Do Chief Customer Officers affect Firm Value? An Event Study

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Do Chief Customer Officers affect Firm Value? An Event Study

Abstract:

The number of Chief Customer Officers (CCO) is on the rise, growing over 1,000% between 2014 and 2019, according to Forrester. Yet, to date, there are no academic insights about this emerging role. We investigate the short-term stock market impact of CCO appointment announcements, using event-study methodology. Investors might perceive CCO appointments as positive (i.e., strengthening customer relationships) or negative (i.e., adding costs). We are the first to conceptualize the role of CCO and empirically assess market reactions, considering individual, role-specific, and contextual factors. Preliminary findings reveal no significant average abnormal returns across announcements, but considerable variability. Strikingly, we identify a significant negative effect for service firms, suggesting investors may react unfavorably in these contexts. These findings underscore the need to study the complexities of investors' responses and its nuanced implications for this executive role.

Keywords: Customer experience, Chief Customer Officer, Firm Value

Track: Marketing Strategy & Theory

Notes: *The authors used ChatGPT for spelling and grammar checks.*

1. Introduction of Paper

The number of Chief Customer Officers (CCO) has grown exponentially over the last years. According to Gartner's 2019 Customer Experience Management Survey, in only two years, the percentage of organizations having a CCO increased by 25%, meaning that 90% (782 firms) of the organizations in their sample had appointed a CCO. More recently, in 2021, Deloitte conducted a study in which 71% of the respondents indicated that they have had a customer experience-centric leader in place for more than six years.

While it may seem that the CCO is merely a rebranding of the Chief Marketing Officer (CMO), the two roles often coexist and collaborate within an organization's top management team (TMT). Cisco Systems provide a good example of it. In March 2018, Cisco announced the creation of the CCO role by appointing Maria Martinez as Executive Vice President and Chief Customer Experience Officer, while naming Gerri Elliott as Executive Vice President and Chief Sales and Marketing Officer . There are several reasons that explain the emergence of the CCO role. First, organizations are increasingly recognizing customer experience (CX) as a key source of competitive advantage (Gahler et al., 2022; Kranzbühler et al., 2018) and have made its management a top priority (Duncan et al., 2017). As organizations invest substantially in the design and management of CX (Kuehnl et al., 2019), it becomes essential to have an executive who advocates for the customer and develops customer-focused strategies that function as holistic tools to leverage customer-driven business growth (Bliss, 2015). Second, digital transformation has led to the explosion of big data analytics and customer feedback tools, which provided organizations with unprecedented insights into customer behavior, preferences, and pain points (Holmlund et al., 2020; Wedel & Kannan, 2016). The CCO role has emerged as a strategic leader responsible for deriving actionable CX insights and implementing solutions that enhance CX and improve customer retention. Third, traditional organizational silos often hinder the delivery of optimal CX (De Keyser & Van Vaerenbergh, 2024; Harvard Business Review Analytic Services, 2022). The CCO role has gained prominence as organizations work to foster collaboration and align customer-focused strategies across departments—such as marketing, sales, service, product development, finance, accounting, data science, and IT—to ensure a seamless and consistent experience at every touchpoint.

Despite the massive number of organizations adding a CCO to their TMT and the pressure these executives face to demonstrate the value of their customer-focused strategies, there are currently no academic insights into how this new role affects firm value. This is particularly striking, as upper echelons theory suggests that the characteristics of an organization's executives significantly influence its strategy and, ultimately, its performance (Hambrick & Mason, 1984). In the same vein, prior research has provided robust evidence that board composition impacts firm value and shareholder returns (e.g., Al-Shaer et al., 2024; Cao et al., 2022; You et al., 2020; Boyd et al., 2010). Moreover, because the CCO is a relatively new role, it is also critical to define its purpose and clarify its scope. Deloitte's Global CCO Study (2022), which surveyed 260 B2B and B2C CCOs across various industries, found that many executives step into the role without a clear understanding of what it takes to succeed. While the position carries high expectations, many CCOs noted the urgent need for a well-defined set of responsibilities and boundaries. In response, Deloitte has launched an intensive course specifically tailored for CCOs. Additionally, the potential overlap between the CCO and other C-level positions, such as the CMO, raises further questions about the strategic differentiation and organizational dynamics. The lack of clarity surrounding the role, coupled with its novelty, makes it difficult to determine how investors perceive and evaluate the CCO's contribution to shareholder value. This underscores the critical relevance of our research. First, we aim to conceptualize the role of the CCO. Although it is an increasingly important role in organizational strategy, its scope and functions remain poorly understood, as do the complexities of its relationship with the CMO. Second, we seek to estimate the impact of CCO appointment announcements on firm value using an event study methodology. Finally, we explore key contingencies such as (i) the CCOs' individual characteristics, (ii) the CCOs' role responsibilities, (iii) the top management team composition and (iv) the industry and firm-level context.

Our study makes several key contributions that expand the literature on customer-centricity, marketing-finance interface and TMT. First, by conceptualizing the role of the CCO and distinguishing it from the CMO, we advance the understanding of customer-focused leadership and clarify the unique strategic contribution of the CCO within the TMT. This knowledge is valuable not only for researchers but also for managers and organizations, as a clear definition of the CCO role serves as the foundation for aligning it with broader organizational strategy and leveraging it to achieve a competitive advantage. For investors, greater role clarity also makes it easier to evaluate and respond to appointment announcements. Second, by establishing the effect of CCO appointment announcements on firm value through an event study methodology, we contribute to the growing body of research linking customer-centric strategies with financial performance. Finally, by examining the contingencies that influence the impact of CCO appointment announcements, we reveal nuanced factors that shape the strategic, financial, and organizational implications of customer-focused leadership. These latter contributions provide actionable insights for managers and investors, enabling them to better form and manage expectations regarding the outcomes of customer-centric announcements.

2. Conceptualization of the chief customer officer (CCO)

The role of the Chief Customer Officer (CCO) and its responsibilities remain undefined in academic literature, so we draw on practitioner insights to conceptualize the position.

We define the CCO as the C-level executive that concentrates the responsibilities related to CXM, such as the implementation of a customer-centric culture and the identification of growth opportunities driven by customer insights. The CCO should understand customers' needs and expectations deeply, and translate these insights into actionable strategies. They coordinate leaders and cross-functional teams to ensure alignment towards a common goal: delivering value to customers (Newman, 2013).

In a business environment where customers expect more than mere transactional interactions, the Chief Customer Officer (CCO) is seen as a key driver of organizational progress. The CCO plays a pivotal role in dismantling internal silos and fostering a unified, seamless customer experience that reflects a cohesive "one-company version of the customer journey". (Bliss, 2015). Optimally, this role extends beyond customers, enhancing the employee experience (EX) and partner experience (PX) to build an integrated ecosystem of relationships. Acting as a strategic architect, the CCO is responsible for establish partnerships across internal functions like sales, marketing, and HR, as well as with external stakeholders, ensuring collaboration to deliver superior CX (Deloitte, 2021).

In a nutshell, the CCO bridges the gap between strategic intent and operational execution, embedding customer-centricity into the organization's DNA and ensuring its success.

3. Chief customer officer vs. chief marketing officer

The emergence of the CCO creates doubts on the positioning of the CMO. From our data collection, we observed that often these two distinct roles are complementary and coexist within the same organization, as is the case of Ford Motors, Walmart and Cisco Systems.

Boyd et al. (2010) defined the CMO as a member of the TMT that has three roles within the organization. First, the informational role, by which CMOs provide insights to the top management about potential changes (opportunities and threats) in the product market. Second, the relational role, by which CMOs strengthen the relationships with external stakeholders, namely, customers, advertising agencies and alliance partners. Finally, the decisional role, by which CMOs take part in top management's decisions about marketing-related investments.

Similarly, the CCO can be described as a member of the TMT with informational, decisional, and relational roles:. The critical difference lies in the perspective from which each role is approached. Through the informational role, the CCO helps the TMT identify potential changes in customer preferences and expectations, while efficiently and effectively disseminating this information at all levels of the organization. Concerning the relational role, the CCO focuses on both external and internal stakeholders. While the primary goal is to solidify relationships with customers, the CCO also prioritizes strengthening relationships within the organization by dismantling silos and fostering collaboration among leaders. This collective effort ensures a unified, one-company customer journey. Furthermore, the CCO emphasizes building strong relationships to improve both employee experiences (EX) and partner experiences (PX), understanding that a positive internal and partner ecosystem is crucial for delivering outstanding customer experiences (CX). By aligning these elements, the CCO creates an integrated and cohesive experience for all stakeholders, ultimately deepening the bond with customers. Finally, through the decisional role, the CCO actively participates in and is accountable for TMT decisions regarding customer-related investments and initiatives. This ensures that decisions reflect a comprehensive understanding of customer needs and align with the organization's strategic goals.

On a practical level, CMOs typically oversee advertising and branding. They are often responsible for conducting product-market research and supporting internal planning by forecasting future revenue and costs (White, 2015). The primary goal of the CMO within an organization is to build value by driving sales and revenue. In contrast, CCOs typically oversee the implementation of customer-centric initiatives and the management of customer experience across all touchpoints. They are often responsible for gathering and analyzing customer insights, identifying customer-driven growth opportunities, and ensuring the seamless integration of customer-focused strategies throughout the organization. Their primary goal is to create value for customers.

4. Theory

4.1 Announcement of CCO appointment and abnormal stock returns

In accordance with efficient markets theory (Fama, 1970), new information about the TMT should be immediately reflected in stock prices. Under this assumption, investors react instantly to the announcement of a CCO appointment, impacting firm value in the short term. The nature of this impact depends on how investors interpret the signal sent by the appointment (Connelly et al. 2024; Spence, 1973); . If investors view the appointment favorably, firm value is expected to increase; conversely, a negative perception could lead to a decline.

One potential positive signal to investors is that hiring a CCO demonstrates the organization's commitment to leveraging its customer-related assets. Research has shown that customer-related assets increase firm value more strongly compared to brand-related assets and advertising (Edeling and Fischer, 2016). Organizations that depend exclusively on traditional marketing departments to generate customer value may risk inefficient resource allocation. By appointing a specialist focused on maximizing customer-related assets, the organization signals to investors that it aims to prioritize these valuable opportunities.

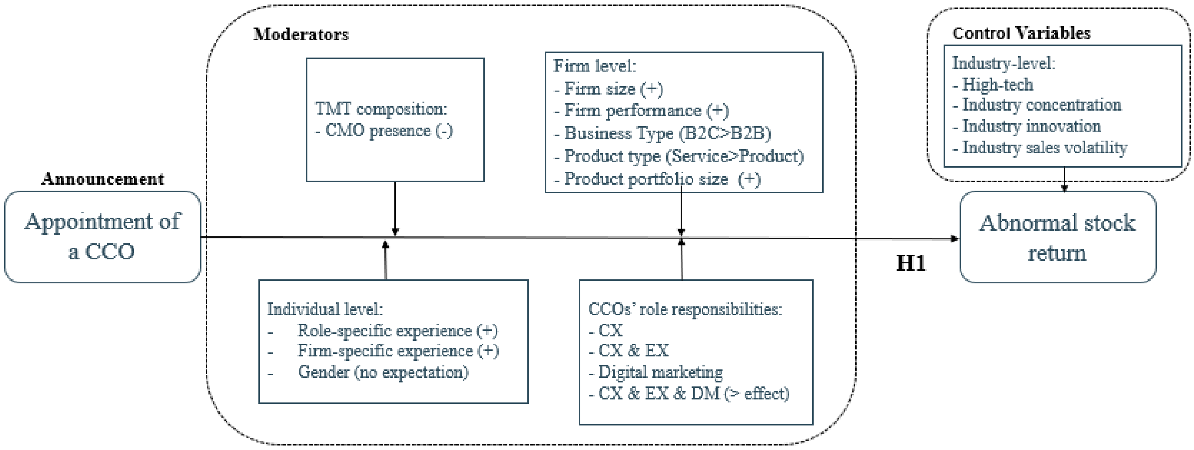
A key aspect of leveraging customer-related assets is improving CXM, the CCO's primary focus. By delivering meaningful experiences, organizations can attract and retain loyal customers who engage in repeat purchases, exhibit lower price elasticity, and have higher reservation prices (Fornell et al., 2006). Additionally, such organizations benefit from cross-selling opportunities and increased marketing efficiency (Fornell et al., 1996). Following this reasoning, investors might react favorably to the hiring of the CCO.

On the other hand, while customer centricity results in improved customer satisfaction, it can also introduce coordinating costs (Lee et al., 2015). Accordingly, investors may react negatively to the appointment of a CCO because they may fear that the inherent costs—such as the expenses of hiring, restructuring, and executing customer-focused initiatives—outweigh the financial benefits.

Ultimately, every strategic choice an organization makes involves some degree of associated costs (e.g., resource allocation, structural changes, or operational adjustments). However, in an evolving business landscape where customer expectations are rising and competition is intensifying, prioritizing customer satisfaction demonstrates a forward-thinking approach to sustaining competitive advantage. Given these considerations, we believe that investors will view the appointment of a CCO positively. Although the associated costs may be inevitable, the long-term benefits of enhanced customer satisfaction, loyalty, and organizational alignment are likely to outweigh these initial investments. Therefore, we hypothesize:

H1: The announcement of an appointment of a CCO has an immediate positive impact on abnormal stock returns.

4.2 Moderating variables of the effect of the announcement of CCO appointment



Note: Expected effects are in parentheses.

Figure 1. Theoretical Framework

Building on upper echelons theory, contingency theory, managerial discretion and firm value literature, we investigate the influence of potential moderators that might influence investors response to the announcement of the appointment of a CCO. Figure 1 categorizes these drivers into four groups. TMT composition refers to whether a CMO is part of the executive board at the time of the announcement. Individual-level variables relate to the CCO's role specific experience, CCO's firm-specific experience, and the CCO's gender. Firm-level variables include firm size, firm performance, business type (B2C vs. B2B), product type (services vs. products), and portfolio size. Finally, the specific responsibilities of the CCO's role pertain to its breadth—whether it encompasses solely customer experience (CX), or extends to include CX and employee experience (EX), digital marketing (DM), or all of the above. Figure 1 also presents expectations concerning the influence of these moderators on the investors response. Due to space constraints these expectations are discussed together with the results.

5. Methodology

5.1 Sample collection

To identify the announcements of CCO appointments, we used multiple sources, including Lexis Nexis, organizations' newsroom webpages, LinkedIn posts, and various business press outlets. Our final goal is to gather this information across Fortune 1000 companies; however, so far we were able to collect data for 500 organizations. Of these, over

200 organizations have appointed a CCO at some point in time, with over 50 having a CMO as well. We were able to identify 156 announcements of CCO appointments, of which 102 announcements relate to the appointment of the first-ever CCO in the organization (34 of which have a CMO as well). We focus our analysis on these announcements. Additionally, we collected stock price data for these organizations from Yahoo Finance to analyze market reactions to CCO appointments. This left us with a preliminary sample of 91 observations, since some organizations were not public at the time of the announcement. In this preliminary phase of our research, we have collected data only for a subset of the moderators included in our conceptual framework. As such, the results presented here should be considered exploratory and subject to refinement as additional data is gathered.

5.2 Event-study methodology

We used an event study (Sorescu et al., 2017) to calculate the abnormal returns (ARs) of our sample firms surrounding the announcement of the appointment of a CCO. Using the S&P 500 index, the Market Model was employed to calculate ARs, using an estimation window of 5 days. Next, we calculated cumulative abnormal returns (CARs) for several event windows and averaged CARs into a cumulative average abnormal return (CAAR) for the entire sample. In addition, we regressed CARs of each firm surrounding the CCO appointment announcement on some of our proposed explanatory variables (gender [female vs. male], CMO presence [yes vs. no], product type [service vs. manufacturing], business type [B2C vs. B2B], firm-specific experience [yes vs. no], presence of confounding events such as other leadership changes [yes vs. no]).

6. Results and discussion

6.1 Event study result and descriptive statistics

Our event study shows that on average, announcements of Chief Customer Officers do not generate significant abnormal returns. We run the analysis over the event window (-3,1) and obtain a mean CAR of .005, which is insignificantly different from zero (two-sided p = .315). However, there is considerable variability in abnormal returns. The standard deviation is 0.047, which is 9.4 times greater than the mean. The range spans from -0.183 to 0.171, and the ratio of positive to negative cumulative abnormal returns (CARs) is 53:38. This significant variability in investor reactions highlights the need for a thorough moderator analysis.

Among the dummy moderator variables, gender, representing the proportion of female appointments, shows a mean of .341, indicating a moderate representation of women. The

CMO variable has a mean of .341, showing that over one third of firms include a CMO. The Service (mean=.539, (mean=.571), B2C (mean=.495) and Firm Experience (mean=.560) variables are also rather balanced.

6.2 Regression results

The regression analysis offers intriguing preliminary insights into how investors react to the appointment of a CCO. Notably, the results obtained for Service (coefficient = -.021, p=.047) indicate a statistically significant negative effect, suggesting that firms in the service sector may experience adverse investor reactions following such announcements. This finding is quite surprising, as we were expecting the opposite effect. One possible explanation could be that investors already expect service organizations to have a strong customer centric culture due to the nature of its business. Hence, investors might perceive the appointment of a CCO as an inefficient allocation of resources rather than a decision that will bring substantial added value to the organization. Another possible reason is that investors perceive this appointment as a signal of weakness, since the organization might be addressing lower customer satisfaction levels, which is pivotal especially in service organizations. While the findings offer some evidence of sector-specific investor responses, the overall absence of consistent statistical significance across other variables suggests that investor sentiment toward CCO appointments may be influenced by broader market or contextual factors not captured in this analysis. However, it is crucial to emphasize that key moderator variables have not yet been collected, and the sample size in terms of events is still incomplete. This limited dataset undermines the interpretive power of our findings and highlights that the observed relationships may change as we continue to refine and expand our dataset. As such, the results presented here should be regarded as exploratory rather than conclusive. Looking ahead, we anticipate that a more comprehensive dataset will substantially enhance the robustness and interpretive clarity of the findings. A larger sample size and a complete set of moderator variables are expected to provide a richer understanding of the complex dynamics at play, potentially revealing stronger, more nuanced relationships between the appointment of a CCO and the investors' response. This underscores the value of this ongoing research and the potential insights that a fully developed analysis will yield, offering a deeper understanding of the strategic impact of customer-centric leadership roles.

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