during what can be a challenging time in their lives or for a loved one they are caring for,” said Melissa Archambault, Executive Director, Customer Experience at CVS Health.

To drive broad awareness of CX initiatives and progress across levels of the organization, a weekly CX newsletter is shared with a subset of the enterprise. The newsletter shares videos from consumer feedback, along with Medallia’s Text Analytics Sentiment Analysis, and outlines the initiatives which were shared with the SteerCo. This outreach equips a broader population – who may not otherwise be aware of CLF and its value – with a better understanding of the importance of listening, acting and responding to consumer feedback. We will continue to build on the momentum established by the Enterprise CX Champions meeting cadence to reinforce good CLF behaviors as the organization continues to mature toward its north star of consumer-centricity. We plan to continue to expand and enhance our one-to-many communication channels due to this overwhelmingly positive feedback.





“Closing the loop with our consumers builds trust – they feel valued, seen and heard. Seventy-two percent of customers have a higher likelihood to recommend on their survey after we outreach to close the loop. Our colleagues also benefit from closed-loop processes and raise their hands to volunteer to be part of this because they are fulfilled by helping our consumers. It’s this follow-through that they find so rewarding, keeps colleagues engaged and wanting to do even more.”

Srikant Narasimhan, Vice President
Enterprise Customer Experience



For questions, visit the [Enterprise Consumer Experience Page](#) or contact [Melissa Archambault](#), Executive Director, Customer Advocacy and Strategy