

Customer experience:

Creating value through transforming customer journeys

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About this compendium

Almost every successful company recognizes that it is in the business of customer experience. Many businesses understand that it's no longer enough to compete on products and services; *how* a company delivers for its customers is beginning to be as important as *what* it delivers. Customers—whether they're airline passengers, online retail consumers, or IT-services outsourcers—not only increasingly dictate the rules but also expect high levels of satisfaction from the savviest practitioners and the sleepest industry participants alike. Companies that work to master this dynamic become superior competitors.

As leaders of McKinsey's Customer Experience Service Line, we are delighted to present this first volume of *Customer experience: Creating value through transforming customer journeys*. The compendium represents the collective thinking of our experts and practitioners, developed through years of working with customer-experience leaders around the world.

Our experience teaches us that the best customer-experience efforts begin with a “customer back” perspective driven by the customer's wants, not a company's traditional organizational structure. That makes the task of organizing and governing customer experience unique even among organizational designs that rely on cross-functional collaboration. The articles in this volume explore the critical elements of an effective customer-centric strategy, which can deliver benefits to customers, employees, and the bottom line. These include the central role of customer journeys, rather than touchpoints, in organizing and measuring improvement efforts; the importance of establishing a vision to bridge the gap between board direction and front-line engagement; the key role of measurement systems that allow a company to hear the voice of its customers; and the essential link between customer experience and value creation that can elude even the best-intentioned efforts.

We hope this volume enriches your understanding of the benefits of improving customer experience and spurs creative thinking about ways to overcome challenges in the process. We invite you to share your thoughts and feedback.



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Introduction

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What do my customers want? This is the question that every executive asks and that the savviest executives are asking more frequently than ever. Technology has handed customers unprecedented control over the experience of purchasing goods and services. The process increasingly plays out in fluid, hypercompetitive, and always-on markets with many channels and touchpoints, or individual interactions.

More and more, customers expect the levels of satisfaction they receive from leaders such as Amazon, Apple, and Google—and they expect this from even the sleepiest corners of markets across all industries. Meanwhile, leading service providers also differentiate themselves through technology. Advanced analytics gives them rapid customer insights, so they can move with unprecedented speed and agility.

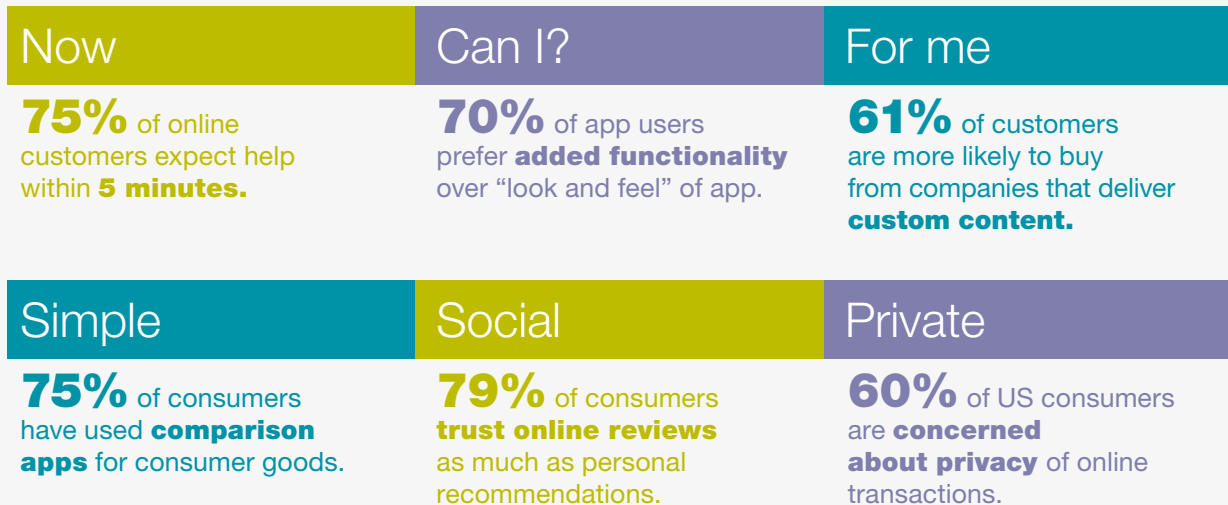
Most companies therefore operate in complex, highly unsettled business environments. Customers increasingly dictate the rules. Three-quarters of them, research finds, expect “now” service, within five minutes of making contact online. Similar percentages want a simple experience and use comparison apps when they shop for consumer goods. Moreover, they not only expect providers of services and products to do business on digital platforms but also insist on

a “social” experience. They put as much trust in online reviews as in personal recommendations (Exhibit 1).

Many businesses already understand that it’s no longer enough to compete on products or services. In our work, we find that how an organization delivers for customers is beginning to be as important as what it delivers. Companies that make it easier for them to connect in what they regard as a positive way tend to make inroads on the competition. The best will adapt their processes, cultures, and mind-sets to manage the entire customer experience skillfully—which benefits not only consumers but also employees and the bottom line.

But other companies, for many reasons, fail to deliver a compelling customer experience. A lot of managers think about it in very narrow terms, focusing only on individual topics and forgetting about the overall system for delivering value. Some excel at specific kinds of interactions with customers but ignore the fuller experience, both before and after the purchase. Others concentrate on fixing their operations but forget to look at them through the eyes of the customer. And most organizations still tend to underestimate the importance of the internal cultural changes needed to achieve and sustain a new approach to the customer experience. The list goes on.

Exhibit 1 Customer behavior and expectations are changing.



Source: McKinsey Digital Labs

Companies reap great rewards when they transcend these challenges and transform their approach so that they focus on the right things. Across industries, successful projects for optimizing the customer experience typically achieve revenue growth of 5 to 10 percent and cost reductions of 15 to 25 percent within just two or three years. Moreover, companies offering an exceptional customer experience can exceed the gross margins of their competitors by more than 26 percent while they make their employees happier and simplify their end-to-end operations.

Customer experience: Creating value through transforming customer journeys represents the fruit of several years of research and hands-on work by McKinsey’s global Customer Experience Service Line in helping its clients build outstanding capabilities. The articles here reflect our latest thinking on the hallmarks of successful customer-experience

programs—thinking that we have distilled from our work with leading players around the world.

Central to these efforts is a focus on identifying, understanding, and mastering the customer journey: the complete end-to-end experience customers have with a company *from their perspective*. That journey has a clearly defined beginning and end spanning the progression of touchpoints. Customers don’t know or care who in a company owns the individual experience of billing, onboarding, service calls, and so forth. From their perspective, these are all part of one and the same journey.

The effort of perfecting the most important journeys for customers can be hard, but companies can give them experiences that make them want to come back by focusing on the task. In the process, they will reap sizable rewards: more satisfied customers

and employees, higher revenues, lower costs, and improved organizational collaboration. Our work has taught us that the most successful programs of the most successful practitioners have six hallmarks. The articles and case studies in this volume will explore in depth the strategies and tactics that shape them.

1 Define a clear customer-experience aspiration and common purpose

In large, distributed organizations, a distinctive customer experience vitally depends on a deeply rooted collective sense of conviction and purpose to serve the customer's true needs. This basic fact must become clear to every employee through a simple, crisp statement of intent: a shared vision and aspiration that's consistent with a company's brand value proposition as well as *authentic*; in the always-on era of ubiquitous video and social media, inconsistencies will be exposed quickly. The most recognizable example of such a shared vision may be the Common Purpose¹ of The Walt Disney Company: "We create happiness by providing the finest in entertainment for people of all ages, everywhere." The statement of purpose should then be translated into a set of simple principles or standards to guide behavior all the way down to the front line.

Customer journeys are the framework that allows a company to organize itself and mobilize employees to deliver value to customers consistently, in line with its purpose. When most organizations focus on the customer experience, they think about touch-points, the individual interactions through which customers engage with parts of the business and its offerings. But this siloed focus misses the bigger—and more important—picture: the end-to-end experience of customers. Only by looking at it through their eyes, along the journeys they take, can companies begin to understand how to improve the customer experience in a meaningful way (Exhibit 2). Although functionally aligned organizations can have

difficulty orienting themselves to the common purpose, the journey serves as its critical link with the activities of individual functions. In this way, the widely distributed operations of thousands of employees in very different areas can deliver a great customer experience.

2 Develop a deep understanding of what matters to customers

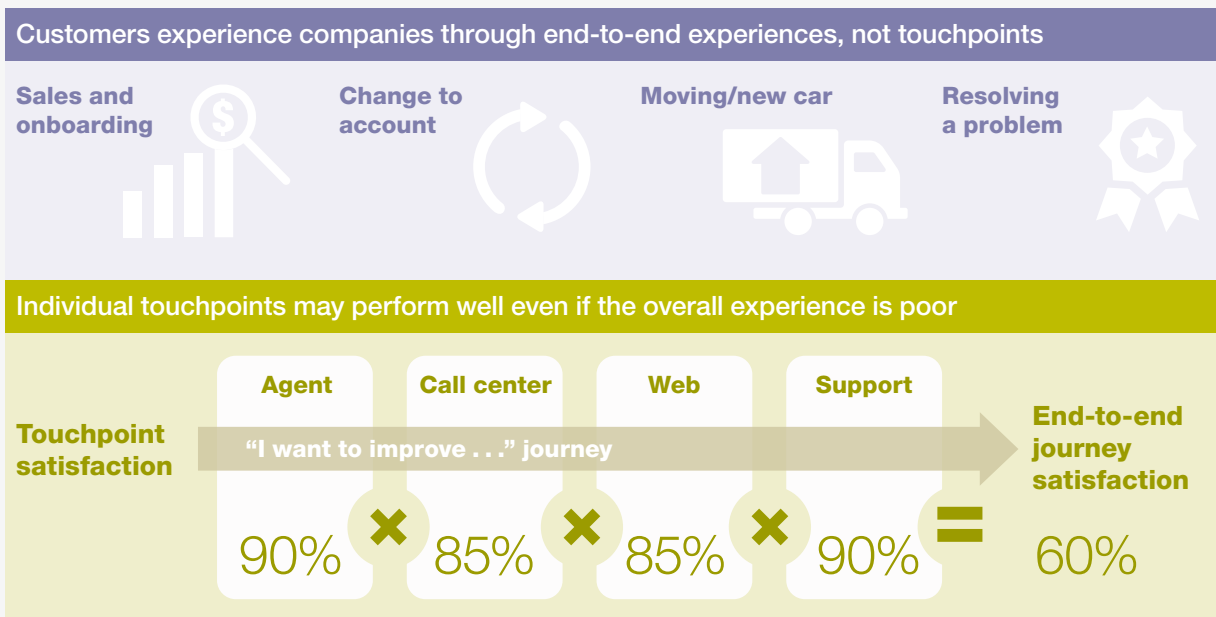
Customers on their journeys hold companies to high standards—the best products, which never break or require upgrades and are immediately available, purchased with the help of high-caliber employees, at rock-bottom prices. How can companies determine which of these factors are the most critical to the customer segments they serve? Which generate the highest economic value? Understanding the most important journeys, customer segment by customer segment, helps a business maintain focus and have the greatest impact on the satisfaction of its customers and its own bottom-line performance.

Fortunately, the advent of big data and advanced analytics has helped organizations parse the factors that drive not only what customers say about the things that satisfy them but also the actual customer behavior that creates economic value. Similarly, multiple sources reflecting the voice of the customer—including surveys, social media, and the real-time chronicling of the shopping experience—can illuminate the current performance of companies in managing their customers' journeys. Once they have identified the most important journeys and defined their strengths and weaknesses, the process of redesigning and prototyping can begin.

3 Use behavioral psychology to manage the customer's expectations

Leading customer-experience players understand that deftly shaping perceptions of underlying operational improvements in the delivery of products

Exhibit 2 Best-in-class companies optimize customer journeys, not just touchpoints.



Source: McKinsey Digital Labs

or services can generate significant additional value. One tool such organizations find increasingly effective is behavioral psychology, used as a layer in the design process. For example, they can design the sequence of interactions with customers to end on a positive note. They can merge different stages of interactions to diminish their perceived duration and engender a feeling of progress. And they can provide simple options that give customers a feeling of control and choice.

4 Reinvent customer journeys using digital technologies

Customers accustomed to the immediacy, personalization, and convenience that define digital natives such as Amazon and Google now expect the same kind of service from established players. Research shows that 25 percent of customers will defect after just one bad experience.²

Customer-experience leaders can become even better by digitizing the processes behind the most important customer journeys. In these quick efforts, multi-disciplinary teams jointly design, test, and iterate high-impact processes and journeys in the field, continually refining and rereleasing them after input from customers. Such methods help high-performing incumbents release and scale major customer-vetted process improvements in under 20 weeks.

This methodology helps customer-experience leaders speed up their operations. Data show that they also significantly outperform their competitors, generating cumulative shareholder returns that are 35 percentage points higher than the broader market.³ But to achieve those results, established businesses must embrace new ways of working.

Use customer journeys to empower the front line

Every leading customer-experience company has motivated employees who embody the customer and brand promise in their interactions with consumers and are empowered to do the right thing. Companies centered on customers engage them at every level of the organization; employees work directly with them in retail settings, take calls, and get out into the field. In the early years, for example, Amazon famously staged “all hands on deck” sessions during the year-end holidays, a tradition that lives on in the employee-onboarding experience.⁴ Some organizations create boards or panels of customers to provide a formal feedback mechanism.

We’ve distilled four simple rules from leading practitioners for building a sense of engagement on the front line. First, listen to employees and establish mechanisms to address their issues and needs. Next, hire for attitude, not aptitude—in other words, if you want to provide friendly service, hire friendly people. Interviewing prospective employees in groups, as JetBlue Airways does, is one way to observe how they interact. Then, give your people a purpose, not rules, so that the company sets clear expectations and lets employees know that it trusts them to do their jobs. Finally, tap into the creativity of your front-line employees by giving them the autonomy to do whatever they can to improve the customer experience and fix problems themselves.

To improve constantly, establish metrics and a governance system

The key to satisfying customers is not just to measure what happens but also to use the data to drive action throughout the organization. Leading practitioners start at the top, with a metric to measure the customer experience, and then cascade downward into their key customer journeys and performance indicators. To move from knowledge to action, companies need proper governance and leadership. Best-in-class organizations have governance structures that include a sponsor—a chief customer officer—and

an executive champion for each major kind of cross-functional customer journey.

Full-time teams carry out their day-to-day work in the existing organization because to succeed, the transformation must take place within normal operations. To foster understanding and conviction, leaders at all levels must role model the behavior they expect from these teams, constantly communicating the changes needed. Formal reinforcement mechanisms and skill-building activities at multiple levels of the organization support the transformation, as well.



Mastering the concept and execution of an exceptionally good customer experience is a daunting challenge, but an essential one in today’s rapidly changing business environment. We hope that these articles and case studies inform your understanding of what customers want and your strategies for creating value by improving their experiences with your company. ■

¹ The Common Purpose is the intellectual property of The Walt Disney Company. See Theodore Kinni, *Be Our Guest: Perfecting the Art of Customer Service*, second edition, Lake Buena Vista, FL: Disney Institute, 2011.

² “The disappointed customer,” Thunderhead, August 6, 2015, thunderhead.com.

³ *The 2015 customer experience ROI study*, Watermark Consulting, June 2015, watermarkconsult.net.

⁴ Brad Stone, *The Everything Store: Jeff Bezos and the Age of Amazon*, first edition, New York, NY: Little, Brown and Company, 2013.

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Developing a customer-experience vision

To provide a distinctive experience for customers, an organization must unite around the goal of meeting their true needs. Done well, the effort can power a vast amount of innovation.

Brooke Boyarsky, Will Enger, and Ron Ritter



© John Rowley/DigitalVision/Getty Images

Almost every successful company recognizes that it is in the customer-experience business. Organizations committed to this principle are as diverse as the online retail giant Amazon; The Walt Disney Company, from its earliest days operating in a small California studio; and the US Air Force, which uses an exotic B2B-like interface to provide close air support for ground troops under fire. Conversely, companies that are not attuned to a customer-driven marketplace are remarkably easy to spot. Consider the traditional US taxi industry, which is facing significant new competition from the likes of Lyft and Uber. Customer-service standouts clearly understand that this is central to their success as businesses.

Knowing that your organization is primarily in the customer-service business is not, however, enough to achieve organizational change. To build internal momentum for initiatives to develop a unique customer experience, a company must understand how that helps it perform distinctively in the market. The conviction and shared aspiration that stem from understanding the customer experience an organization wants to deliver can not only inspire, align, and guide it but also bring innovation, energy, and a human face to what would otherwise just be strategy. The story of one US airport's efforts to define a distinctive customer experience illustrates how such a transformation can take shape.

Defining aspirations

The customer experience an organization wants to provide can vary widely. For some companies, this transformed experience represents a step change. For others, the aspiration may, at least in the short term, require only more modest changes. Either way, the aspiration will translate into an overall mission and, ultimately, into guiding principles for frontline behavior.

One caveat: it is easy to err by aiming too low. In our experience, looking at historical performance and at whatever helped satisfy customers in the past can often make marginal tweaks seem good enough.

Understanding the *fundamental* wants and needs of customers must be a step in determining what a great experience for them should look like.

For example, five years ago, a taxi company might have thought that decreasing the wait time when a customer ordered a cab would be sufficient. But some companies saw a competitive opportunity in addressing the wishes of customers trying to deal with a transportation challenge by getting more control, comfort, and safety, as well as lower costs. Understanding and addressing customer needs more effectively is a key reason successful start-ups disrupt industries in today's more customer-centric marketplace.

We find that several key questions commonly underpin successful stories and strategies:

- What is a company's appetite for change in the near term? Is the goal to change the customer experience fundamentally or simply to improve it at the margins?
- What is the gap between the needs and wants of customers and what they actually experience?
- How can the company gain a customer-experience advantage against competitors?
- At which point in the experience should the company concentrate to have a real impact?
- How do the overall capabilities of the staff support the customer experience the company wants to provide?

It is vital to define an aspiration centered on what matters to customers—and on how it affects your business. There may be no customer-experience location more demanding than major airports, and executives at one recently discovered how powerful and counterintuitive the responses to these questions can be. The executives formed a broad

change team and spent several months determining what the airport should aim to deliver. Their aspiration at once captured the simplicity of the goal and the daunting complexity of the task: to provide the most enjoyable and efficient way possible for travelers to get from one destination to another.

The effort to deliver that experience started with a multilayer diagnostic. It involved complex analyses, passenger tracking (via Wi-Fi) that yielded more than a million data points in the first few weeks, and employee focus groups that concentrated on the issues that matter to employees and customers. Traditional shop-floor observations were included

as well. Combining these inputs, the airport's team developed a profile of what makes customers satisfied (or dissatisfied) with airports, as well as actionable insights that led directly to the design of a new customer-experience program (exhibit).

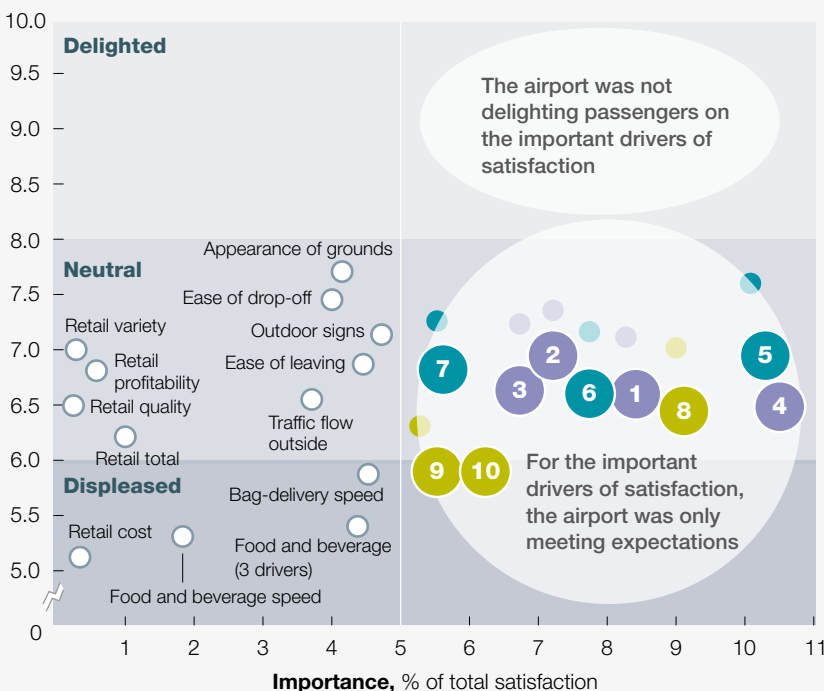
There were surprises because initial ideas about what matters to customers were not always accurate, so the airport was at risk of being pulled into aspects of its operations that did not really matter. Among the drivers that did, such as moving smoothly through security, what really satisfied customers was not always obvious. For example, satisfaction with interactions involving the Transportation Security

Exhibit

The customer-experience program was designed to solve an airport's problems serving travelers.

● Comfort ● Ease ● Speed ● Other

Average customer-satisfaction score (1–10; 1 = lowest; 10 = highest)



Source: McKinsey analysis

- 1 Restroom cleanliness and availability
- 2 Availability and quality of postsecurity seating
- 3 Relevant and timely journey information
- 4 Entertainment for long-stay passengers
- 5 Finding check-in and Transportation Security Administration (TSA)
- 6 Finding ground transportation
- 7 Check-in process
- 8 Perception of efficiency and courtesy of TSA
- 9 TSA checkpoint layout
- 10 Passenger processing through TSA

Administration (TSA) had more to do with the customers' perceptions of the way its officers behaved than with time spent standing in line.

Understanding customers and their journeys

Gathering and segmenting data are classic starting points in understanding customers. But data are not enough. Successful customer-experience efforts apply a human filter to the collected data to ask overarching questions. Exactly who are my customers as individuals? What motivates them? What do they want to achieve? What are the fundamental causes of satisfaction? Obviously, tackling these questions requires a concerted analytical effort, which helps an organization design and implement a more sophisticated program and, critically, persuade employees to embrace its goals.

The airport turned to the Compass Model,¹ drawn from Disney—one approach to understanding different types of customers. The points of the compass help an organization plan a customer-satisfaction program by identifying emotional mind-sets, wishes, and needs. In the airport's case, the compass showed the following:

- **north:** needs, or what the customer desires from the experience. Some needs are stated, but it is important to understand that many are not. *I need to transfer to an aircraft to begin an air-travel journey* might be one need.
- **west:** wants—the underlying objective or purpose of travelers, stated, unstated, or perhaps not even fully recognized by them; for example, *I want a really positive end to my business trip that leaves me feeling good, relaxed, and in a positive mind-set to go home.*
- **south:** stereotypes, or preconceived notions, positive or negative, that customers have about the airport experience. A customer might expect

this: *Curbside will be a hassle. TSA lines will be long and hard to predict. There will be no time to eat. And the airline may lose my bag, so best to carry it onboard.*

- **east:** emotions that customers have or are likely to experience; for example, *I feel rushed and annoyed that this is so hard to deal with. I'm anxious about getting to the gate and missing my flight. I really need this trip to be behind me.*

Organizations can bring the customer's perspective into focus through something as simple as these four points. This approach also helps employees align their perspectives with a customer-experience program and connect much more effectively with customers. Of course, it can also be used to better understand and ultimately support employees—the people who must deliver great service.

How employees deliver

A year into the airport's transformation, a member of its board shared a leadership insight that struck at the central role employees play in delivering a superior customer experience and the organizational challenge it poses for management. "I will care about what you say when I believe you care about me," the board member recalled one frontline worker saying to him. At the airport, 18,000 people work for more than 60 entities. All customer-experience leaders understand that they can provide a great experience only through frontline workers.

Such a customer experience begins with employees who know about it, care about it, and are well positioned to deliver it. In the case of an airport, it can't be provided by employees who must wait 45 minutes in the cold in a staff-shuttle line, have no real "backstage" area to step away from customers during breaks, lack training outside their own narrow technical tasks, or resent leaders who never ask for (or even appear to care about) their input.

During the airport's diagnostic stage, staffers from many organizations were regularly seen avoiding contact with customers: marching through the airport, hats pulled down, heads bowed, work badges removed on their way to their places of work. Were these just grumpy staff members? Far from it. Focus groups revealed that employees tried to avoid dealing with travelers' questions because the employees had no answers. Many lacked practical tools to help customers or even training in basic navigation around the airport complex. The upshot: organizations must make frontline workers customer-experience leaders by bringing them closer to customers. Transforming the customer experience requires an engaging employee experience.

Creating a shared aspiration

The highly diverse, frontline nature of superior customer-experience programs requires a shared aspiration, which can serve as a guiding light for strategic decisions and execution. Otherwise, a corporate strategy to improve the customer experience will go only so far.

At Disney, for example, all cast members share an aspiration they call the Common Purpose: to "create happiness."² In the military or in organizations such as the US National Aeronautics and Space Administration, stakeholders follow "commander's intent," a shared aspiration that can unify all interested parties around a mission. Commander's intent also succinctly describes what constitutes success for the operation. It includes the operation's purpose and the conditions that define the end state, as well as the mission, the concept of operations, and the tactical behavior needed for the desired outcome.

The airport's broad leadership team came together in a series of sessions to agree on an ultimate purpose. Discussions involved more than 60 entities as diverse as airlines, coffee vendors, the local police department, the TSA, and janitorial contractors.

The shared aspiration the group decided on was "to delight and value each guest with the finest airport experience in the world."

The work that followed sought to apply this aspiration to a set of thematic objectives that would begin to frame the airport's customer-experience transformation and the way stakeholders would achieve it. For the airport, this effort yielded a list of outcomes covering the customer's end-to-end airport experience:

- **safety:** assuring the safe and secure conduct of all guests and staff (an obvious and paramount objective in an airport)
- **comfort:** improving the quality of the experience in seating, entertainment, restrooms, interactions with employees, and architectural and design style
- **ease:** helping customers find their way around the airport, understand what to do while there, get help, and learn the best way to spend their time on-site
- **speed:** compressing wait times, creating early bag-drop options, and navigating congestion

Executing change

In our experience, this kind of simple formulation can serve as a powerful foundation for channeling problem solving and innovation to unite team members at all levels. Large, diverse organizations need simplicity and structure to execute at scale. To believe in a customer-experience program and to engage with it actively, employees must know that leadership clearly understands the situation, has an organized way to move forward, and is serious about change.

Three things create this strong basis for action: a definition of the degree of change desired, a strong understanding of what matters to customers, and

a shared aspiration and framework for change. Innovation teams formed to achieve these objectives generate high-impact ideas. A large part of building a common aspiration involves seriously engaging front-line leaders in this kind of practical innovation. People can fully engage their minds with the problem at hand, see progress, and feel entrusted with the goal of promoting change. Metrics reflecting the stages of the customer's end-to-end experience are also essential to reinforce its overall quality.

Thus, with a shared aspiration clearly defined, airport administrators and team members organized groups of employees around the four customer themes: safety, comfort, ease, and speed. The teams then doubled down on the employee experience with a care-and-recognition effort. Mixed teams, with stakeholders from the airline, car-rental, retailing, law-enforcement, and airport staffs, actively worked to develop ideas, including new apps to navigate around the airport, new forms of entertainment, layout changes, and a curbside valet and bag check at parking garages.

Throughout the whole organization, from the board level down, the most critical idea was a simple focus on the conduct of all staff members across the airport's 60-odd entities. The employee team developed five defined points as the bedrock of a great customer experience:

- Remain mindful of surroundings, and stop unsafe behavior.
- Pick up trash or report an area that needs attention.
- Display appropriate body language and use a calm tone of voice.
- Make eye contact and smile.
- Stop and proactively offer to assist with the next step in the customer's journey.

These points provided the link between the staff and the underlying customer-experience drivers. Not one of the frontline employees needed to understand the complex regressions used to identify customer preferences. They could simplify what was needed so well that all of them, regardless of employer, could follow through with effective action.

Two years after the project's launch, more than 50 staff members gather every other week to reinforce and advance this level of shared aspiration by solving problems, developing innovations, and demonstrating distinctive examples of the behavior the project was designed to encourage. Average retail spending per passenger at the airport is more than 15 percent higher than the pretransformation baseline. On the front lines, engagement among stakeholders is also on the rise. TSA officers recognize curbside staff members. Airline employees acknowledge peers from competitors. The CEO and his staff are out on the front lines interacting with employees and working to realize the goals that form the living manifestation of the customer-experience strategy.

If you carry the aspiration forward, it is even possible to envision a return, someday, to the spirit of the early days of flying, when an airport was a place where visitors felt privileged to spend time. ■

¹ The Compass Model is the intellectual property of The Walt Disney Company. See Theodore Kinni, *Be Our Guest: Perfecting the Art of Customer Service*, second edition, Lake Buena Vista, FL: Disney Institute, 2011.

² The Common Purpose is the intellectual property of The Walt Disney Company. See Kinni, *Be Our Guest*.

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From touchpoints to journeys:

The competitive edge in seeing the world through the customer's eyes

To maximize customer satisfaction, companies have long emphasized touchpoints. But doing so can divert attention from the more important issue: the customer's end-to-end journey.

Nicolas Maechler, Kevin Neher, and Robert Park



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When most companies focus on customer experience they think about touchpoints—the individual transactions through which customers interact with parts of the business and its offerings. This is logical. It reflects organization and accountability, and is relatively easy to build into operations. Companies try to ensure that customers will be happy with the interaction when they connect with their product, customer service, sales staff, or marketing materials. But this siloed focus on individual touchpoints misses the bigger—and more important—picture: the customer’s end-to-end experience. Only by looking at the customer’s experience through his or her own eyes—along the entire journey taken—can you really begin to understand how to meaningfully improve performance.

Customer journeys include many things that happen before, during, and after the experience of a product or service. Journeys can be long, stretching across multiple channels and touchpoints, and often lasting days or weeks. Bringing a new customer on board is a classic example. Another is resolving a technical issue, upgrading a product, or helping a customer to move a service to a new home. In our research, we’ve discovered that organizations that fail to appreciate the context of these situations and manage the cross-functional, end-to-end experiences that shape the customer’s view of the business can prompt a downpour of negative consequences, from customer defection and dramatically higher call volumes to lost sales and lower employee morale. In contrast, those that provide the customer with the best experience from start to finish along the journey can expect to enhance customer satisfaction, improve sales and retention, reduce end-to-end service cost, and strengthen employee satisfaction.

This is especially true in today’s multitouchpoint, multichannel, always-on, hypercompetitive consumer markets. The explosion of potential customer interaction points—across new channels, devices, applications, and more—makes consistency of service

and experience across channels nigh impossible—unless you are managing the journey, and not simply individual touchpoints. Indeed, research we conducted in 2015 involving seven EU telecom markets found that when consumers embarked on journeys that involved multiple channels their experience was materially worse than during single-channel experiences, whether those experiences were digital or not.

The trouble with touchpoints

Consider the dilemma that executives faced at one media company. Customers were leaving at an alarming rate, few new ones were available for acquiring in its market, and even the company’s best customers were getting more expensive to retain. In economic terms, a retained customer delivered significantly greater profitability than a newly acquired customer over two years. Churn, due to pricing, technology, and programming options, was an increasingly familiar problem in this hypercompetitive market. So was retention. The common methods for keeping customers were also well known but expensive—tactics like upgrade offers and discounted rate plans, or “save desks” to intercept defectors.

So the executives looked to another lever—customer experience—to see if improvements there could halt the exodus. What they found surprised them. While the company’s overall customer-satisfaction metrics were strong, focus groups revealed that a large number of customers left because of poor service and shoddy treatment over time. “How can this be?” one executive wondered. “We’ve measured customer satisfaction for years, and our call centers, field services, and website experience each score consistently over 90 percent. Our service is great!”

As company leaders probed further, however, they discovered a more complex problem. Most customers weren’t fed up with any one phone call, field visit, or other individual service interaction—in fact, most customers didn’t much care about those singular touchpoint events. What was driving them out the

door was something the company wasn't examining or managing—the customers' cumulative experience across multiple touchpoints, multiple channels, and over time.

Take new-customer onboarding, for example, a journey that spanned about three months and involved an average of nine phone calls, a home visit from a technician, and numerous web and mail interactions. At each touchpoint, the interaction had at least a 90 percent chance of going well. But average customer satisfaction fell almost 40 percent over the course of the entire journey. The touchpoints weren't broken—but the onboarding process as a whole was.

Many of customers' numerous calls during the process represented attempts to clarify product information, fix problems with an order, or understand a confusing bill. Most of these service encounters were positive in a narrow sense—employees answered the questions or solved the issues as they arose—but the underlying problems were avoidable, the root causes left unaddressed, and the cumulative effect on customer experience was decidedly negative. The company's touchpoint-oriented, metric-driven way of thinking about customer experience had a large blind spot.

Solving the problem would be worth hundreds of millions of dollars, but the company needed a whole new way of thinking about and managing its service

operations to identify and reimagine the customer-experience journeys that mattered most.

More touchpoints, more complexity

The problem encountered by the media company is far more common than most organizations care to admit and is often difficult to spot. At the heart of the challenge is the siloed nature of service delivery and the insular cultures, behaviors, processes, and policies that flourish inside the functional groups that companies rely on to design and deliver their services. In many cases, these groups are also the keepers of the touchpoints that shape and measure how the company's activities meet the customer's—say, an in-store conversation with a sales rep, a visit to the company's website, or a query to the company's call center. Whether because of poorly aligned incentives, management inattention, or simply human nature, the functional groups that manage these touchpoints are constantly at risk of losing sight of what the customer sees (and wants)—even as the groups work hard to optimize their own contributions to the customer experience.

The media company's sales personnel, for example, were measured and rewarded for closing new sales—not for helping customers navigate a complex menu of technology and programming options to find the lowest-price offer that met their needs. Yet frustration about complex pricing for high-end equipment,

The functional groups that manage touchpoints are constantly at risk of losing sight of what the customer sees (and wants)—even as the groups work hard to optimize their own contributions to the customer experience.

confusion about promotions, and surprise over program lineups were all frequent causes of dissatisfaction later in the process, as well as frequent sources of queries to the company's call centers. Executives knew that each of these discrete items was a challenge—but only when they took a broader end-to-end view did it become apparent that even though each individual link in the service-delivery chain appeared healthy, the cumulative effect was quite the opposite.

The answer isn't to replace touchpoint management and thinking. Indeed, the expertise, efficiencies, and insights that functional groups bring to bear are important, and touchpoints will continue to represent invaluable sources of insights—particularly in the fast-changing digital arena. Instead, companies need to recognize and address the fact that—at least, in most cases—they are simply not wired to naturally think about the journeys their customers take. They are wired to maximize productivity and scale economies through functional units. They are wired for transactions, not journeys.

So how should companies tackle this issue? In our experience, six actions are critical to managing customer-experience journeys (articles elsewhere in this volume explore several of these topics in depth):

- Step back and identify the nature of the journeys customers take—from the customer's point of view.
- Understand how customers navigate across the touchpoints as they move through the journey.
- Anticipate the customer's needs, expectations, and desires during each part of the journey.
- Build an understanding of what is working and what is not.

- Set priorities for the most important gaps and opportunities to improve the journey.
- Come to grips with fixing root-cause issues and redesigning the journeys for a better end-to-end experience.

The amount of time it can take to identify journeys, understand performance, and redesign the experience can vary widely from company to company. For companies seeking only to fix a few glaring problems in specific journeys, top-down problem solving can be enough. But those that want to transform the overall customer experience may need a bottom-up effort to create a detailed road map for each journey, one that describes the process from start to finish and takes into account the business impact of enhancing the journey and sequencing the initiatives to do so. For many companies, combining operational, marketing and customer, and competitive-research data to understand journeys is a first-time undertaking, and it can be a long process—sometimes lasting several months. But the reward is well worth it; creating a fact base allows management to clearly see the customer's experience and decide which aspects to prioritize.

Journeys explained

To better see how customer journeys work, let's look at a measurable and routine service event—say, a product query—from the point of view of both the company and the customer. The company may receive millions of phone calls with questions about its product, and it is imperative to handle each of these calls well. But when customers are asked to recall their side of the experience months later, it is highly unlikely that they would describe such calls simply as a “product question.” That's because the call has a context, and understanding it is the key to understanding customer journeys (Exhibit 1).

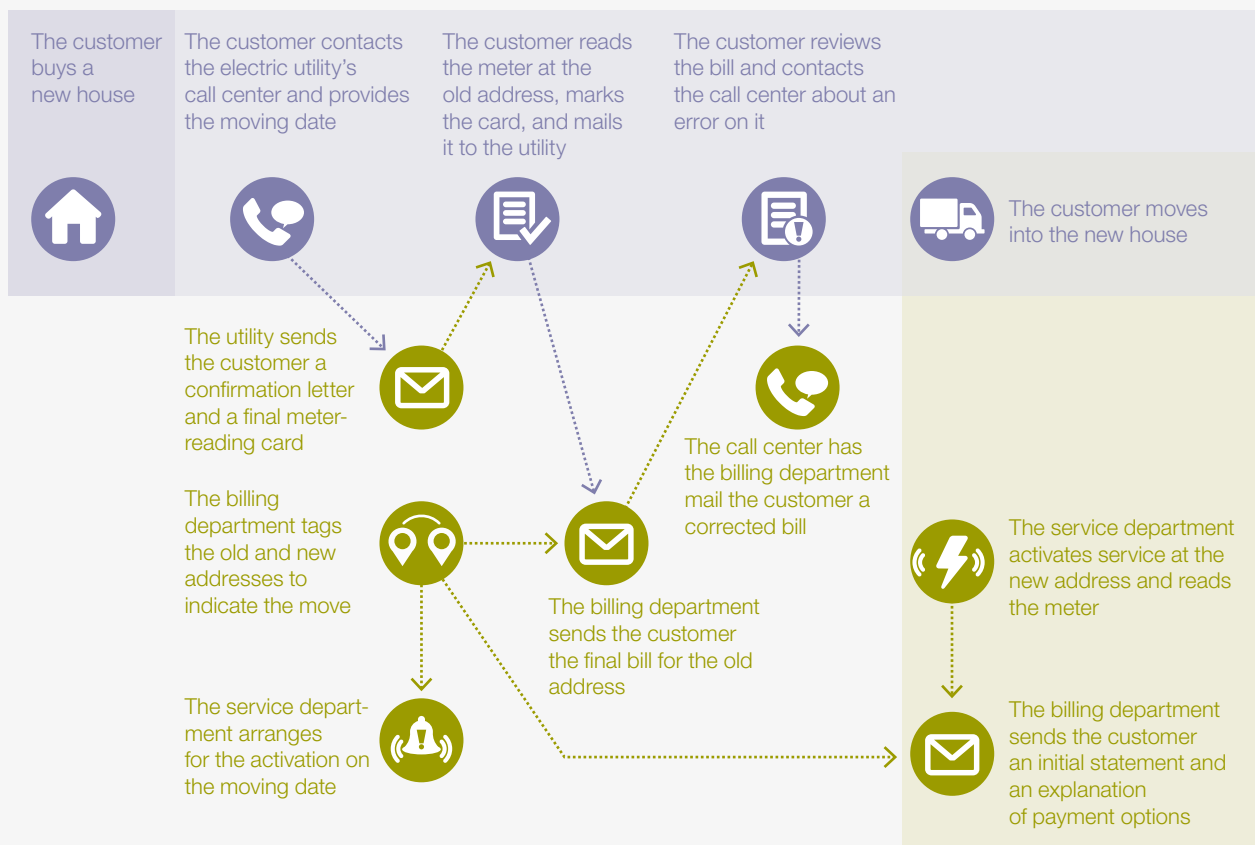
The customer might have been trying to ensure uninterrupted service after moving, for example, or was confused about renewal options at the end of a contract, or was trying to fix a nagging technical problem. A company that effectively manages its customer journeys would still do the best job it could with the individual transaction—but its agents would also understand the context for the call, address the root cause for the customer’s query, and create the feedback loops to help the company continuously improve the wide range of upstream and downstream interactions that surround (and sometimes cause)

the call. That is a broader lens than most call centers apply (see sidebar, “A customer-journey scorecard”).

Most executives we talk to readily grasp the journey concept but wonder whether perfecting journeys pays off in hard-dollar outcomes. Our research, in the form of annual cross-industry customer-experience surveys that span pay TV, retail banking, auto insurance, and other sectors, shows that it does. Companies that excel in delivering journeys tend to win in the market. In both the insurance and TV industries, for example, better performance on

Exhibit 1 An excellent customer experience must last the entire journey.

■ Customer
■ Provider



Source: McKinsey analysis

journeys correlates strongly with faster revenue growth; in fact, in measurements of customer satisfaction with the firms' most important journeys, a one-point improvement on a ten-point scale corresponds to at least a three-percentage-point increase in the revenue-growth rate (Exhibit 2).

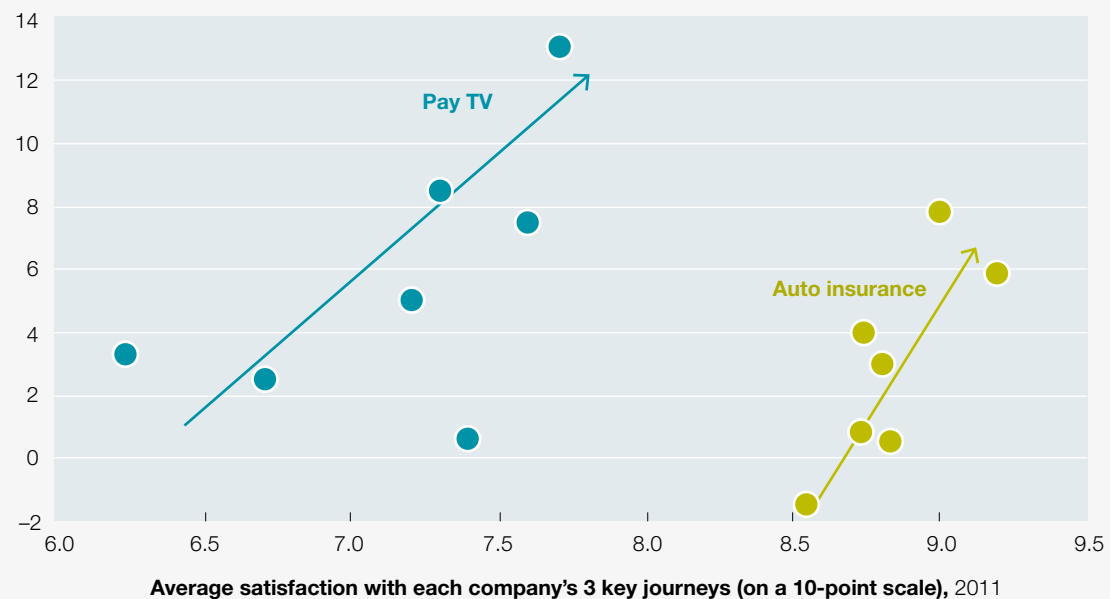
Moreover, the companies that perform best on journeys have a more distinct competitive advantage than those that excel at touchpoints; in one of the industries we surveyed, the gap on customer satisfaction between the top- and bottom-quartile companies on journey performance was 50 percent wider than the gap between the top- and bottom-quartile companies on touchpoint performance. Put simply, most companies perform fairly well on touchpoints,

but distinctive performance on journeys can set a company apart.

Why are journeys so much more effective at driving results? For one thing, our research suggests that journeys are more predictive of desired outcomes. In most industries, the three journeys that matter most to customers account for more than 25 percent of total customer satisfaction. Indeed, across industries, performance on journeys is substantially more strongly correlated with customer satisfaction than performance on touchpoints—and performance on journeys is significantly more strongly correlated with business outcomes such as revenue, churn, and repeat purchase. In other words, delivering a distinctive journey experience makes it more likely

Exhibit 2 Higher satisfaction leads to higher revenue growth.

Revenue growth, 2010–11, %



Source: McKinsey analysis

that customers repeat a purchase, spend more, recommend to their friends, and stay with your company (Exhibit 3).

Journeys versus touchpoints: Some practical examples

Consider the case of the local operating entity of a global insurance player. Market leadership in one of

its largest lines of business, car insurance, was under siege by both established players and new entrants. Executives knew that they would have to innovate in order to differentiate their offering. They also knew that for a long time the fragmented nature of their customer experience had been a problem: many of their customers bought their product and managed their claims via a broker. When a car needed repair

Exhibit 3 Journeys are significantly more strongly correlated with overall outcomes than are touchpoints.

r² values¹

■ Touchpoints
■ Journeys



¹ Coefficients are r² values of a multiple-regression model predicting outcome as a function of touchpoint satisfaction vs journey satisfaction.

Source: McKinsey US cross-industry customer-experience survey, June–Oct 2015 data

after an incident, a local mechanic typically managed the process, with little involvement from the car insurer. With so many individual touchpoints outside the company's control, the insurer struggled to provide a consistently high-quality and repeatable experience.

Research identified consistent and clear communications as one of the most important elements of

customer experience. Improving the experience started with offering insurance policies that were easy to read, understand, and compare with those of competitors. But even more important to customers was securing answers to questions regarding the status of their car while under repair. What was being replaced or repaired? When would they get the car back?

A customer-journey scorecard

Managers should know what a customer journey entails:

○ Episodes

A journey is a specific, discrete experience in the customer life cycle. The act of simply purchasing a product in a store is a touchpoint within a customer's journey. Researching and then buying a new product and getting it up and running at home would constitute the full journey as the customer sees it.

○ End-to-end experiences

It's not enough to measure customer satisfaction on any single touchpoint; what matters is the customer's experience across the entire journey. It's common to generate high individual touchpoint-satisfaction scores and unacceptably low scores across the end-to-end journey.

○ Language

Do managers describe journey events in the way a customer would (for example, "upgrading my product or service")? Or do they lapse into company-speak (for example, "shipping new equipment")?

○ Channels

Often multitouch and multichannel in nature, a "new-product onboarding" journey might begin with a website visit, then a sales call, then a second website visit, followed by a store visit, then a technical-help call during the activation or installation stage.

○ Duration

Journeys are often longer than you think. For example, the onboarding journey in the cable industry can extend through two or three billing cycles. (Most calls in the first few months are actually onboarding-related issues and inquiries.)

○ Repetition

Journeys are repeatable—and can be repeated for a meaningful percentage of customers.

The effort made it apparent that there was potential to resolve a critical frustration for customers during a very important part of their overall customer journey with the insurer. It also revealed the opportunity to build a deeper engagement and relationship. So the company set out to provide an end-to-end communications “glue” to what had been a multipoint, multiparty customer journey.

Executives rapidly created a prototype using a sample of 20 current customer cases. Each day, the company would track where the case was and provide a simple update to the customer via email or text. The company set up “personal contacts” for each customer who would send the emails, serve as a single source of contact, and phone the customer directly if there was a material update to be announced, such as a delay in finishing the work. Overall, every effort was made to personalize communication during an important phase in the customer’s journey. By the end of the pilot, the company had learned a number of lessons related to the appropriate frequency of contact, the importance of using the customer’s preferred channels, and timing communications. The company also learned how to scale the service without adding substantial costs, largely by using underutilized call-center resources at off-peak hours.

The impact was profound. Net promoter scores for the customer journey climbed by 15 percentage points, and by 50 points for difficult cases, such as when repairs were first attempted but eventually the car had to be declared a total write-off. Delighted customers sent thank-you notes to the company, and brokers and mechanics reported significant improvements in their dealings with customers, who were now much better informed.

Or consider the European energy retailer that identified the “home moving” journey as a particular point of dissatisfaction among its customers, as well as a signi-

ficant source of churn. The company mobilized a cross-functional team (service, sales, marketing, and IT) to understand what was happening—from the customer’s viewpoint—along the journey to prompt these high levels of customer dissatisfaction. What the team found was a basic journey that was performing poorly across the various functions and departments that supported it.

The journey’s design suffered from several features that imposed unnecessary inconvenience and anxiety on customers when moving. For example, customers had to contact the company no earlier than ten days before their move date to provide all of the necessary details—otherwise the IT systems would not record the information. An organized customer, one who called perhaps a month before the move date to set everything up, would find that his or her move details were never recorded. Customers also had only one method—voice calling—to contact the company.

Once the customer had notified the company of moving plans, he or she would receive several different forms of communication. Upon examination, the team found that some of the communications were redundant, while others contradicted other accurate pieces of communications. All this generated additional anxiety and confusion.

Poor communication, in fact, was the single largest reason that customers called into the call centers, and it was another source of dissatisfaction. Customer-service agents had no method of tracking where the customer was on his or her moving journey. More often than not, this meant that agents had to hand off the inquiry to a back-office team for further investigation and problem resolution. The back-office team, inundated with these types of inquiries, suffered delays in getting back to the customer with a resolution, naturally producing additional calls to the call center—and so on.

The good news was that, for the first time, the company understood the benefit of taking an end-to-end view of the customer journey and the importance of understanding how interdependent individual touchpoints were along the journey.

Several improvements were designed and implemented rapidly to address the key problem areas. The moving journey was redesigned into a signature customer journey for this energy-retail company: customers now have the flexibility to provide the company with their move information at a time that suits them. They also have the option to use a phone, the web, or a smartphone app to contact the company; all essential communications are now delivered consistently in a single “home movers” pack. Finally, the company now incorporates into the home-movers pack discount vouchers for do-it-yourself stores, tradespeople, and restaurants in the area—creating a welcoming cluster of local businesses (the businesses also happen to be customers of the energy retailer’s small and midsize business unit, thus creating a positive customer experience across all customer segments). The result? A 50 percent increase in customer satisfaction from the starting position, and a 15 percent reduction in the company’s customer-service cost. Employee satisfaction increased by 20 percent and churn related to this journey was cut by more than half.



In most cases, companies are simply not naturally wired to think about the journeys their customers take. Thinking about customer journeys—instead of traditional touchpoints—can require an operational and cultural shift that engages the organization across functions and from top to bottom. For the companies that master it, the reward is higher customer and employee satisfaction, revenue and cost improvements, and an enduring competitive advantage. ■

The authors wish to thank [Conor Jones](#) and [Laird Rawsthorne](#) for their contributions to this article.

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Improving the business-to-business customer experience

Adopting a customer-centric mind-set is just as critical in B2B dealings as it is when serving retail customers, but players face special challenges that can trip them up.

Nicolas Maechler, Sanjeev Sahni, and
Martine van Oostrum



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Many discussions of customer-experience strategies begin with a flawed assumption. When executives delve into the competitive advantages of building a more customer-centric organization, they very often focus on interactions with retail buyers—the end consumers. But in our experience, a customer-centric mind-set is just as critical in the B2B space, and more and more executives are developing B2B customer-experience strategies with striking results.

B2B customer-experience index ratings significantly lag behind those of retail customers. B2C companies typically score in the 65 to 85 percent range, while B2B companies average less than 50 percent. This gap will become even more apparent as B2B customer expectations rise. Digitization and the rising use of smartphones are establishing new standards for fast, seamless customer service in all settings. Real-time responsiveness and easy-to-use apps for daily banking chores or ordering groceries are setting a high bar for speed and ease of doing business in B2C industries, and these expectations are migrating to B2B. One sign of changes to come: a logistics start-up called Shipster has translated retail tracking and tracing apps to B2B international shipping by putting live tracking of international shipments on apps for web and mobile phones for all its customers.

Such developments are making improved customer experience at least as critical for B2B companies as for B2C players. In our experience, customer-experience leaders in B2B settings have on average higher margins than their competitors. In cases where companies have undertaken broad transformations of their customer-experience processes, the impact among B2B and B2C players has been similar, with higher client-satisfaction scores, reductions of 10 to 20 percent in cost to serve, revenue growth of 10 to 15 percent, and an increase in employee satisfaction.

Consider one IT-services provider that found itself battling emerging low-cost players in a maturing industry. Executives realized that customer

satisfaction was increasingly becoming a way to stand out from its lower-cost rivals, but its net promoter scores were much lower than those of its peers. To respond, the company launched a customer-experience transformation in 2012. The company redesigned a set of 20 customer journeys end to end, addressing all dimensions of customer experience—process, customer tools, performance management, and employee mind-sets. After 12 months, its negative net promoter score had turned positive, and a year after that, the company was outperforming the industry average.

As with B2C customer-satisfaction improvements, benefits to the bottom line can include “stickier” customer loyalty, which can also accrue more quickly than is typically seen in B2C settings. For example, another IT-services provider served 30,000 employees at a large global client. Each employee reported multiple small incidents each year. Minor though the incidents were, the overall volume caused so much dissatisfaction that the client threatened to switch providers. The company responded by making drastic improvements to its incident management, broadening the focus from only severe incidents to also include minor, high-frequency incidents that annoyed everyday users. A 45 percent reduction in incidents followed, leading one of the company’s clients to cite the incident-reduction program as the reason for renewing and expanding the scope of its contract with the company.

Understanding a complex experience

Make no mistake, however. In fundamental ways, a B2B company’s customers and their buying patterns are more complex than those of a business focused on retail customers. Indeed, a B2B company requires specific strategies to differentiate itself via customer experience.

First, in B2B there is not one single customer; ensuring a great and consistent experience for all isn’t always possible. For example, one European corporate bank wanted to optimize its corporate-lending process. This process entails providing multimillion-euro

loans to client organizations to meet strategic objectives, such as the purchase of new machinery or growth through acquisitions.

Taking up the customer journey it sought to improve, the bank faced multiple stakeholders in many of the individual client organizations it served. Many had differing needs. Others would only participate in different parts of the lending journey. The CEO and CFO of a client organization might participate in initial strategic discussions to explore different financial solutions but then leave it to the company's treasury department to negotiate the loan terms. Legal teams worked out the details of the contract, and payments officers arranged interest payments. To understand the perspectives of these different stakeholders and their needs, the bank typically had to undertake a complex mapping exercise.

Such a plurality of stakeholders also creates complex buying behaviors. Even though B2B purchases are commonly assumed to stem from rational decisions, in our experience they hardly ever do. Overall total cost of ownership is never the only decision factor. Other factors also influence decisions, such as long-standing relationships with procurement teams and the general reputation of suppliers.

What's more, B2B companies are often one step further removed from the ultimate user of their product than B2C companies are, so buyers and users of B2B services are typically distinct. Consider an auto-component manufacturer in India whose buyers consist of the automaker's procurement group, while its true end users are the carmaker's R&D team and its shop-floor workers. To address both groups, the component manufacturer created a client-coverage matrix by mapping its sales force to the procurement team, its own R&D team to the carmaker's R&D team, and finally its manufacturing head to the automaker's shop-floor manager. This structure helps the component maker better respond

to the automaker's varied needs. For example, the component maker can choose when it's time for the automaker's R&D team to test new designs for future car models and react quickly when it does; it can accommodate the shop-floor team's need to maintain just-in-time inventory.

Another challenge to B2B customer-experience efforts is the fact that customer journeys are simply more complex than those for retail customers. B2B companies often have more offerings and services than B2C companies. The offerings are also highly tailored to individual customer needs and often consist of different products and services bundled together. In our experience, most B2B companies have far more critical customer journeys on which to focus than the ten that many B2C players average. B2B journeys also tend to be long, complex, and quite technical, and consist of a continuous interaction of services and sales touchpoints. Journey experience and operations are often fragmented by account and location, involving multiple teams in different departments.

For example, the export-financing journey of one financial institution involved four organizations: the financial institution itself, the importer, the exporter, and an export-insurance company. The journey required one and a half to two years to complete and included many highly technical components that bedeviled redesign efforts. Among the technical elements that required expertise to redesign were detailed financial data, as well as extensive compliance inputs and risk assessments. The financial institution therefore included a lawyer and a financial analyst in its customer-experience-redesign team to ensure enough technical expertise to address these elements.

Improving the experience

Although B2B customer-experience improvements can often be challenging, lessons we've learned from working with leading practitioners can help in

tackling some of the more fundamental customer-experience problems, as part of both incremental improvements and broad transformations. They include taking the following actions.

Mapping all customers. An elevator manufacturer supplied elevators to large office buildings and residential complexes. Contracts were negotiated with the buildings' facility-management teams, and the manufacturer understood well what satisfied this group. However, the manufacturer overlooked two major customer groups. Presidents of housing-owner associations turned out to be strong influencers in purchase decisions on elevators. What's more, the actual users of the elevators, the residents or office employees, experienced elevator performance on a daily basis. Their complaints ended up with facility managers. The company started to map the entire journey and all of its relevant stakeholders, and started to track customer satisfaction for each of these groups separately, finding new insights about how to boost key stakeholders' satisfaction.

The investigation revealed that a key element in customer satisfaction for housing-owner associations was proximity to their vendors. Presidents of these associations are now involved in all key moments of the journey, including face-to-face meetings with sales representatives and field technicians. In addition to providing the desired proximity, the elevator manufacturer made its activities and the status of breakdowns more transparent for both the housing association and facilities managers.

Creating tracks. B2B journeys often grow complex because they must accommodate the special needs of small percentages of the client base. Such relationships require specific tailoring, extra services, or additional checks. Splitting the journey into standard and specialty tracks can minimize complexity for a majority of clients, resulting in easier journeys for clients and significantly lower costs.

One European corporate bank radically redefined the customer journey into three tracks, helping clients and employees better understand how complex international financing deals could get approved. An express track was set up for relatively easy deals that entailed low risk and could be executed with fewer checks, smaller teams, and shorter timelines. An advanced track for more difficult deals included extensive auditing, the addition of senior executives to the working team, and more interactions with the client. Between these two was the standard track. After reviewing a proposal, loan officers map the risk indicators and choose the track that includes the most conservative approach to processing the deal (exhibit).

Managing rework and incidents. Rework is often a cause of significant delay for a B2B customer, extending the length and increasing the complexity of B2B customer journeys. The culprit is often internal control procedures, internal auditing, or compliance requirements. For example, an IT-services provider required its internal purchasing department to validate the acquisition of new equipment purchased for clients, which delayed the completion of transactions by more than two weeks. However, customer expectations were quite different, given that some equipment and IT services such as cloud space can be purchased in a matter of minutes from online vendors such as Amazon. But smartly front-loading internal auditing by, for example, preapproving batches of similar purchases allowed the IT-services provider to remove the time-consuming control procedures from the customer journey, improving satisfaction.

Digitizing journeys. Digitizing the customer experience is a lever often left unused by B2B companies. There is great potential in the B2B realm in using concepts such as self-service, online interfaces, and automated decision rules. For example, the use of digital "track and trace" interfaces enables B2B clients to see the

Exhibit

Tracks are determined by client and loan characteristics.

Aim

Direct the application to the right track based on risk indicators.

Impact

Remove unnecessary work on low-risk applications and deepen analysis of higher-risk ones.

How to use

Review proposal, mapping risk indicators against matrix; choose the track corresponding to the indicator that falls farthest to the right—in this case, choose the “standard” track.

Risk	Express	Standard	Advanced
1 Total client loan exposure	Low	Medium	High
2 Risk rating	Low	Medium	High
3 Collateral unchanged since last renewal?	Yes	No	No
4 Negative payment behavior (late payments, overdraft, other)	None	Few	Many
5 Breaches of other loan terms?	No	Yes	Yes
6 Material change in business environment?	No	Yes	Yes

Source: McKinsey analysis

status of their customer journeys in real time. Some organizations even take social-media technology to the work floor, with community interfaces to help flag and track continuous journey-improvement initiatives and share ideas. Other organizations create client applications, where all the information and interaction about a supplier’s equipment is made available, including its age, working information from equipment sensors, its next scheduled maintenance visit, and an open box for user feedback.

Creating journey transparency and work cells. To navigate through the complexity of B2B customer relationships, some leading practitioners strive to build greater transparency into the customer-experience-improvement process. For instance, the European corporate bank in the earlier example

typically took three to four months to complete a loan approval, while best practice in the industry was five weeks. During the process, no one at the bank could tell the client the exact status of the loan application or what to expect for immediate next steps. Back-office departments did not feel responsible for the client experience. For the most part, loan applications were little more than a stack of files to process.

To reform the process, the bank started by making the customer journey more transparent, both internally and externally. Internally, it became clear for the first time for many participating department teams, such as legal, payment operations, and risk, how their work contributed to an overall journey and which colleagues were responsible for other parts of the journey. For clients, the bank

created a “journey guide” that explained the process of applying for a loan in simple, visualized steps.

Next, each time the bank initiated a corporate-loan application, a dedicated end-to-end work cell was created, consisting of managers from each department dedicated to that specific loan. In a joint kickoff with the entire work cell, the account manager laid out the client’s needs, establishing timelines for each step in the journey. This enabled accountability and made sure a deal was not lost in, for example, the legal department for two weeks. A journey coordinator orchestrated the journey and monitored end-to-end journey key performance indicators.

The relationship manager was responsible for guiding the client through the entire journey, so the client worked with one consistent face instead of being handed over to a different representative many times during the journey. Finally, a journey dashboard tracked the pipeline of clients through the corporate-lending journey and monitored the status of each client.

Results were impressive. While in the past, relationship managers spent only 30 percent of their time working directly with clients, they could now increase that to as much as 65 percent because they did not need to chase deals through internal departments. Rework was significantly reduced, as handovers

were minimized and the entire team was aligned on the specifications of the end product from the start. At the first stage of improvements, the bank did not manage to reduce the time the journey took to complete. Still, being able to tell the client how long the process would take represented a major improvement in customer satisfaction by itself. Later, the throughput time shrank as well, and satisfaction increased even more.



Although customer-experience improvement is typically associated with B2C players, it is at least as critical in the B2B setting. While the nature of B2B relationships makes the reform challenge more difficult, with regard to customer and journey complexity, the competitive advantages and significant bottom-line gains that flow from it make the effort worthwhile. ■

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Making the right diagnosis of your customer experiences

The complexity of dealing with customers, channels, and competitors is only growing. Getting ahead often requires stepping back for a comprehensive view.

Ethan Hawkes, Kai Vollhardt, and Maxence Vancauwenberghe

How healthy are your customer experiences? Whether you are embarking on a broad transformation of your customer relationships or simply trying to understand the status quo, successful customer-experience strategy starts with clarity on current performance. The task has never been more critical or challenging. Customer expectations of superior service are escalating, feedback is proliferating across social-media channels, and competitors are innovating at an accelerating pace. Furthermore, many companies face the additional complexity of discerning performance in operations spanning multiple geographies and business units.

Getting ahead increasingly requires stepping back for a comprehensive view and building the infrastructure to continue taking stock of performance. A well-run customer-experience diagnostic can yield a wide range of benefits and should answer a series of essential questions.

For example, what really matters to your customers, and what are the factors that drive satisfaction and behaviors? How do customer experiences compare, relative to expectations and competitors? And, finally, where is there opportunity to improve performance, and what will it take to achieve?

For an airline with an aspiration to achieve top-tier performance, addressing these questions over a two-week diagnostic quickly surfaced the performance gaps that mattered most to customers, highlighted strengths from which the airline could build competitive advantage, and generated alignment among the executive team. For example, the airline determined that reliability—especially on-time performance—disproportionately drove satisfaction. This fact base revitalized efforts at improving customer experience and significantly raised satisfaction scores while lowering costs.

Fortunately, a data-driven diagnostic can provide the tools to achieve remarkable clarity. The emergence of big data and advanced analytics has created the ability to parse the discerning factors that drive not only stated satisfaction but also actual behavior that creates economic value—for example, the elements that attract and retain customers, as well as those that encourage them to move upscale. In the hands of decision makers, these insights can often directly inform future investments in product and service improvement.

Similarly, multiple sources that reflect the customer's voice—including direct surveys, social media, and mystery shopping—can be used to pinpoint current performance. This can be used to map relative strengths and gaps versus customer expectations and competitor performance. Finally, a

robust diagnostic not only identifies quick fixes but also includes assessment of deeper aspects of health, including frontline culture, senior-team alignment, and the development of a compelling value proposition. It can frame the full opportunity and shine a light on the best path forward.

The diagnostic process itself also provides an opportunity to engage frontline workers in customer interaction and build essential senior-team alignment. By adopting elements of a proven approach, it's possible to truly understand and transform performance on customer experience.

That said, diagnosing customer experience can be complex. Customer satisfaction derives from a range of factors, including service, product, brand, and pricing. Knowing the relative importance of each is valuable for deciding where a diagnostic exercise should focus. For the purposes of this article, we focus primarily on diagnosing elements associated with products and service.

In our experience, there are three critical steps in approaching and conducting a successful diagnostic. The first is knowing when and how to conduct it. It is also important to know how to combine benchmarks and best practices to conduct a robust assessment. Finally, learning from the lessons of leading companies that successfully carry out diagnostic exercises is invaluable in refining priorities and defining goals.

Conducting a diagnostic

There are logical times to step back to assess performance on customer experience in a comprehensive manner:

- **At the outset of a transformation.** Clearly, the outset of a transformation is a critical time to conduct a diagnostic. A rigorous diagnostic helps build consensus on baseline performance, identifies the most promising opportunities, and helps inform how likely it would be to reach targets.
- **During times of significant change.** There are also times of less dramatic transformation that merit examining the state of consumer experiences in less comprehensive fashion. For example, a multifaceted assessment often makes sense when there are multiple sources of change or rapid shifts taking place on the competitive landscape. These might include growth of a new customer segment, changing customer preferences, or dynamic new competitors.

Who should initiate a diagnostic? Ideally, formal sponsorship by a member of the C-suite senior team will ensure visibility and accountability for results. The typical duration of a diagnostic can vary depending on complexity, resourcing, and objectives. However, many organizations find that anywhere from 4 to 12 weeks allows time for sufficient rigor—including insights incorporated and synthesized from multiple sources—without continuing so long that momentum toward action suffers. A broad diagnostic that examines many business units, customer segments, and geographies takes more time. Similarly, duration will also depend on how deep a fact base is needed and the degree to which various stakeholders need to be involved.

Once they've completed their work, many diagnostic teams build elements from the effort into the ongoing work of a senior team, using it to align improvement initiatives with high-impact opportunities and to track progress.

Identifying journeys

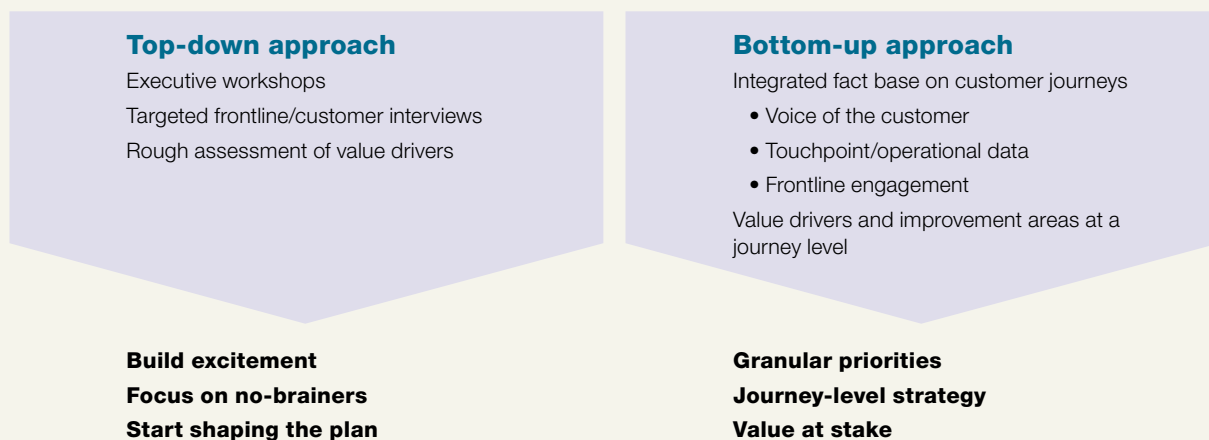
Transforming an organization's processes and culture to focus on customer journeys requires both top-down, judgment-driven evaluation and bottom-up, data-driven analysis. In our experience, these approaches work best when companies pursue them in parallel. The top-down approach spurs leadership engagement, focuses organizational energy, and allows a company to move quickly on known issues—often fixing policies or capturing quick wins that can be pursued from headquarters. The bottom-up approach creates a comprehensive data set that will set priorities and investment decisions, as well as shape a more complete road map for operational work (Exhibit 1).

From the top down . . .

To launch the top-down approach, an executive working session, drawing on existing research, is often sufficient to identify the most significant journeys and the pain points within them—the specific service shortcomings that damage customers' experiences. That research is typically fragmented and often includes data on the customer volume for a given journey, reasons for call-center complaints, and obvious gaps in performance on the lowest-performing journeys, including the disconnect between promises made in marketing materials and the services actually delivered.

Consider how executive sessions of this type directed attention to key customer-journey problems at three companies. At one fixed-line telecommunications company, the executive

Exhibit 1 Transforming an organization's customer experience requires both top-down, judgment-driven evaluation and bottom-up, data-driven analysis.



Source: McKinsey analysis of data provided by ClickFox (a company in which McKinsey is a minority shareholder)

team focused on customer research that revealed a 50 percent dissatisfaction rate with the installation process. At a leading energy player, the team targeted the 40 percent churn the company experienced when customers moved. And at another telecom company, executive sessions homed in on the long-running concern about lost revenues caused by the 40 percent of new fiber-optic customers who cancelled before installation or in the first 90 days of their contract.

In each case, the executive attention led to a concerted effort to fix the targeted journeys. Meanwhile, leadership's engagement in "walking the walk" generated a groundswell of support for improvement programs and broader organizational transformation. In most cases, this initial top-down work identifies early wins for the program, often in the form of policy or process changes that can be implemented quickly and centrally. Those early wins set the tone for the rest of the transformation.

... and from the bottom up

In recent years, dramatic improvements in data and analytic technologies have allowed companies to take on much more scientific and robust approaches to assess their customers' experiences. Today, vast amounts of interactions and opinions are captured in data: digital logs, social media and blogs, call recordings, frontline comments and logs, pictures, and videos. This represents a wealth of very specific information from which to pull insights to improve and better manage customer experience. In addition, data storage has largely become a commodity, and analytical tools like ClickFox¹ help connect these data to provide a view over time of each customer's touchpoints and to help businesses identify patterns and opportunities in these journeys on a nearly real-time basis.

Combining this connected interaction data with more traditional surveys and input representing the voice of the customer such as interaction recording, customer surveys, observations, and focus groups allows companies to surface new insights and conduct customer-experience programs more effectively. Specifically, we have seen this approach create value in three main ways:

- **Understanding actual customer journeys.** Not all customers undertake the same journey in purchasing a product, experiencing a service, or performing a transaction. Their paths vary, based on personal preferences, available channels, and the way processes are organized. As one utility-company executive puts it, "There are dozens of ways to pay your bill." Understanding this diversity and connecting it to customer-satisfaction levels is fundamental. The insights aid in understanding the specific elements encouraging customers to become extremely dissatisfied "detractors" or delighted "promoters" but are less useful for parsing the majority of average customers going through their journeys. For instance, one telecommunications company in the United Kingdom was able to pinpoint the situations where reinstalling Internet services in a new house was the most problematic and then to address them.
- **Prioritizing investments.** Tying customer journeys to satisfaction scores allows companies to understand precisely which journeys mean the most to the bottom line and align the possible investments in technology, people, and incentives with expected returns. It also allows companies to understand all the other business factors that a journey affects and the total

value at stake. Journeys will typically affect the cost to manage customers through people assignment or calls required to handle the journey. Revenues associated with the journey are also affected, for example, from cross-selling when a customer is taken on board. Finally, there may be other business impact, such as the ability to detect and prevent fraud. One outcome of the diagnostic is a business case at a journey level, which helps set priorities for capturing value from improving the customer experience. For instance, a credit-card player in the United States realized that the value in the customer's journey to replace his card was not only in making the customer happy but also in being able to quickly revise some bill-payment terms to line up better with the customer's spending level.

- **Identifying frustrations and happiness.** Finally, a data-based diagnostic can be much more precise in identifying the events affecting customer frustration or happiness. In particular, it allows a company to link customer satisfaction to specific operational elements such as the time it takes to complete the journey, the number of steps that each channel requires, or the way the customer interacts with agents. From there it is possible to understand precisely the break points in the customer experience. It also makes it easier to track and set target goals for these journeys. For instance, one utility realized that customers working to arrange their payments or secure bill-payment extensions were not much affected by whether a payment arrangement was approved. Rather, what mattered most was the number of interactions required to arrange a payment schedule. When customers had to endure more than two calls in the same day, satisfaction scores dropped by more than 15 percent. Moreover, the analysis allowed the utility to identify customers shopping across channels to get better arrangements, due to poor alignment between digital and agent-contact channels.

One firm's experience

One US financial institution conducted a bottom-up diagnostic, with a goal of developing a road map to take on the top three industry leaders in customer experience. The diagnostic team's first step was to aggregate all the customer interaction data in ClickFox, which was a significant undertaking: it collected about one billion individual interactions across 25 sources, including web, mobile, phone, interactive-voice-response, branch, email, texting, and mail channels. With that information in hand, the team was able to identify each pathway customers had taken, over a one-year period. They grouped these into a dozen thematic journeys from a customer standpoint, with a clear starting point, a set of interactions, and a completion point. These journeys included experiences like "making money move," "managing my account," and "filing a dispute."

Next, the team linked these individual customer journeys to a set of business outcomes it wanted to improve. The outcomes included customer-satisfaction scores determined by surveys, confirmed transactions, the cost to deliver the journey, and sometimes the revenues or spending generated as part of the journey. When the team combined the findings with a solid understanding of competitors, it had a unique fact base to understand precisely which journeys it needed to improve, and by how much, in order to reach customer-satisfaction goals and achieve maximum impact from investment. The team was even able to identify, in high-priority customer journeys,

which pain points to eliminate, where to invest to deliver a pleasing experience, and the overall business case to improve one journey versus another.

For example, the team was able to identify the “dispute” journey as one of the key sources of overall net promoter score. Within the dispute journey, it identified the ability to self-inquire about specific transactions, as well as communication of the dispute outcome, as key areas to improve in order to please customers. It was able to see that customers did not appreciate having to “hop” through several channels to perform a given task, such as making a payment. The company could also see that it was significantly underperforming competitors on that dimension. These insights provided the keys for management to make significant improvements quickly.

Finally, with the ability to refresh data on a near-real-time basis, the team was able to track these journeys continuously and verify whether the improvements it was implementing were producing results in operational performance and customer satisfaction.

Benchmarking and best practice

Too often, efforts to improve customer experience focus only on aspects of performance such as specific operational metrics or enabling tools without first understanding the integrated elements required to create and sustain truly distinctive customer experiences (Exhibit 2). That is why, in our experience, we find it critical to conducting a successful diagnostic to first outline what dimensions and performance criteria to analyze.

We suggest beginning by looking at performance through these three lenses and asking a series of critical questions:

- **Customer’s point of view.** What matters to the customers? How is performance relative to competitors on these aspects?
- **Journey assessment.** How solid are the underlying processes and frontline capabilities for key journeys?
- **Leadership alignment.** To what extent does leadership have a shared view on current performance and on the aspiration for improved customer experience?

For one insurance company with a goal of achieving top-tier customer-experience performance, looking at its business through these lenses proved revealing. From the customer point of view, engagement with the company occurred across multiple touchpoints, rather than just one. Whether a customer’s specific expectations were met or not directly affected customer-satisfaction levels. Therefore, it was especially important that all information, say, concerning the settlement of a claim, was consistent among all touchpoints and communicated in an understandable and friendly manner—whether verbally, in writing, or visually. This would help customers feel that all employees had equal access to the latest customer touchpoint history, which had not been the case with this insurer.

Exhibit 2

It is important to understand the integrated elements required to create and sustain truly distinctive customer experiences, as shown from these three different perspectives.

Customer's point of view	Journey assessment	Leadership alignment
What matters to customers? How is performance relative to competitors on these aspects? • Generate transparency regarding customer expectations • Align processes and end products with customer requirements and expectations • Identify improvement levers from a customer perspective, including rough estimate of potential	How robust are the underlying processes and frontline capabilities for key journeys? • Generate transparency regarding current work flows • Identify weak points in process flows and at key interfaces • Analyze networking among HQ, field offices, and service providers	To what extent does leadership have a shared view on current performance and the aspiration? • Conduct interviews with board and senior leaders in order to understand current performance • Run workshops to set a joint aspiration on customer orientation • Gain understanding on mind-sets and behavior across levels on customer orientation

Source: McKinsey analysis of data provided by ClickFox (a company in which McKinsey is a minority shareholder)

The plot thickened with the journey assessment. This included analysis of internal processes to assess how they contributed to the customer experience as well as to efficiency along the customer journey. Such analysis of touchpoints often reveals process overlaps or services for which little or no demand exists. In the case of the insurance company, internal management processes often ended up adding no value for customers. During this research, almost 40 percent of the frontline staff mentioned that the current processes provided no incentives to think about customer satisfaction—all processes had been purely focused on efficiency.

In order to assess how aligned leadership is on advancing customer-centric goals, it is important to create a common understanding on today's performance. In this example, the team at the insurance company used multiple sources of insight to rapidly develop a baseline. These included input from structured management interviews to assess leaders' current understanding and aspirations, as well as online evaluations including frontline feedback, social-media analysis, proprietary survey results, mystery shopping, interviews, third-party reviews, and more. Multiple sources are valuable for identifying consistent themes and building a nuanced view of performance. Running these actions led to big surprises at the insurance company—while the relevant managers anticipated the results for their own departments, they were shocked when they looked into the interfaces between departments. The performance was far from what it should have been. These results were the starting point in setting a common goal in customer experience—not only in each department but also across them. This was a huge cultural change in this organization, driven solely by creating transparency across departments.

With clarity on best practice, the next step is to benchmark current performance.

Lessons learned from leading companies

Successful diagnostics have a number of common characteristics, though they often lead to markedly different outcomes. Shared success factors include anchoring insights in a fact base, drawing on multiple sources that reflect the voice of the customer, and engaging the organization, from senior leaders to the front line.

For example, a rapidly growing cruise line recently launched a customer-experience diagnostic to broadly understand opportunities for improvement. For years, the primary source of insight had been a post-trip survey that rated aspects of the trip. Results of this survey were closely monitored by senior management and informed operational and product- and service-design decisions. However, even though scores were consistently high, repeat-purchase rates were far below what the company thought they should be.

During the diagnostic, the team was able to link individual results to passenger records, including call-center interactions, support interactions, cruise data, and repeat-purchase information. What was once a simple survey of self-reported satisfaction now offered a whole new level of insights, including quantification of a clear link between satisfaction and repeat-purchase rates. It also showed which aspects of the experience created value and where the largest gaps in performance were.

Most interesting, the diagnostic took a journey-based view and examined performance not only of the experience on board but also of the booking process and postcruise follow-up. While the experience on board—the primary focus of the survey—was consistently excellent, significant opportunities to improve the full experience, before and after the trip, were identified. While most efforts had been aimed at perfecting the time on board, issues in the six months leading up to the cruise and weeks after offered significant opportunity. A revised survey found a decline in satisfaction after the cruise. This led to a redesign of the end-to-end pre- and postcruise customer experience. By better managing communication, ironing out issues with billing, and introducing additional choices in postcruise flight options, the cruise line achieved significant upticks in both attraction and retention.



A robust customer-experience diagnostic is the cornerstone of any successful customer-experience transformation. A growing and rich set of customer feedback provided through multiple channels can provide a competitive edge to those able to draw insights from big data analysis. ■

¹ McKinsey & Company is a minority shareholder of ClickFox and serves clients using the ClickFox platform and capabilities.

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Putting behavioral psychology to work to improve the customer experience

Applying the principles of behavioral psychology can improve the quality of customer interactions and build brand recognition as a customer-centric organization.

Dilip Bhattacharjee, Keith Gilson, and Hyo Yeon



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It's an all-too-familiar story. As a leader at your company, you've made enhancing your customers' experience a priority. You've invested in products, in people, and in the service-delivery processes to put your customers first. Yet when you tally customer-satisfaction survey results and other metrics of customer experience, your spirits drop. You see that customer-satisfaction scores are not improving in line with the changes that you know customers can see each day in the services you are delivering. They're not even moving as much as your minimum estimates.

Executives at far too many companies share this disappointment. Naturally, you'd like to receive credit for the effort of improving your customers' experience. But you also know that there are significant economic benefits in going beyond simply improving products and services by paying equal attention to customer expectations and how customers perceive their treatment at individual touchpoints and throughout the full customer journey. It is possible, for example, to share the same level of operational performance with competitors yet secure higher brand recognition as a customer-centric organization. In a wide range of industries, it is also possible to reduce churn, improve cross-selling, and boost customer referrals.

Leading players in improving customer experience understand this. One tool they find increasingly effective is to apply the principles of behavioral

psychology to smartly design products and services to improve the quality of customer interactions. Behavioral scientists tell us that these interactions are influenced powerfully by considerations such as the sequence in which customers encounter painful and pleasurable experiences. By focusing on these principles and implementing them masterfully, companies can design and manage service encounters to maximize customer satisfaction. They can also improve the chances that customers will give them recognition and credit for all their investments in the experience offered.

Behaving well, and badly

A vast body of research within the field of behavioral psychology offers valuable insights into how customers experience service interactions and form their opinions and memories of those encounters. Research undertaken by Nobel laureate Daniel Kahneman and George Loewenstein forms the foundation upon which the practical principles have been developed. In addition, work by pioneers such as Dan Ariely, Uri Gneezy, John List, and Richard Thaler has also had a significant impact on how individuals make decisions. Based on this work, McKinsey has developed a framework for categorizing common actions that attempt to spur particular behaviors from individuals in consumer and other settings. The framework is called CHOICES, which is an acronym for context, habit, other people, incentives, congruence, emotions, and salience (Exhibit 1).

Customer interactions are influenced powerfully by considerations such as the sequence in which customers encounter painful and pleasurable experiences.

In work specific to customer experience, one pilot study at a consumer-services firm found that improvements in net promoter scores accrued from behavioral-psychology initiatives rather than from improvements in operations (Exhibit 2).

In other work, leading researchers Richard Chase and Sriram Dasu identified three major factors that occur during customer-journey experiences and drive customer perceptions and levels of satisfaction.¹ These principles can often be applied at little

additional cost and help to ensure that companies receive credit for the experience they deliver:

- **Sequence.** Days, weeks, and months after using a product or service, customers tend to disproportionately recall the high and low points of their customer journeys and not all the individual aspects of it. Moreover, how a company sequences high points in relation to low points can materially change the perception of the service received: in particular, unpleasant

Exhibit 1 The CHOICES framework of behavioral drivers created by McKinsey's Behavioral Insight Lab helps determine relevant interventions.

CHOICES ¹	Drivers of behavior	Examples of interventions
Context	People gauge information relative to other, mostly implicit benchmarks	Prime: Playing German music in a wine store significantly increases sales of German wine
Habit	People often act and judge without deliberation, following habits or mental shortcuts	Expect errors: To reduce the risk of customers losing cards, ATMs usually return the card first, then dispense cash
Other people	People are influenced by what other people do, say, or think	Tell about others: Tax fraud is reduced by ~15% when taxpayers are informed that most people actually do not commit fraud
Incentives	People respond to "objectively" better offers	Give immediate gratification: Little treats for good deeds today (eg, cash for going to the gym) can help fight procrastination
Congruence	People act to preserve a positive and consistent self-image	Activate commitments: Public commitments work better than promises to oneself (eg, to quit smoking)
Emotions	People are influenced by emotions and the physical state of their bodies	Create "yes" emotions: A photo of a happy/attractive person had the same demand effect for a bank as a mortgage-rate cut of 100 basis points
Salience	People take in messages that are easier to process and remember	Show consequences: Regular information on energy usage and price increases drives energy consumption down more than twice as effectively as yearly updates

¹ McKinsey's Behavioral Insight Lab developed the CHOICES framework based on the work of Dan Ariely, Uri Gneezy, Daniel Kahneman, John List, George Loewenstein, and Richard Thaler.

Source: McKinsey analysis

Exhibit 2

Behavioral-psychology initiatives raised customer-experience scores in one consumer-services pilot.

Net promoter score¹



¹Before n = 58, after n = 28.

Source: McKinsey analysis

endings have a strong negative impact. Recognizing this bias in human perception, hotel chains, for example, have largely eliminated the need for business travelers to wait in line for checkout in the morning by collecting their payment information at the beginning of the overnight-stay journey. They also offer their loyal customers complimentary breakfasts as the last touchpoint. By replacing a low point at the end of the stay with a high point and time savings before departure, hotels create a positive bump in their stay experience.

- **Segments.** The frequency of high and low points of interaction also affects how services are perceived. Companies have noticed that when customers encounter all negative experiences

during one touchpoint and the company deliberately splits pleasant experiences into multiple touchpoints, it can improve the perception of service. At Disney parks, design engineers intersperse lines for popular attractions with multiple pleasurable experiences to reduce the negative impact of the long wait time. For example, the popular attraction The Twilight Zone Tower of Terror has three different themed waiting areas, a staging video shown while customers queue in a room that looks like a 1920s hotel lobby, costumed cast members interacting with guests, and cooling fans and mist. Similarly, many large trade shows combine all payment and registration requirements up front, ideally before the event, and disperse the distribution of popular events, speakers, and samples throughout the show.

- **Control.** Customers want to feel like they are in control of their journey as well as other immediate aspects of their life affected by the customer journey. The more empowered, engaged, and updated they are in the course of the journey, the less likely they are to assign blame to the company when things go wrong. A home-repair company knew from its consumer-satisfaction surveys that customers cared the most about the time it took for a repair worker to visit the home and fix the problems. However, when the company ran a pilot test, it was surprised to find that customer-satisfaction scores went up when customers were offered options for scheduling, even if each option offered meant the customer would wait longer than the company's average wait time.

Rewiring customer touchpoints and journeys

Many companies take advantage of these principles to improve the customer perception of the services received. Airlines and movie theaters allow customers to select their seats, providing customers with a sense of control. Most online retailers understand the value of allowing customers a sense of control and strive to keep their website displays, placement of buttons, and other functions consistently in line with

customer habits. That said, there are also multiple examples across the industry where companies lose the opportunity to take advantage of behavioral-psychology principles. Contrast the examples of these online retailers with some cable companies and banks that routinely change the interactive-voice-response menus for callers, thus frustrating customers. Most airlines spend substantial resources on aircraft interiors, check-in, and in-flight service, but some are only now starting to invest in the last step in the passenger's journey to avoid ending on a bad note. One airline devotes resources to helping fliers collect their baggage and find transportation. Another airline now prebooks a car service. Several others actively monitor the gate readiness of ground crews to avoid delays, all with the intent of providing a positive feeling to arriving passengers.

How can companies take advantage of these principles more systematically? The best practitioners we've observed work to rewire individual touchpoints as well as the most important customer journeys (Exhibit 3). In doing so, they establish a foundation for a customer-centric reputation that can serve as a powerful element of their enterprise brand.



Exhibit 3

Reworking touchpoints creates improved perceptions of service.

Business	Practice	Principle
Walt Disney World	Families select and pay for their meal plans and restaurant reservations before starting their vacation, avoiding the need to pay after each dining experience at the park	Get bad experience over with early
Amazon	1-click ordering reduces the pain of entering payment details each time while checking out, whereas the pleasure of shopping is repeated with each checkout	Segment pleasure, combine pain
Cathay Pacific	Flight attendants memorize the names of passengers in premium cabins in order to say good-bye by name as fliers deplane	Finish strong
Norwegian Cruise Lines	Pioneered "Freestyle Cruising," which gives customers choice over when they dine, where they dine, and when to see entertainment	Give customers choice
Pizza Hut	Provides detailed real-time updates on order status to customers	Create a sense of control by showing where the order is
Ritz-Carlton Hotels	Greets guests with a welcome email before arrival and personalized welcome letter in the room	Create a sense of control by sticking to habits

Source: McKinsey analysis

Touchpoints

Companies looking to bring some of these approaches to their own customers' experience should start by taking a critical look at each touchpoint within their typical customer-experience journey, with an eye to incorporating approaches derived from the three principles. These are some common goals:

- Work through bad experiences early so that customers recollect the more positive, later elements of the interaction.
- Segment pleasure and combine pain for your customers so that the pleasant parts of the journey form a stronger part of customers' recollections.

- Finish on a strong, upbeat note, as the customer's final interactions will have a disproportionate impact on his or her memory of the service.
- Provide customers choice, giving them a sense of control.
- Stick to habits and prevent any surprises, again giving customers more peace of mind and thereby increasing their satisfaction with the services received.

Journeys

While winning at individual touchpoints is very important, it is not sufficient to have isolated wins

Finish on a strong, upbeat note, as the customer's final interactions will have a disproportionate impact on his or her memory of the service.

in a few channels, devices, or applications. In addition to redesigning the discrete touchpoints that make up a customer journey, companies need to take a critical look at their most important customer journeys—which could last from several days to several weeks—in order to manage customer perceptions throughout the entire journey.

Redesigning the entire journey to incorporate the principles of behavioral psychology listed above has the potential to yield sustained improvements in customer satisfaction.

For example, a leading home-mortgage company has embedded many of these principles in the process of approving mortgage applications. It consolidated all the information it requires from prospective borrowers and asks for it up front. This serves to dispatch negative customer experiences early in the 90- to 120-day approval journey. Thereafter, the company schedules regular touchpoints where agents proactively provide positive news to customers as the process moves forward through various steps. This spreads the pleasure or good news over multiple touchpoints. The company also offers customers options for ways to interact with the company. Customers can go into an online system at any time and have full transparency into the status of their application, including the expected lead time before the application moves to the next step, thus preventing surprises and providing a sense

of control. Finally, the lender works to finish the process on a strong positive note, as the loan approval is the very last interaction that customers experience during this journey.

Obstacles and remedies

The field of using behavioral-psychology principles in customer interactions by applying sequence, segments, and control is growing rapidly. Applying these often requires little additional investment and enables companies to earn credit for their improvements in service delivery.

One issue we commonly see emerge is that many initiatives to harness behavioral psychology in improving customer experience prove to be little more than disjointed trials. This is understandable. It is often difficult for companies to move to more systematic interventions at scale and to integrate them with broader transformations of their customer journeys. That's unfortunate, because when integrated with a broader program and underlying operational improvements, behavioral-psychology initiatives can help ensure customer-service investments have sustained impact. In this context they will have an amplifying effect on improvements made in service delivery.

Our work has explored the variety of ways that companies can break down some of these challenges into smaller bits. One critical issue is the inability

to quantify the impact of customer-experience initiatives (see “Linking the customer experience to value,” on page 82). It’s also a challenge when the existing operating model is not solid enough to integrate behavioral programs into, and when siloed functions represent a roadblock to more systematic improvement efforts (see “Leading and governing the customer-centric organization,” on page 64). Finally, company cultures that resist embracing rapid and systematic prototyping of new digital initiatives are likely to find it difficult to refine behavioral elements in their customer interactions to improve service (see “Using rapid process digitization to transform the customer experience,” on page 52). By breaking down these barriers, more companies can find it possible, with minimal investment, to capture the incremental value that lies in smartly applying behavioral principles. ■

¹ Richard Chase and Sriram Dasu, *The Customer Service Solution*, Columbus, OH: McGraw-Hill Education, 2013.

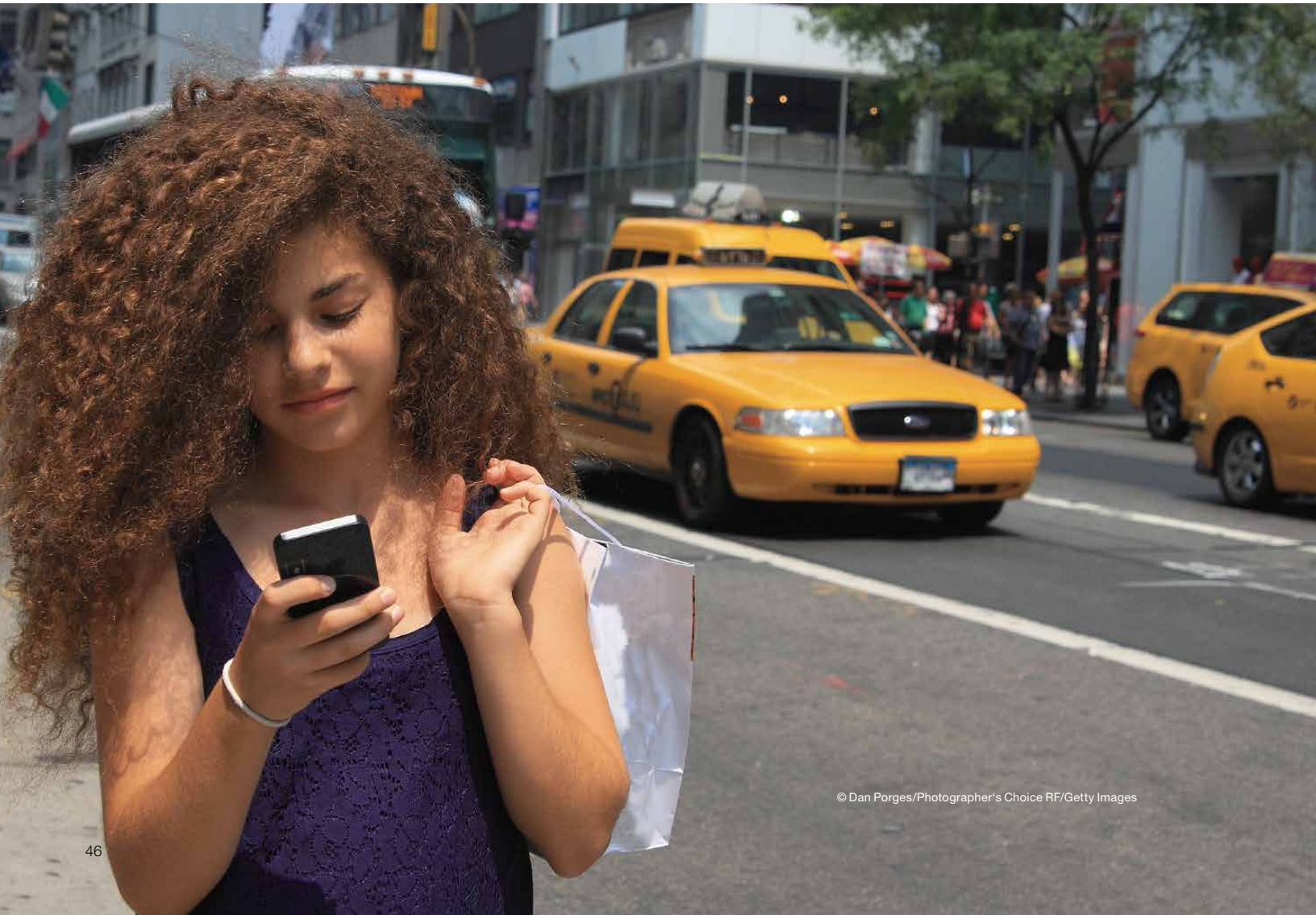
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The secret to delighting customers: Putting employees first

The main hurdle in customer experience is translating boardroom vision into action at the front line. Empowered employees are the key.

Dilip Bhattacharjee, Jesus Moreno, and
Francisco Ortega



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Once upon a time, a little girl visited a Disney theme park. Sadly, while there, she dropped her favorite doll over a fence and into a mud puddle. When members of the park staff retrieved the doll, it was a mess. So they made it a new outfit, gave it a bath and a new hairdo, and even took photos of it with other Disney dolls before reuniting it with the owner that evening. “Pure magic” was the way the girl’s mother described the doll’s return.

What may be most remarkable about this fairy-tale ending, which has since become part of Disney’s institutional lore, is what *didn’t* occur. The theme-park team didn’t panic, consult a corporate script on what to do in such a situation, or anxiously seek advice from managers so as not to botch their response to a small—but real—crisis for one of its customers. That’s because, at least in this case, the team’s understanding of what needed to be done for the young customer grew automatically from a systemic cultural emphasis that Disney puts on frontline customer service.

Such devotion pays dividends. Our research finds that emotionally engaged customers are typically three times more likely to recommend a product and to purchase it again. With an eye to these benefits, many companies are making customer experience a strategic priority. Yet, in our experience, we find that they typically struggle to gain traction with their efforts.

Improving customer experience is difficult to get right, because the primary hurdle is translating boardroom vision for a superior customer experience into action at the front line. The additional value that comes from focusing efforts on important customer journeys, rather than individual touchpoints (see “From touchpoints to journeys: The competitive edge in seeing the world through the customer’s eyes,” on page 14), makes the task of training and deploying effective frontline workers all the more complex.

Technological advances have made it much easier for companies to understand customers on an individual basis. Even so, engaging with customers is still undertaken largely through personal contact. And there’s no shortcut to creating emotional connections with customers; it requires ensuring that every interaction is geared toward leaving them with a positive experience. That takes more than great products and services—it takes motivated, empowered frontline employees. Creating great customer experiences requires having an engaged and energized workforce, one that can translate individual experiences into satisfying end-to-end customer journeys and can continue to improve the journeys to maintain a competitive edge. By appropriately motivating and rewarding such employees, a company will demonstrate its commitment to the employees’ work and will thus align their interests more closely with its own customer-strategy goals.

There are many ways to build frontline-employee commitment to superior customer experience. In our work with leading players, we have distilled four approaches to worker development and management that repeatedly show up in successful efforts. First, leading companies listen to their employees and seek to tackle their problems and needs. They hire with attitude, not aptitude, in mind and work to build on attitudinal strengths as part of employee development. They build motivation by instilling shared purpose in frontline workers rather than by applying behavioral rules. Finally, they tap into the creativity of frontline workers by assigning autonomy and responsibility as a way to stimulate innovative thinking.

Putting employees first in practice: One bank’s experience

In the past few years, numerous companies around the world have embarked on customer-experience transformation efforts. But only a handful of them have made mobilizing frontline workers a pivotal element in their transformation journey. Such is the

case for a Latin American bank—whose customer-experience strategy over a two-year period produced a double-digit improvement in profitability per client and customer acquisition while reducing churn 10 to 20 percent, gaining it widespread recognition for customer and employee satisfaction.

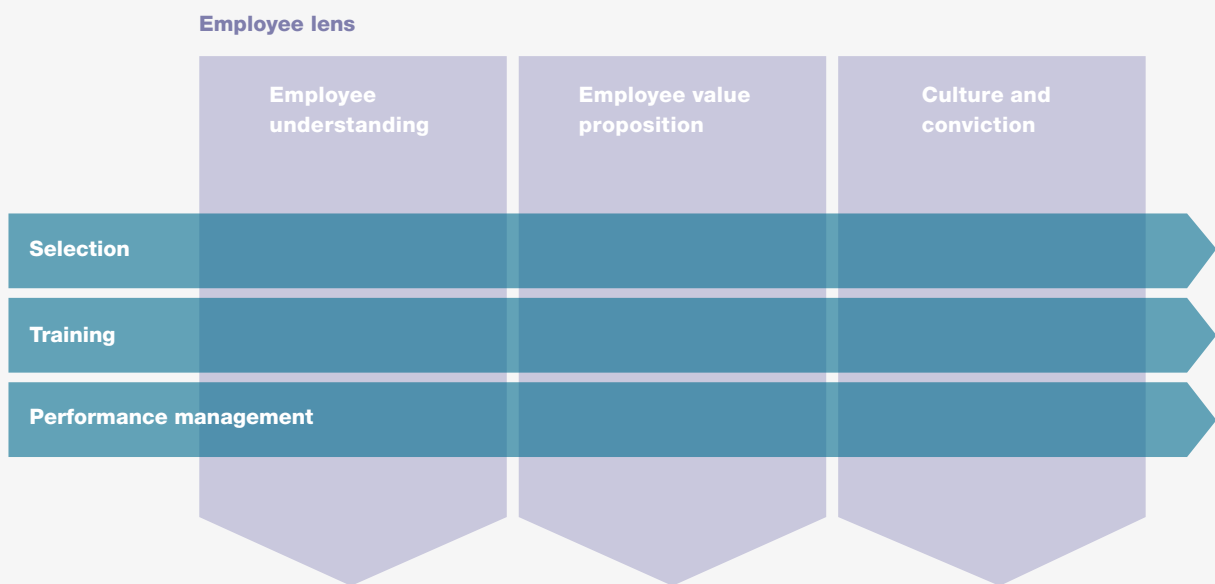
A few years ago, the bank was a leading player in a very competitive market in Latin America. Although the market was experiencing healthy growth rates, several international banks were competing for advantage. In order to win against well-diversified and funded competitors, the bank opted for an ambitious customer-experience strategy in order to differentiate itself in the long term. To pursue the strategy, the bank embarked on a multiyear customer-experience transformation program built upon two pillars. The first entailed designing and delivering a world-class customer experience. The second had to do with developing the culture, skills, and behaviors

that would allow its frontline employees to deliver such an experience.

The bank assembled a multidisciplinary transformation team to tackle the change programs for both customers and employees. The team included process engineers, line managers, and HR specialists. In addition to a framework to address the contours of a superior customer experience, the team developed an overall framework to cover all employee experiences (exhibit). To transform the employee experience and frontline workers' engagement with the company and its customers, the team used an integrated and comprehensive set of interventions: a deep understanding of the employees' needs, using quantitative surveys and qualitative research, including focus groups and individual interviews; a redesign of the employee value proposition; an overhaul of key HR practices such as recruiting and selection, capability building, and performance management;

Exhibit

Transforming the customer experience requires a methodical approach to understanding and engaging employees.



Source: McKinsey analysis

and a set of initiatives aimed at building a true customer-centric culture. These included promoting symbols, such as company mascots with different personalities, name tags and stationery, rites and celebrations such as breakfast with management, an award ceremony during the annual convention for leaders, and a peer-recognition portal. Management reinforced these efforts with repeated messages and encouraging habits such as demonstrating transparency in sales.

Deploying the program in waves over the course of more than two years, the team worked to motivate and empower frontline employees to build an emotional connection with the bank's customers, deliberately emphasizing the principles derived from other successful employee-development efforts described earlier. They included the following.

Listening to employees. During the initial phase of the transformation, the bank devoted a significant effort to thoroughly understanding employees' needs and wants. It segmented employees based on their attitudes, requirements, and preferences and analyzed the key attributes that motivated and attracted each type of employee; it also categorized the main behavioral traits. This allowed the bank to tailor value propositions for its employees to their concrete needs and preferences. Using polls, surveys, and focus groups, the team was able to segment whether an employee's attitude toward work was active or passive, map how conditional his or her level of commitment to company goals was, and gauge the behaviors that would motivate performance. For instance, based on its analysis, the bank changed its nonfinancial benefits for employees, introducing a system of points that the employees could redeem. For example, a parent could receive a day off to attend a child's school party, or a young employee might earn a discount for a mortgage rate.

Beyond one-off changes, the company put in place several mechanisms to better listen to employees on

an ongoing basis. For instance, it created contests in which frontline teams would propose improvement ideas twice a year: one for improving employee experience and the other for improving customer experience. The teams ended up implementing several of the ideas, while the company centrally sponsored others that benefited a broader range of company functions.

Hiring for attitude, not aptitude—and then reinforcing attitude. To ensure that it recruited the best talent to deliver a great customer experience, the bank completely overhauled its recruiting and selection processes. Management changed several job descriptions to emphasize customer service as a key element for evaluation during the recruitment process. It also changed the interview process from a system based on one-on-one interviews by managers to a process that evaluated the service attitude of the candidates in realistic environments. For instance, the bank built a simulated branch in its recruiting department where candidates were placed in role-play situations to test their attitude and behavior toward customers and colleagues. It also included additional filtering criteria that would ensure the right behaviors toward customers, such as honesty and integrity in relationship managers. Finally, the bank introduced a welcome pack that would help improve how new employees were brought on board, including a manual to help new hires navigate the company, a letter from the president, and brochures with tips. These measures resulted in a 5 to 10 percent increase in the satisfaction scores of customers served by new employees.

Other companies have also discovered the connection between hiring customer-oriented people and ensuring friendly service. JetBlue Airways, for example, has embedded this philosophy in its hiring process. To recruit frontline staff with a natural service bent, it uses group interviews. Watching how applicants interact with one another enables hiring managers to assess their communication and people

skills to an extent that wouldn't be possible in a one-on-one setting.

Having hired people with the right attitude, leaders need to ensure they reinforce the behaviors they want to see. Although Disney hires janitors to keep its parks clean, everyone else in the organization knows that they share the responsibility for maintaining a clean and pleasant environment. Asked why he was picking up paper in the restroom, one team leader replied, "I can't afford not to." As Disney executives tell it, every leader is telling a story about what the company values.

Instilling frontline workers with purpose, not rules.

Bank leadership understood early on that imposing strict rules on frontline customer representatives has its limits. Instead, it opted to provide a common purpose of meeting customer needs that employees could apply to every imaginable situation—as well as the criteria that would allow them to appropriately adjust their behavior, especially in the absence of a specific rule or protocol (see "Developing a customer-experience vision," on page 8, on the role of common purpose in promoting customer satisfaction). In order to mobilize and engage frontline workers as much as possible, leadership decided to build the common purpose and service criteria by using a bottom-up approach, rather than by mandating change. A group of employees was selected by their peers based on their merits and attitude in customer service, and they were entrusted with the responsibility of creating the common purpose and service criteria. While the common purpose gave meaning to employees' work, the service criteria chosen—such as safety, proximity to customers, image, and diligence—defined concrete behaviors that guided the front line to act in alignment with the common purpose.

To keep the common purpose from lapsing into some kind of conceptual framework, the company reinforced the concept and the service criteria through several mechanisms. For instance, frontline leaders are awarded pins in recognition for reinforcing certain service criteria with their teams. The leaders display these pins proudly in the band that holds their name tag. Corporate image and communication provide another reinforcing mechanism. Each of the service criteria is represented by a color, and the bank color-codes most of its corporate communications to more closely associate them with the criteria.

Tapping into frontline creativity. The customer-experience transformation brought new mechanisms to capture and disseminate ideas from the front line, such as a biannual contest to generate ideas to improve customer and employee experience. Although these mechanisms demonstrated positive impact, bank leadership decided it wanted to do more to boost positive customer experiences in order to stay ahead of competitors. So it set out to accelerate the pace of continuous improvement and innovation generated at the front line. Its approach was to roll out a program to incorporate several lean-management practices across all areas and all organizational levels, with a focus on sustaining and improving the customer-experience strategy.

Currently, hundreds of teams in the bank hold daily huddles; in these 15-minute discussions, they talk through results and key performance indicators, many of them related to customer experience. They also bring to the surface improvement ideas and share customer-experience stories that reinforce the customer-service culture. The main improvement ideas are picked up again in weekly structured

problem-solving sessions, where they are either solved and assigned to team members for implementation or elevated to more senior leaders for tackling in similar problem-solving sessions with other areas of the organization. Through these and several other standard practices that the bank has implemented, it has been able to accelerate the velocity of innovation and continuous improvement to stay in front of competitors.



Strategists know that technological changes have made it easier for customers to shift their loyalties based on how satisfied they were with their buying experiences. But for companies looking to improve their performance, the personal interaction between customer and frontline employee may still be the most important link of all. ■

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Using rapid process digitization to transform the customer experience

Transforming the customer experience requires a level of speed and precision that traditional approaches can't meet. The best practitioners do it in real time.

Line Hartvig Müller, Andrea Peyracchia, and Vik Sohoni



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Time was that a company with the next big thing could bank on a year or so of cushion until competitors caught up. No more. Fast-track product development, advanced software techniques, and the ready availability of digital channels have made products dramatically easier to commoditize. Such changes are one reason the battle for competitive differentiation has increasingly shifted to the quality of the customer experience. For their part, customers accustomed to the immediacy, personalization, and convenience that characterize digital-marketing pioneers such as Amazon and Google now expect the same service from all players, raising the stakes.

In our experience, customer-experience leaders start with a differentiating purpose and focus on improving the most important customer journey first—whether it be opening a bank account, returning a pair of shoes, installing cable television, or even updating address and account information. They then improve the steps that make up that journey. They design supporting processes with customer psychology in mind, managing expectations around such things as wait times, and surprising customers with unexpected rewards toward the end of the journey to maximize pleasure and enjoyment. They also foster a service culture that emphasizes consistent, high-quality touchpoints. And they innovate continuously, looking outside as well as in to cast a broad net for ideas. Finally, they are zealous about tracking and acting on feedback to improve steadily and rapidly.

But to achieve the speed and precision that the competitive marketplace demands, leaders are putting aside traditional approaches to transforming their digital customer profile. Instead of stepwise design-and-build approaches that culminate in a big-bang launch months later, they achieve rapid process digitization using concurrent-design approaches in which elements are added and refined in a continual cycle of testing and learning. Using this method, multidisciplinary teams codesign high-

impact processes and journeys in the field, iterating and rereleasing designs quickly—often in real time—based on direct customer input. Weaker designs fail faster and stronger ones succeed sooner under this approach, with the result that high-performing incumbents can release and scale major, customer-vetted process improvements in under 20 weeks. And because rapid process digitization incorporates continuous improvement from the pilot stage to large-scale rollout, initiatives are far more likely to be sustained over time.

That is not to say that accelerating an organization's customer-experience transformation via rapid digitization is easy. Among other challenges, it requires established businesses to embrace new ways of working and adopt methods that will be foreign to standard approaches and the existing operating culture. Yet the payoff can be compelling.

Putting aside old approaches

In many organizations, process design has traditionally been managed sequentially. Product or business managers have an idea. They hand that idea off to IT. The technology team develops it, then hands it back to the business to review. All told, it can take months before customers see the improved process. Only then, after having committed all that time, does the business find out if its answer is the right one.

Such stepwise process-improvement approaches are too slow and insular to give companies the lift they need in today's environment. And because they don't incorporate customer feedback until late in the game, businesses often learn only after the fact that they invested in the wrong areas and made improvements that do not deliver a differentiating experience.

Another consideration is that the existing process environment is often too complex. IT legacy systems—many already stretched—often feature a jumble of patches and work-arounds that make them hard to integrate or update efficiently.

In addition, many processes were not designed with today's digital and multichannel environment in mind. One bank, for instance, figured out that its current customer process for setting up an overdraft account took 10 to 15 days to complete. Automating those steps to a mobile environment would be impossible. The bank needed something simpler and faster that would take a 15-day process down to five minutes.

Transforming the customer experience in this way requires a different approach—one that is more responsive, integrated, and customer led. An iterative test-and-learn approach allows companies to move the needle more quickly and with greater accuracy (Exhibit 1).

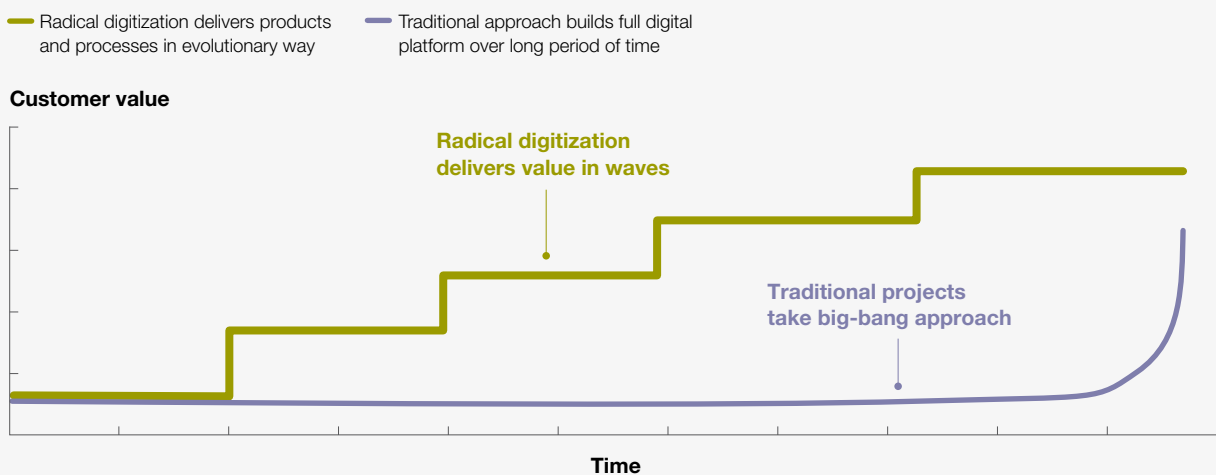
Digitizing the customer experience

Using rapid process digitization, teams redesign one customer journey at a time, then build capabilities to

scale quickly, with a goal of releasing a basic version in under 20 weeks.

To meet its customer goal of extending digital engagement, for instance, Starbucks recently launched a new mobile ordering service. The company's objective was to make the coffee-buying journey a differentiating experience by allowing customers to preorder their favorite beverage. To get there, Starbucks had to create a new set of processes that integrated the company's mobile loyalty program and point-of-sale applications. It also had to reengineer the flow of line operations. Cross-disciplinary teams, comprising operations, IT, and business managers, hunkered down together and mapped out needed processes, even going so far as to build a fully functional mock store within the company's Seattle headquarters.

Exhibit 1 Integrated, customer-led design delivers better, faster results.



Building critical skills for the digital age

- Fully integrated business/IT teams
- Customer-first approach driven by business, not IT
- Continuous testing (beta testing, piloting prototype, A/B testing)
- Continuous releases of technology functions

Source: McKinsey analysis

In our work, we've seen many customer-experience leaders follow a similar approach to transforming their customer profile. Rather than digitizing lots of elements, they focus on selective transformation, singling out the handful of customer journeys that matter most to key segments; mapping how those journeys flow across functions, channels, and devices; and identifying where the key pain points are. Then they reimagine what an optimal journey experience would feel like from a customer point of view, ensuring the resulting processes intersect cleanly with social, mobile, and cloud technologies and deliver a superior customer experience.

Instead of waiting until prerelease models have been perfected, successful players release basic prototypes when they're minimally viable. Then they rapidly cycle improvements through live tests with customers until the process meets predefined customer requirements.

Achieving these results requires three things: freeing up a dedicated cross-disciplinary team, employing rapid process digitization, and scaling up completed processes.

Creating the team

A rapid-process-digitization team needs a C-suite sponsor with the authority and organizational clout to provide a clear customer mandate and the ability to shift thinking away from incremental process improvement and toward bolder experimentation. Senior stakeholders should be physically co-located in the development room, where they can demonstrate the organization's commitment, provide the necessary clout to remove impediments, and procure needed analytics and subject expertise.

Other resources are critical, too:

Business and product expertise. The team should include three or four members from the affected business areas. At least one should be a product manager

with enough experience to provide institutional insight and enough at stake from the eventual results to have a vested interest in the process. The business team also plays a role in keeping parties such as the legal department, risk specialists, and lean-operations experts informed throughout the development cycle.

Technology and analytics resources. Rapid process digitization requires expertise in agile software development, business analytics, architecture, and solution design. Six to eight people is about the right range—just big enough to provide the requisite number of developers, testers, and middleware and back-end personnel, but not so large as to become cumbersome.

Change-management resources. Organizations new to working with concurrent design often benefit from having a change navigator on their team. This individual, often a leader in lean operations, can bring an outside perspective from other industries or functions to help managers consider different ways of approaching similar customer and business issues. As teams begin to accustom themselves to rapid-process-digitization practices, they may find they have less need for a dedicated change manager. One leading Netherlands-based bank, for instance, now has close to 160 active digitization teams. Concurrent design has become the bank's de facto way of working.

Putting rapid process digitization into action

Rapid process digitization begins with envisioning a superior journey from the customer point of view. With the team housed together in a dedicated physical space, the goal is to toss aside traditional notions of working and use customer data and intelligence to reimagine the richest, most efficient and engaging way of satisfying customer needs and expectations. Basic prototypes are then ushered into real-time customer testing, where concepts are validated, refined, and rereleased in continual cycles until they meet agreed-upon performance thresholds.

Digitization teams rapidly and continually learn and test their new knowledge throughout the development cycle. Before they nail down the final design, they review and minimize business-investment risk and ensure that digital initiatives deliver maximum customer value. For example, one telecommunications company wanted to respond to customer feedback that indicated families wanted greater visibility into their kids' mobile data consumption. The company thought it had the perfect solution—a new toggle button on a downloadable app that would allow parents to reduce or extend data minutes for any family member on their plan. While IT and business teammates hashed out a basic prototype, other team members quickly rolled out a text-based poll to 50,000 customers, selected at random from their high-value family segment, to see if the plan was on the right track. The response showed customers loved the idea but hated the app. What customers wanted instead was a text or email alert that gave them several response options. That early feedback allowed the team to refine the proposed solution rather than invest heavily in a feature that would have missed the mark.

In our experience, most rapid-process-digitization initiatives are completed in 20 weeks or less (Exhibit 2). The actual length depends on the complexity of the design, the performance of the minimum viable product, and customer feedback. Such products are necessarily imperfect. The idea is to create a solution that will be good enough for early adopters. Teams then improve on that baseline in the field using actual customer behavior and feedback. Those insights tell teams where to prioritize and what features to keep, refine, or discard. After the launch, ongoing refinements continue to be made to maintain and improve the system based on customer use and uptake.

Scaling up

New capabilities should be scaled quickly to transform all key customer journeys. Some companies

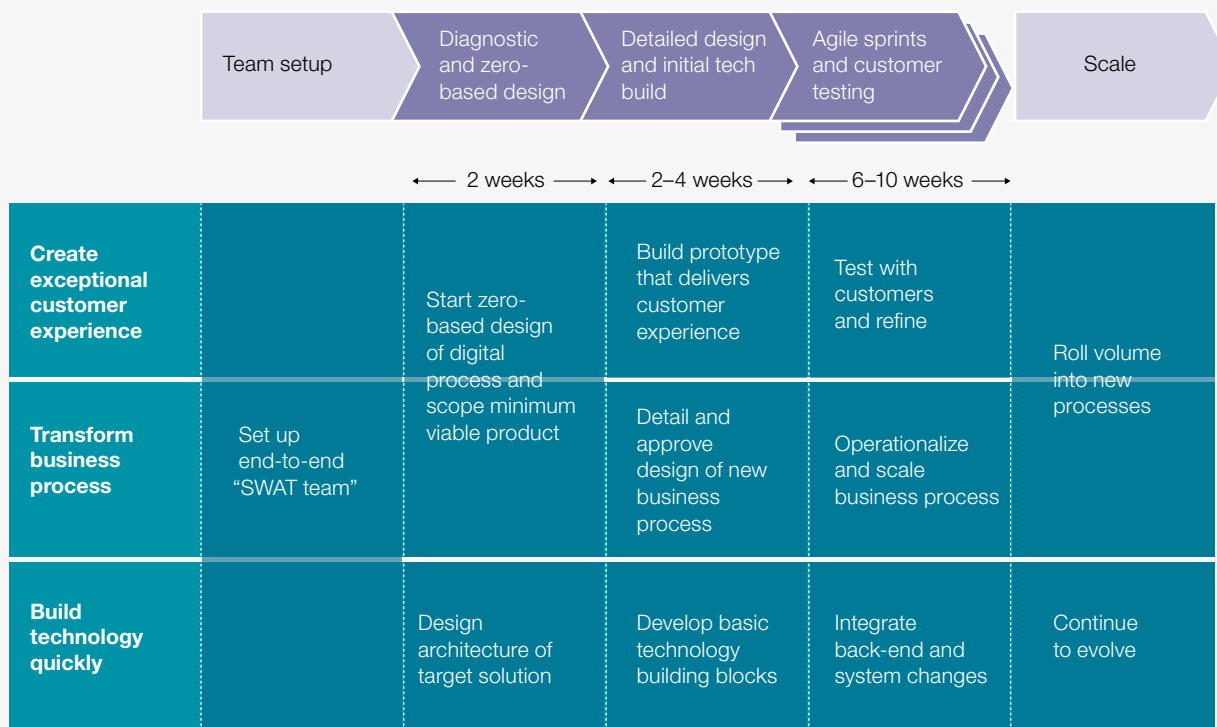
do this process by process. One bank, for instance, organizes its rapid-digitization teams by theme: one works on all journeys and products related to credit, another works on investment products, and so forth. Other companies take a journey-by-journey approach. Regardless of the approach, businesses looking to bring digital initiatives to scale must establish clear standards and performance metrics so what is learned is gathered and communicated consistently in order to continuously improve the program. Scaling also requires the human-resources function to be actively involved, since most organizations will face gaps in critical digital skill sets, many of which are in high demand.

One bank's experience

Based on customer feedback, one retail bank knew it needed to make significant improvements to its process by which customers open accounts. The chief marketing officer (CMO) took nine seasoned business and IT staffers for a period of four weeks and convened a rapid-digitization workshop. Participants, many of whom had little experience in rapid digitization, were taught the basic elements of customer-centric design. The CMO also brought in guest speakers from a prominent start-up and a successful player in an adjacent sector to build interest and shed light on what leaders in other fields were doing.

Team members then listened to several painful call-center exchanges that pressed home the issues some customers were experiencing. It took only a day to brainstorm creative ways of addressing those customers' complaints and draft a new design. Constructing a minimum viable new product to test, however, proved more challenging. Early customer polling revealed some plans were too ambitious and others were too basic, so the business and tech team partnered in interpreting and cycling feedback in successive releases. Close performance monitoring, integrated into the product-release cycle, revealed when they finally landed on a model that met most customer requirements.

Exhibit 2 Rapid digitization can be completed in under 20 weeks.



Source: McKinsey analysis

To keep the project scope from spiraling, the technology team dug around the bank’s IT environment to find existing interfaces to which it could attach a new set of processes. Although team members at first felt uncomfortable with repeated testing and refining, they gradually warmed to the new dynamic. Now, with the new process established, the team is focused on cleaning up old redundant methods to open accounts in order to make the new customer-approved method the primary means of opening an account. The initial customer reaction has been very positive.



Large established players are under increased pressure to transform the quality of the customer experience to meet rising customer expectations

and counter nimble digital competitors. Rapid process digitization allows incumbents to execute on their most critical customer priorities, delivering highly refined initiatives to market in far less time than traditional design-and-build approaches. ■

The authors wish to thank Robert Park and Mahin Samadani for their contributions to this article.

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Are you really listening to what your customers are saying?

Too many companies squander the treasure that is customer feedback. The solution is systematically measuring the customer's voice and integrating it into a culture of continuous feedback.

Harald Fanderl, Kevin Neher, and Alfonso Pulido



Customer-experience metrics have proliferated over the past decade, and chances are that your business relies heavily on one or more of them. But many companies struggle with metrics. For some, the problem is a disconnect between the metric and business performance; for others, it's a loss of confidence among frontline workers when the metrics don't seem to explain big swings in customer satisfaction. Further, in some companies, there is confusion about whether transactional or relational measures matter more, and, in others, a simple lack of results from too much focus on one top-line metric.

Complicating the problem, many companies struggle with collecting, analyzing, and acting on feedback. Many B2B companies, for instance, gather customer feedback only through sales channels, missing important insights from users and influencers. Finally, many companies don't have the culture to loop customer feedback through the front line to improve behavior or connect it to innovation.

Taken together, these complications leave many companies tone-deaf to the voice of the customer and represent a formidable barrier to building the foundation of a successful customer-centric strategy. Happily, our experience shows that it matters less which top-line metric a business relies on; almost any one will do. Rather, what matters is how the business inserts the metric into a systematic capability to collect, analyze, and act on feedback in an effective and complete measurement system of the customer journey. Building that system can take time, but gains to a customer-centric culture and the bottom line can accrue quickly.

Journey-centric customer-experience measurement

Consider the experience of one international utility that aimed to break up its metrics logjam and build a truly customer-oriented culture. While its approach started with a top-line metric, it shifted past practice by putting a central focus on key customer journeys

as the bedrock of its system. First, the company moved beyond measuring touchpoints and homed in on customer-journey feedback. A journey such as “I join” for new customers incorporates several touchpoints (for example, making initial contact, signing a contract, and receiving a first bill). The shift in focus gave the utility for the first time an end-to-end view, in real time, of how customers joined. This helped the company act on client feedback such as “my gas meter is not registered properly” or “I do not understand my direct-debit reassessment” within a few hours by calling the customer, fixing the problem, and in this way turning negative customer feedback into promotion.

Second, a new platform for operational feedback automated surveys, analysis, and role-based reporting that created a hardwired backbone for a customer-centric culture. For the first time, not only did the marketing department have customer insights, but so did a large number of employees—for example, those in all call centers. Moreover, the same system was applied across countries, enabling best-practice exchanges on multiple levels of the organization. Finally, the utility put the new insights to work with a continuous-improvement mind-set that directly encouraged frontline workers to close the loop with customers. This also forced actions onto meeting agendas and performance-management systems across the company. Although the system was only recently implemented, the utility has seen real payoffs in better customer experiences, more loyalty, and lower costs. Following full implementation, company executives expect about \$50 million in improvement in earnings before interest, taxes, depreciation, and amortization from revenue gains and other cost reductions.

In our experience, three core elements are critical for transforming a middling approach to customer-experience measurement into a value-creating system.

Journey-centric feedback. The heart of journey-centric measurement is the organizing principle of measuring customer experience at the journey level, as opposed to looking only at transactional touchpoints or overall satisfaction (exhibit). Our research finds that customer journeys are significantly better correlated with business outcomes, such as churn, than are touchpoints (see “From touchpoints to journeys: The competitive edge in seeing the world through the customer’s eyes,” on page 14). Obtaining feedback about customer journeys—say, for the overall purchase journey, not just a point of sale, or for the issue-resolution journey, rather than just a customer-care interaction—

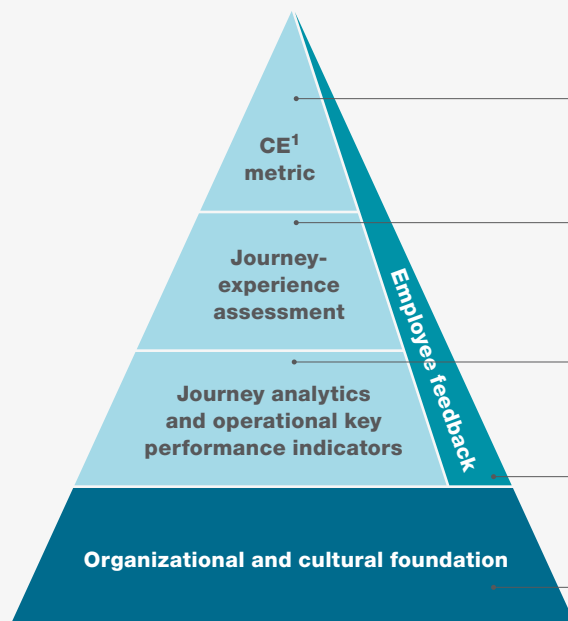
becomes foundational (though it is possible to retain a top-line metric that combines the journey scores for ease of reporting and overall progress).

One important advantage of measuring journeys over touchpoints is the ease of tying operational key performance indicators (KPIs) to the system. For example, from a customer perspective, one of the most important KPIs that data show matter in an issue-resolution journey is the time from issue to resolution. This KPI links closely with the journey that might start from the first moment the customer or company identifies a problem and then moves all the way through resolution, so it can be linked

Exhibit

The ideal customer-experience-measurement system puts journeys at the center and connects them to other critical elements.

Customer-experience-measurement pyramid



Principles

Top-line CE metric **linked to business outcomes**

Journeys, not touchpoints, at the core; aim is to understand performance on each journey

Regular, **objective metrics** serve as leading indicators building to each journey

Employees leveraged to assess customers’ experience and identify **operational improvements**

Supported by **change-management capabilities and customer-centric culture**

¹ Customer experience.
Source: McKinsey analysis

to a customer's satisfaction with that journey. If the company is looking only at a touchpoint—say, a call interaction—then the total elapsed time until resolution never will appear as an element that drives customer satisfaction, nor will it become a focus for improvement.

In addition to tying operational KPIs to journey feedback, another essential effort is building organizational and cultural elements into the foundation of a measurement system. These elements include clear and broad transparency of customer-experience measures and feedback, as well as employee feedback. Best practice is to think of employees' journeys in the same way as customer journeys and to create a parallel path for collecting, analyzing, and acting on their feedback. In our experience, better employee experience and engagement translate to better customer-experience performance, and employees are crucial actors in helping to convey what the customer is really experiencing.

Hardwired backbone. Just as companies invest in enterprise-resource-planning systems to collect, measure, and report finances, so investment in technology is necessary to support a superior customer-experience-measurement system. Numerous vendors provide a variety of functionalities and price points for these platforms to integrate the customer-experience-measurement strategy into day-to-day work routines. Hotel companies generally led the way more than a decade ago on seeing the value of hardwiring ways to capture customer experiences, but today businesses as varied as Apple stores and Mercedes-Benz dealerships see these platforms as more than mere survey infrastructure. Rather, these companies regard them as a true method to translate data into operations and as essential to achieving impact.

These systems make important contributions to creating value. First, they make it possible to tap many more customer voices beyond the individuals with whom the business interacts the most. Moreover, they provide an analysis engine that can incorporate all kinds of data: survey results, social-media posts, and linking operational data. Finally, they enable action-based reporting. In other words, not only does the user gain transparency into results, but also the system offers recommendations for specific responses when certain issues are flagged. Companies hardwiring a backbone for customer feedback typically see their net promoter score jump 10 to 25 points in the first year.

Continuous-improvement mind-set. Change is difficult. Organizational inertia is hard to overcome, even for companies with a strong customer orientation. In our experience, there are two areas where establishing a continuous-improvement regimen matters most in achieving a superior customer-centric mind-set. The first is at the front line, with employees closing the loop with customers on direct feedback, then using that insight to change the way the process is designed or executed. When this does not occur, the cause is sometimes a failure of performance management around customer-experience improvement, but often it involves a “muscle” that hasn't been trained and role modeled.

Implementing this change is largely about influencing human behavior. Our research has consistently shown that effecting this type of change requires real behavioral role modeling. This must come from leaders and supervisors, new rewards and consequences, improved training in how to act, and a strong conviction and understanding among employees about why the change is important for the customer, for themselves, and for the company.

The second important area of impact is making feedback part of an approach to continuous improvement in service design. Product companies long have known that rapid iteration using customer insights is the way to get to a winning product, but service companies have rarely invested the same way in service design. For designers and engineers in marketing or research and development, it is necessary to create a pipeline of feedback and actions, rather than merely reporting metrics, so the customer's voice is always present.

Getting started and lessons learned

This kind of transformation can take time—often 18 to 24 months to fully realize the bottom-line gains—but the benefits to a company's culture can begin accruing quickly as the system is put in place. One particular value of journey-centric measurement is that it does not require going all in at the beginning across the customer life cycle. Businesses can build the complete system, end to end, in one journey at a time and then roll out more broadly as they build momentum or free up resources.

Whatever starting point management chooses, there are common pitfalls. Lessons learned from these can help ensure that establishing a journey-centric customer-experience-measurement system gets off to a strong start:

- *Think systematically.* Metrics are simply data points. Think of each as a medical test, such as an X-ray or CAT scan, that serves as one input in making an informed diagnosis. In business, as in health, the goal isn't to focus on the test but to figure out how to heal whatever has gone wrong throughout the entire system. It may seem intuitive, but it bears repeating that securing a number is not enough. Businesses must be Custready to take that feedback and use it for change.
- *Don't fret about the metric.* Businesses often agonize over whether they have the right metric. But our research shows that whether a company is using a net promoter score, customer-satisfaction score, customer-effort score, or another popular metric of the day, it matters less which score customer-experience managers choose than what they do with it. No one metric is the best for all businesses or customer journeys, and best-in-class operators generally choose the metric that is most predictive of their desired business outcome, which can vary by industry.
- *Show me the money.* Getting the most out of any metric requires linking that measurement to financial value. That linkage helps business leaders set priorities on the changes that will deliver the greatest bottom-line impact and stimulate conviction at all levels of the organization. It's of little use to choose a typical net-promoter-score scale (say, 0–6, 7–8, 9–10) if moving customers from 7 to 9 doesn't actually deliver any improvement in financial metrics such as likelihood to churn. In tying action to metrics, businesses must establish clear and well-understood break points (see “Linking the customer experience to value,” on page 82).
- *Close the loop.* Metrics reflect the state of business at a particular point in time. Actually improving customer experience requires closing the loop with customers to fix individual concerns and to celebrate frontline successes. It also requires closing the loop on core issues by applying the feedback to the journey level, analyzing the KPIs, and rewiring the organization to fix the root causes of any problems.
- *Listen to the front line.* Leading customer-experience companies systematically improve

operations by incorporating employee feedback on perceived customer experience and problem areas. This requires a shift in thinking that goes beyond conducting focus groups or meetings between senior management and frontline workers. It requires applying to employees the same operational-feedback platforms used for listening to customers. Although employees and customers point out similar problems, employees uncover root causes, while customers only report on symptoms.

- *Focus on alignment.* Successfully establishing a new measurement system in the context of a broader customer-experience transformation depends on cross-functional alignment (see “Designing and starting up a customer-experience transformation,” on page 72). Marketing, operations, IT, and even human resources in some cases are essential to have at the table, jointly committed to the company’s customer-experience vision.



Customer-experience metrics are everywhere, but relying on them isn’t the same as truly hearing the voice of the customer. Rather, investing in an effective and complete system to measure the experience of the customer journey is the way to reap the rewards of customer feedback. ■

The authors wish to thank Ralph Breuer and Whitney Gretz for their contributions to this article.

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Leading and governing the customer-centric organization

The uniquely cross-functional nature of effective customer-experience efforts puts a premium on smart governance. Clearly defined leadership, behaviors, and metrics are the places to start.

Dilip Bhattacharjee, Line Hartvig Müller, and
Stefan Roggenhofer



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What's wrong with this picture? C-suite leaders, intent on restoring their company's slipping competitiveness in today's fluid, multichannel markets, conclude a high-level strategy meeting with an announcement from the chief executive: since customer satisfaction has become a top priority for the company, a high-performing executive will take charge of a new customer-experience unit, with the goal of making the organization more customer-centric. The unit will report to the chief operating officer (COO), since the operations function is closest to where most customer interaction takes place.

What's amiss is that, while the company's impulse is right, this often-seen response overlooks critical elements in leading and governing a customer-experience effort that distinguishes leading customer-centric companies from laggards. For starters, the best customer-experience efforts begin with a "customer back" perspective driven by the customer's wants, not the company's traditional organizational structure. That makes the task of governing customer-experience efforts unique even among organizational designs that rely on a heavy dose of cross-functional collaboration. Then, leading players incorporate that complexity into choosing which customer journeys matter, which metrics to target, and which incentives to apply in energizing and motivating frontline workers to build and sustain a superior customer experience.

In our experience, adequately addressing the challenge requires a dedicated effort on three levels. First, a customer-centric leadership structure must ultimately report to the chief executive and should be designed to stimulate cross-silo activity and collaboration. Second, leaders must commit to demonstrating behaviors and serving as role models to deliver customer-experience goals to frontline workers and refine and reinforce those goals over the long term. Finally, it is necessary to put in place the correct metrics and incentives that are critical for aligning typically siloed units into effective cross-functional teams.

Perspective matters

Consider the customer's view of the experience of shopping for a pair of sports shoes. As noted in "From touchpoints to journeys: The competitive edge in seeing the world through the customer's eyes," on page 14, customers form their impression of a product or service through multiple interactions with an organization. The customer's ultimate satisfaction or irritation stems from his or her overall impression over the course of an end-to-end journey, rather than with individual touchpoints along the way.

In this way, the experience of shopping for a pair of sports shoes reflects more than the customer's satisfaction with the appearance or performance of the shoes themselves. It might begin with the experience of browsing the Internet to get an idea of choices; finding a store to buy the shoes; making a selection and interacting with the sales staff; considering the price, look, and quality of the shoes; undergoing the packaging and return journey; and even sharing the experience with friends on social-media sites. If one of these interactions or elements feels bad, the entire experience might be rated as bad by the customer.

This example demonstrates how many different parts of the organization are responsible for delivering the ultimate customer experience. Providing a seamless customer experience thus begins with the customer's perspective at the center of the organizational structure and requires all parts of the organization to work together in lockstep. The same holds true for customer journeys that take place across geographic regions or even across brands as part of the same organization.

Now consider the perspective of a manager who spends most of his or her day in a large organization selling products or services to customers. Unlike the customer's journey, which touches all areas of the business, the manager's time and energy is largely devoted to improving a single part of the organization. In many cases this is a typical functional area, for example, a call center.

The COO will have a strong focus on improving the productivity of back-office employees. He or she might have teams measured on average handling time for a call center, or a backlog of customer requests for the back office. This focus drives efficiency but not necessarily customer satisfaction. Tensions might arise with the sales department if the number of product options increases complexity for the COO's agents. Should a slightly longer call allow for resolving more problems the first time around, the COO may nonetheless resist because one measure of his unit's productivity might slump.

What message does this send to employees? By constantly focusing on reducing handling times at the call center rather than on raising customer-satisfaction scores, a manager will signal to employees that productivity, and thus cost, is a priority over delivering a superior customer experience. Similarly, the emphasis on department performance will motivate employees to focus locally, not across the entire end-to-end customer journey. Under such circumstances, even the best customer-experience vision and strategy will stumble under the weight of limited information transfer and poor cross-functional collaboration.

Organizing to lead end-to-end customer journeys

Leaders in customer experience pursue a range of approaches to overcome such complexity. In our experience, several elements form the core of their successful efforts. They include the following.

Setting up a dedicated customer-experience organization. Forming a dedicated team allows a company to maintain a continuous focus on customer experience across segments, brands, geographies, and functional areas. In our experience, a permanent customer-experience team of 2 to 20 members is usually sufficient, regardless of company size. The team's size and

profile can be determined by the maturity of the company's customer-experience profile. In cases where customer-experience norms, values, and metrics are lacking, more formal roles and responsibilities will be required. A larger team may be necessary when its focus is on stimulating cross-functional activity and on execution versus promoting innovation.

The role and responsibility of the team should also be clearly defined within the organization. Effective customer-experience teams provide outside-in perspectives, such as industry best practices and customer insights from other sectors. They identify customer-experience-improvement opportunities and potential solutions, as well as support customer-journey performance analyses and traction. They enable change management and continuous improvement in frontline operations.

Some typical roles include a senior staff role to lead the team of managers and analysts and ensure cross-functional collaboration and oversight to implement customer initiatives at the front line; a line leader who drives frontline initiatives, supports implementation, and coaches employees; a manager who prioritizes staff and resources on customer-experience initiatives and oversees analytics and drivers of customer metrics; and analysts who work with data from internal surveys and external sources to focus on metrics and operational-performance indicators, with an eye on identifying opportunities and solutions to problems.

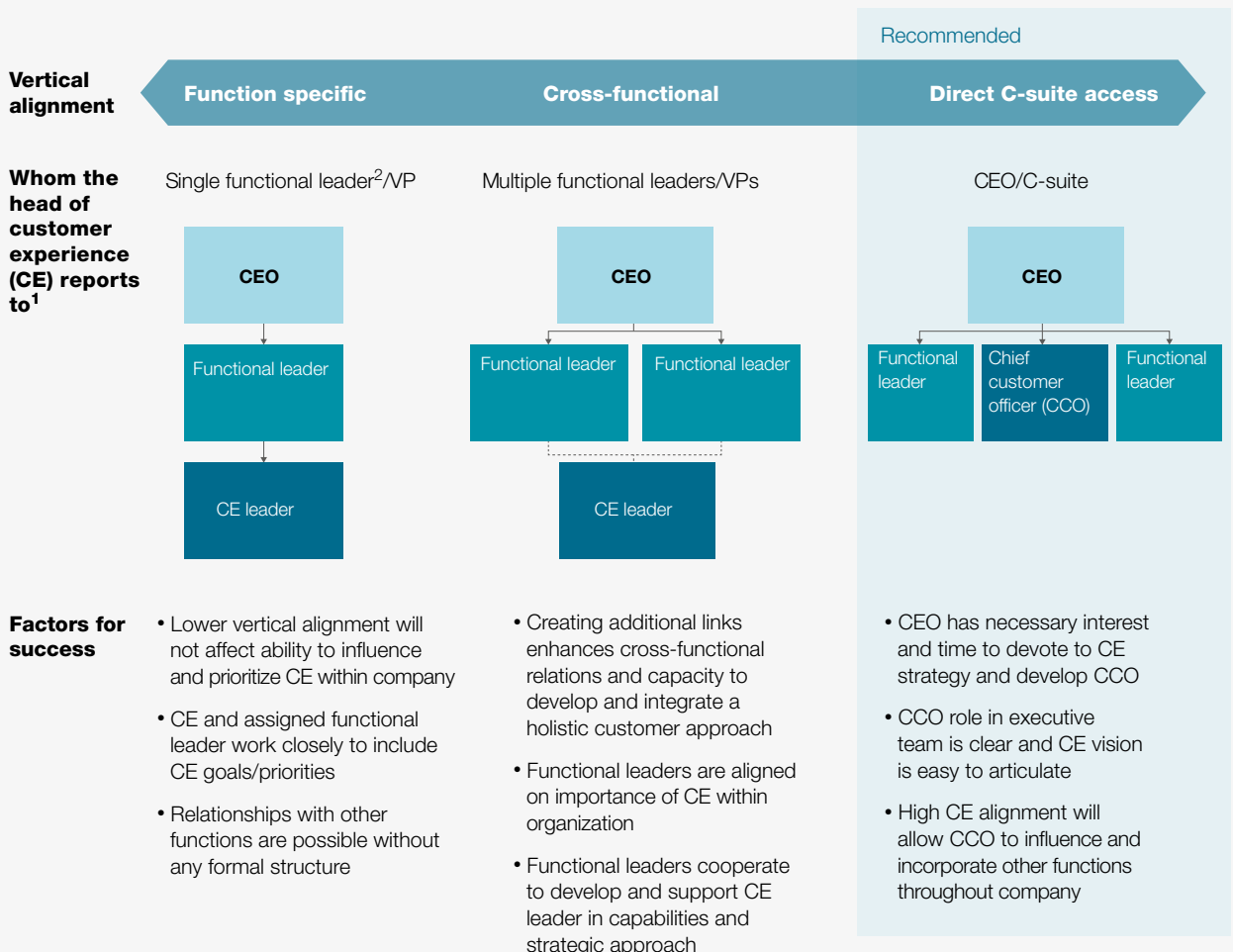
Establishing C-suite engagement. In our experience, the CEO must make customer experience an active priority, given the cross-functional collaboration required. For one US insurance provider, customer experience had been a key priority of the CEO for two years. Customer ratings were high. Assuming that such success could be sustained, the CEO decided to have the customer-experience

organization report directly to the COO, given his existing oversight of the company's customer call center. Six months later, however, customer-experience ratings were spiraling downward, driven by a lack of priority and responsibility from other parts of the organization.

There are several different ways to structure a direct role for the CEO in customer-experience programs and to provide a customer-experience leader who is not the CEO with sufficient access to the boss to prioritize customer experience within an organization and across its operational silos.

Exhibit

Direct C-suite access is recommended as the most straightforward way to set up a customer-experience organization for success.



¹ Other positions and structures may exist below or beside head of customer experience.

² Examples of functional leaders include chief marketing, operating, and strategy officers.

Source: McKinsey analysis

Ideally, the naming of a chief customer officer (CCO) with direct access to the CEO is the most effective way to establish the importance of customer-experience efforts and to influence change across an organization's functions (exhibit).

The virtues of establishing the CCO role include signaling the importance of customer experience to the organization, ensuring a persistent focus on customer experience in the actions the company takes, and implementing a customer-experience framework that highlights the voice of the customer in the organization. The challenge is that the CCO takes on responsibility for the customer experience and thus must align with and secure the strong support of the executive team and levels below, to manage the cross-functional nature of the customer journey.

In any case, the CCO also requires the CEO's strong support to succeed. The CCO's tasks begin with aligning leadership to embed a customer-experience solution across individual segment, brand, geography, and functional areas. It's critical to engage leaders of other functional areas, particularly marketing and operations, given their close ties to customers. Among other challenges in building a sustainable program: bringing together customer-

insights research and reporting, with a focus on operational excellence and frontline changes. Within IT, the CCO must ensure that analytics are streamlined into tools and systems and that the customer experience is digitized.

Fitting the customer-experience team into the organizational fabric. Once the team is constituted and leadership assigned, it's critical that the customer-experience team fit seamlessly within the company fabric and mirror the company's principal organizational construct. If not, customer-experience transformation efforts may drown in a sea of organizational confusion. For example, the customer-experience group within one global travel and hospitality company mirrors the parent company's brand structure and delivers an end-to-end customer-journey experience for each individual brand across all functional areas. By contrast, a customer-experience focus rooted in a particular function would have emphasized the touchpoint experience, not the company's different brand value propositions, to the confusion of both customers and the organization.

Walking the walk

Setting up an organization with primary responsibility for driving customer experience is just

Setting up an organization with primary responsibility for driving customer experience is just the beginning.

the beginning. How senior leaders embrace an organization's customer orientation is at least as much a critical factor in the success of such efforts. The approach used by Disney, one of the most successful customer-centric organizations, illustrates the principle that business leaders promote the value that customer-centricity creates. Disney makes use of a simple leadership framework that links the delivery of business results to customer satisfaction and measures that satisfaction via two key indicators: "propensity to return" to a Disney experience and "propensity to recommend." Disney's framing also stipulates that the way to satisfy customers is through engaged employees. For Disney's business leaders, the logic is clear: their task is to develop excellent employees, who in turn help to create satisfied customers, leading to business results.

How can organizations apply these principles? From our work, we find four primary ways business leaders can act.

Modeling specific behaviors. Examples abound of senior executives who walk the walk when it comes to advancing customer experience. At one European telecommunications company, the CEO regularly listens to customer calls, goes on customer visits with technicians, and tries out both old and new product and service solutions to live the customer experience. The CEO of one retailer regularly works the cash register to interact with customers face to face. Other executives ask for customer-satisfaction results before they look at any financial or productivity measures, to signal the importance of customer satisfaction. Others make sure that their employees feel valued by understanding their specific needs. At one international airport, for example, security personnel did not have their own break room. They had to sit in the restaurants of the airport, leading to many passengers accosting

them with questions about the airport. This was not a good way to relax. The CEO decided to build specific rest facilities for the employees where they could retreat from hectic airport activities.

Fostering understanding and commitment among employees and managers. While many managers talk up the importance of customers, how many actually know the financial impact of an additional percentage point in a customer-satisfaction score? One major financial institution wanted to embark on a customer-experience transformation. Although managers identified many improvement themes, the entire transformation did not really go beyond a few initiatives, because no one in the organization knew how much the customer-satisfaction improvements were worth. After some initial excitement, managers lapsed into focusing on other priorities. Making an explicit link between improvement in customer satisfaction and actual bottom-line impact is a prerequisite for a CEO to keep customer-experience strategy at the top of his or her agenda (see "Linking the customer experience to value," on page 82). Giving employees an opportunity to diagnose customer-experience performance, conduct interviews, and participate in feedback sessions also builds commitment.

Reinforcing new behaviors through formal mechanisms. Financial incentives can help, but nonfinancial recognition schemes are more powerful. Consider the recognition cards that senior leaders sign and hand out to employees. In the case of the international airport, it turned out the employees carried the cards in their wallets and proudly showed them to colleagues and family. The airport management even went as far as handing out those cards for special efforts across functional and organizational boundaries. For example, the manager of an airport would hand out a card to cleaning staff when he or she saw them going out of their way to

help a stressed passenger find passport control. Showing teams how their actions directly affect customer-satisfaction scores can also help employees see how their contributions influence the customer experience; this in turn helps support new behaviors.

Developing capabilities and skills. Training managers and employees in customer-centric behaviors is an important first step. This starts with the recruiting staff and training. Part of this training should be an understanding of the customer-experience rules and associated behaviors. It may be necessary to create an overarching framework that explains the key principles for a good customer experience. This can include ensuring safety protocols are in place (a priority), followed by courtesy, friendliness, and efficiency. These principles may need to be nuanced for the different parts of an organization. For the customer-facing part of a bank, for example, making eye contact might be an appropriate behavior to ensure courtesy, while people in the back office need to make sure that customer requests are given priority over internal requests.

Why metrics matter

With the dedicated customer-experience organization in place, and senior leadership modeling and reinforcing key customer-centric behaviors, the next step is setting up metrics and targets that steer cross-functional collaboration at all levels of the organization. Given the cross-functional nature of the customer-experience process, it's important to avoid the stumbling block posed by organizational silos. Metrics and targets can enable collaboration that supports the continuous delivery of superior customer experience (see “Are you really listening to what your customers are saying?,” on page 58).

The natural tendency of siloed business units is to first and foremost deliver on key performance

indicators and financial targets. To change that, one telecommunications company's CEO started a customer-experience transformation by updating the group incentive structure for his top 30 executives. The new approach made company recommendation scores and unacceptable customer-incident scores count for 35 percent of bonuses, while local business-unit scorecards were changed to focus intently on customer experience. This prompted a shift in attention from short-term local profit and loss to long-term company growth via cross-functional customer experience.

In addition, it is necessary to encourage transparency on customer-experience performance at all levels of the company. At the executive level, the focus may be on the overall recommendation score, and at the next level down, it may be on the customer-journey experience across functions. Within a department, managers might look at specific customer touchpoints. Customer-experience performance indicators—such as recommendation scores, unacceptable customer incidents, and journey-satisfaction scores—mirror the voice of the customer and should be paired with operational-performance indicators, which employees can directly influence. These include waiting time, throughput time, or number of errors made.

For key performance indicators to be valuable, they must explicitly link to financial impact and illuminate which journeys matter most to customers. To deliver bottom-line impact and change employee behavior, all key indicators need specific target values that in turn are linked to the incentive structure. This makes all employees responsible and accountable for the customer experience and is useful for individual performance discussions, from executives to frontline agents.

Executive teams can ensure cooperation across functions through regular meetings to evaluate

overall customer-experience performance. Typically, cross-functional customer-champion teams are held accountable for performance indicators and progress on improving customer-experience journeys. The cross-functional customer-champion teams must meet regularly to review performance against targets, based on indicators to measure customer journeys. These teams must then generate and implement improvements. Here the divergence between driving functional results and cross-functional, end-to-end journey experiences is critical. If managers cannot agree on a joint course of action, senior managers or the CEO may have to intervene.



Structuring a complex organization to deliver a superior customer experience can be challenging. Leading customer-experience organizations tackle this problem by making customer experience a top priority for the CEO, by having senior leaders model the customer-centric behaviors that will engage and motivate employees on the front line, and by designing a customer-experience team that promotes cross-functional collaboration via targets and metrics. ■

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Designing and starting up a customer-experience transformation

To successfully initiate a broad improvement program, decide on a structure, select the sequence that's right for your type of company, and don't forget to recruit change agents.

Ewan Duncan, Harald Fanderl, and Katy Maffei



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As improving customer experience becomes a bigger component of corporate strategy, more and more executives will face the decision to commit their organizations to a broad customer-experience transformation. But it's not sufficient to understand that the benefits of change are great. The immediate challenge will be choosing how to structure the organization and rollout, and deciding where and how to get started.

These are critical issues because, like many far-reaching and complex business programs, customer-experience transformations frequently fail to live up to expectations. The foundations of such transformations require organizations to make cultural changes and to rewire themselves operationally and financially. Customer journeys, which are cross-functional by nature, cut across traditional organizational boundaries, and changing this dynamic is tricky.

It is important to think about program design before you start: decide on a structure, examine the best sequence for your type of company, and make sure you are engaging change agents and minimizing the inevitable resistance. You'll also want to think about where to start, so you can be sure to deliver near-term impact. This is crucial for gaining momentum and organizational buy-in and for identifying the funding and capacity to reinvest in your transformation.

Choosing an overall architecture

The first step in setting up any customer-experience transformation is establishing the right overall architecture. A typical program involves five elements. Senior executives will want to set a clear, inspiring vision for the ideal customer experience, including a change story to underline the importance of delivering on goals. Drawing up a governance blueprint is also important, both to set up a mechanism to make decisions on cross-cutting initiatives and to align new and ongoing initiatives in each function with over-

all customer-experience objectives. Drafting an initiative road map will serve as a portfolio of actions to deliver on the vision. Metrics and initiative objectives should be set to gauge progress. It's important to monitor both "hard" metrics on performance and "soft" metrics that relate to organizational health. Finally, establishing purpose-driven change-management principles will define a new way of working, embed it in the organization, and guide frontline employees across functions (Exhibit 1).

Drafting a road map

Other articles in this compendium have explored how to create a vision and shape an effective governance structure for a customer-experience change program (see "Developing a customer-experience vision," on page 8, and "Leading and governing the customer-centric organization," on page 64). To draw an initiative road map for a broad transformation, there are three primary decisions to make: the organizational approach, sequencing, and impact timing.

Organizational approach

Is it better to push change functionally or cross-functionally, with a journey-by-journey focus? The critical factor in answering this question is where you think you can best build and sustain momentum.

Most companies are organized functionally, so proceeding by function often is an easy way to get going (Exhibit 2). Organizations can use the voice of the customer to identify opportunities to improve within functions. Tapping into the voice of the customer involves a range of systems that capture feedback, including satisfaction scores and verbatim opinions; it's increasingly common to use information from sources like social media, too. Typically, a central group is tasked with aggregation, analytics, and gathering internal and external insights on what truly matters to your target customer, within your industry, and for your organization.

Exhibit 1

Five elements are typical of a customer-experience transformation.

Vision



A clear, inspiring vision for the ideal customer experience and the capability for employees to deliver it consistently

Voice of the customer: what matters and to whom

Compelling change story

Brand value proposition

Governance



A decision structure to align on priorities and actions

Functional alignment

Cross-functional decision committees and working groups

Initiative road map



A portfolio of initiatives that will deliver on the vision; clear performance accountability

Journey design eliminating pain points and injecting wow moments

Process and policy changes

Rapid test and learn

Metrics and initiative objectives



The ways we know we are making progress

“Hard” and “soft” measures to manage performance and health

Change-management principles



The ways we will work differently in order to accomplish things that today's ways of working cannot

Change agents, including willing leaders as well as skeptics

Frontline empowerment

Communications

Source: McKinsey analysis

Over time, the voice of the customer can be used to identify upstream and cross-functional issues and address the root causes of problems. This is likely to be your approach if you're in the 80 percent of companies performing in the middle of your peer set—not broken and dysfunctional, but not a top performer, either. This approach should allow you to get started

and show early results within the existing organizational structure.

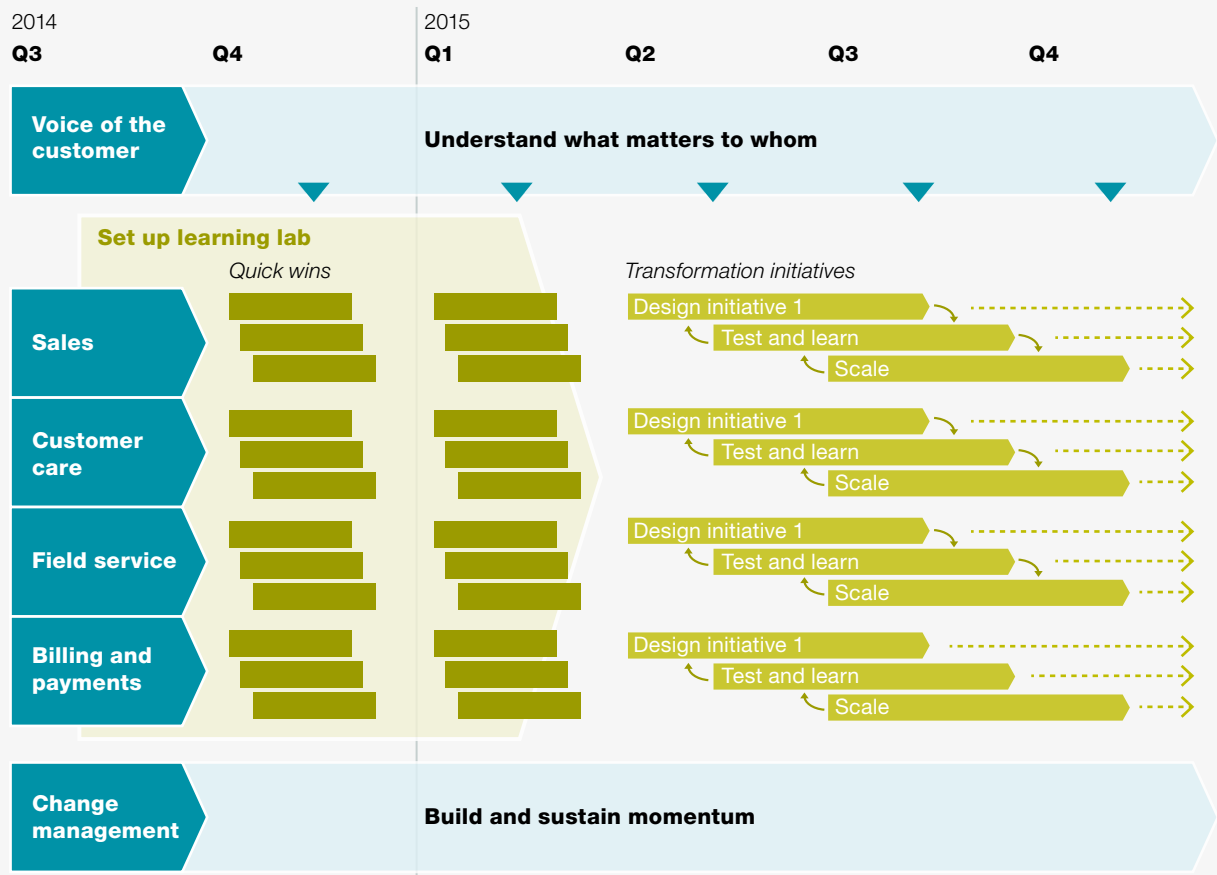
An alternative is to structure the transformation cross-functionally from the outset, focusing on a set of specific customer journeys (Exhibit 3). The benefit of this approach is that it emphasizes the end-to-

end experience for customers, given that they're exposed to organizations across channels and functions. The idea is to design "future back"—first determining the ideal future experience and then tackling a set of initiatives to overhaul an entire journey from start to finish. The initiatives can then be mapped onto the existing organization using different goals and metrics; in more extreme cases, you can shift the organization to mirror the customer-back, cross-functional view. Typically, the approach will evolve, as redesigning and embedding journeys at scale

takes time to implement. Cross-functional working teams should be convened to tackle these journeys.

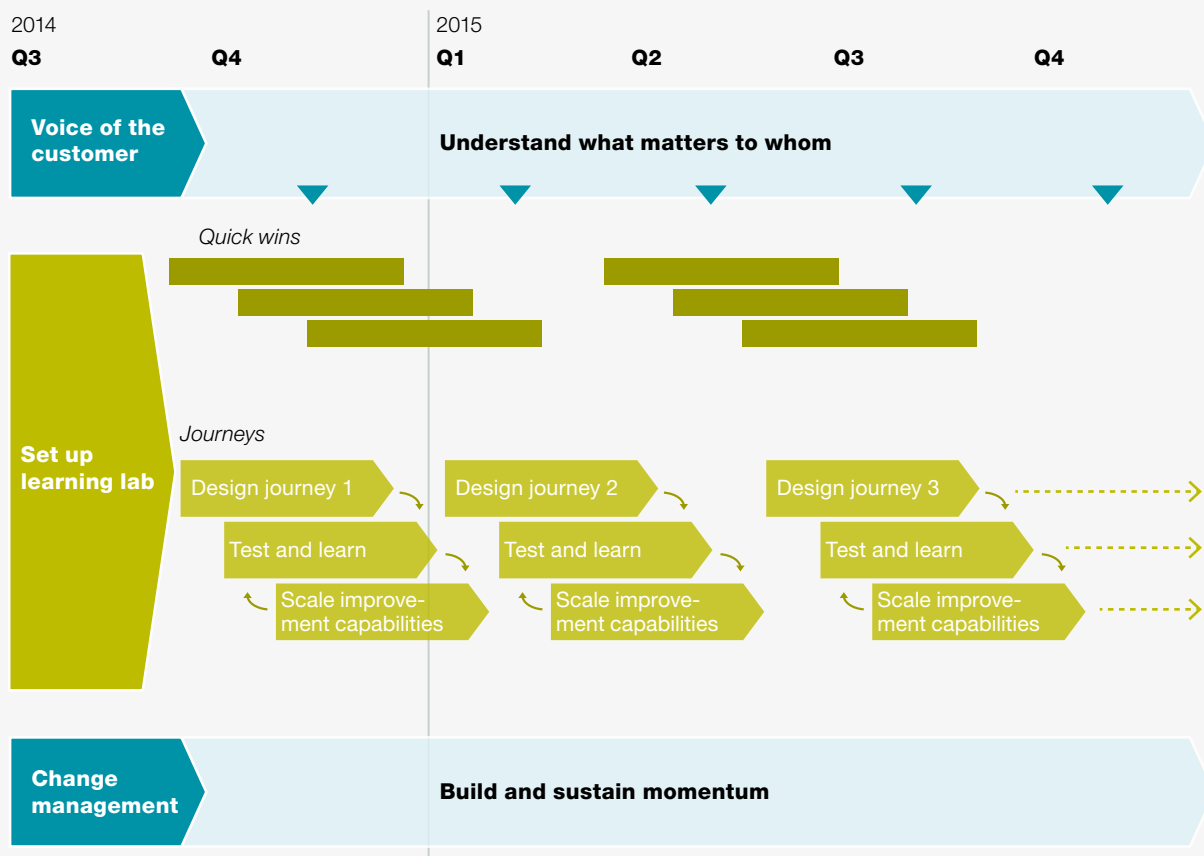
KPN, a high-performing Dutch telecommunications company, reoriented its business around cross-functional working teams. Similarly, Canadian telco Telus organized its 8,000-employee frontline team into cross-functional working pods of about 200 people each. In retail customer care and field service-oriented companies, doing so is a powerful way to bring everyone close to the customer. And

Exhibit 2 A functional program road map can yield results.



Source: McKinsey analysis

Exhibit 3 A cross-functional road map can also guide transformations.



Source: McKinsey analysis

Middle Eastern bank Emirates NBD reorganized itself to concentrate on customer journeys, irrespective of channel, to create an organization-wide singular customer-journey focus.

Sequencing

Is it better to start in one functional area, in one journey, and show what's possible before rolling out changes, or to launch in all areas at the outset?

Most companies prefer to tackle one area at first. Doing so can help build momentum by proving the

benefit of the change before it's scaled up for the rest of the organization. And starting small tends to be more practical for the majority of organizations, which need to identify additional resources and change agents who can push for performance gains that are bigger and faster than the organization is used to. These change agents then become the coaches for subsequent waves in other parts of the organization.

Some companies like to launch everywhere, across functions, and take a big-bang approach.

Organizations that do this well establish a baseline with voice-of-the-customer data and feed results back to the functions. Individual operational leaders are allowed to make the decisions that make the most sense for the customer, given the capability and constraints of the function. Some companies try to use the voice of the customer to coordinate efforts and organize implementation centrally. In those cases, a central group manages analytics and prioritizes efforts. Usually, we see greater impact when this happens because investment decisions are made at a broader level.

In carrying out a big-bang approach, it's important to set goals for the entire organization. Tweak them for different groups, depending on the competitive situation (customer-experience performance is based as much on product and geographic specifics as it is on internal performance), then let the organization figure out how to achieve the goal. Establishing a central "SWAT team" can help steer improvement and provide teams with resources. When one large European shipping company with 30,000 employees worldwide and a presence in more than 100 countries adopted a big-bang approach, it linked 40 percent of every department's and employee's yearly evaluation to customer-experience improvement for two years. Then it let individual departments figure out how to implement specific initiatives, supported by SWAT teams.

Another option that is becoming more common is using digital capabilities to design an entire journey or subjourney from scratch. Such "clean sheeting" can cut through functional bureaucracies. For example, a European bank designed and delivered a completely digital onboarding experience for opening a new account by bringing together a working team with representatives from all functions that affected the process so it could be reimaged. The project's kickoff materials were a blank wall and lots of sticky notes. This method works because it quickly results in a "perfect" journey that a subset of customers experiences digitally; the longer, more incremental work is conducted in parallel to create a nondigital version of the journey across functions.

Impact timing

Should you pick low-hanging fruit first, though it may have less impact, or move aggressively on big-ticket items?

When choosing actions, it's important to set priorities for initiatives that have near-term impact. To start, pick an area where you can affect revenue growth and reduce costs immediately. This creates momentum for the program, which will get everyone excited and can accelerate progress; it also frees up funds or capacity that can be invested in the rest of the program. As you look at different customer-experience initiatives, measure them for both short- and long-term



impact. Make sure there are wins early in the program. For example, a quick policy scrub might eliminate approaches that cost money and don't really benefit customers, tackle credits, or reduce call volume. Some pricing actions can have quick impact, though these kinds of initiatives generally will reduce—not generate—revenue in a customer-experience program. Impact is often measured operationally, through a drop in calls, fewer calls that must be elevated to managers and supervisors, and other cost measures that come from simplifying the business. Benefits from improved customer experience and heightened loyalty are lagging indicators and will come over time.

In addition to efforts that drive near-term impact, early symbolic actions can send an important signal to the organization. Companies might, for instance, reverse or eliminate policies that were put in place long ago. Or they could change the way the senior team behaves by bringing customer-experience and voice-of-the-customer principles into senior operational meetings and by getting the senior team out on the front line to interact with customers directly.

Most organizations start customer-experience transformations with a focus on reducing abrasive experiences, which can include rooting out elements that irritate customers or addressing detractors within the organization. Only then do customer-experience advocates go on to create more promoters. Targeting abrasive experiences is usually the right place to begin, particularly when there are many of them. Often, fixing a journey's broken elements affects many customers and can move customer-experience numbers in a positive direction. Once a stable base case is achieved, organizations should turn their attention to making sure each journey includes wow moments that exceed customer expectations.

Moving to action

Regardless of the structural approach chosen for the customer-experience transformation, securing buy-in from the organization and building momentum depend on balancing two organizational dynamics: blending top-down and bottom-up activities, and addressing hard performance and softer health measures.

Customer-experience transformations depend on balancing two organizational dynamics: blending top-down and bottom-up activities, and addressing hard performance and softer health measures.

Top-down and bottom-up activities

Any program to improve customer experience is ultimately shaped by millions of individual interactions across journeys and functions as customers research, buy, use, and renew products and services. Building a customer-experience culture is about ensuring the employees who interact with customers directly and indirectly make the right choices in those interactions to meet—and, ideally, exceed—customer expectations. Programs thus need a good dose of bottom-up activity, as those behaviors have to be embraced by thousands of employees over time. For example, a global freight forwarder in China asked all employees to start delivering just 1 percent extra a month as they gradually rolled out other top-down initiatives.

Programs that are only nurtured from the bottom up, however, usually produce results that are less than ideal. Executives need to set a top-down aspiration and overarching mission to ensure everyone has the same level of ambition and the same guiding principles. But it's also important for leaders to set the structure, approach, and underlying methodology to ensure performance is consistent across the organization. Too often, we've seen organizations create conditions for change but fail to meet their aspiration or reach the overall goals for the program, though they see some improvement.

A customer-experience transformation at a large international airport demonstrated these principles. Leadership defined cross-functional working teams for each initiative that pulled expertise from the front line and midlevel managers. The teams were given latitude to test new ideas in a leadership-defined “sandbox.” Formal monthly meetings, in which a rotation of teams participated, provided updates on status and

impact. Finally, technology-driven crowdsourcing of ideas allowed all stakeholders who interacted with customers to shape the transformation effort more broadly.

Performance and health measures

All customer-experience programs require hard metrics. What matters to customers? What are the underlying elements of customer experience? What goals should be set across and within functions? What priorities should be applied to initiatives to meet those goals? And so on. Where we see many programs fail, however, is in addressing the soft side of change. How do we create the case for change, especially in high-performing organizations? How do we motivate leaders to take the first steps? How do we inspire the rest of the organization to follow?

McKinsey research can be helpful in sorting through these choices in the context of a broad customer-experience transformation.¹ In the five frames of performance and health, we make the case for managing with equal rigor both hard and soft measures.

For example, in setting the customer-experience aspiration, a healthy organization will engage leaders and employees so they own goals and results. To do this successfully, there must be a compelling story about the imperative to change. The organization needs to gather input from leaders and employees, while ensuring there's a critical mass of leaders with a sense of personal ownership of the organization's aspirations.

Additionally, organizations need to understand and embed strategically important capabilities, as well as to unearth and address the underlying mind-sets that can keep them from realizing their goals.

Exhibit 4

One company aligned its customer-experience road map with functional owners.

Journey	Primary initiatives	Metrics	Owner
Sign-up	Simple offer and sales journey	Sales conversion 90-day contact rate	VP, sales
Payment	Simplified bill and bill-resolution journey	Reduction in billing calls	VP, finance
Use	Product-reliability improvement	Field-service reduction Equipment replacement	VP, product
	Enhanced self-care	% digital care Reduction in calls	VP, online
Repair	Customer-care service experience	First-call resolution Service NPS ¹ Employee NPS	VP, care
	Field-service experience	% on-time arrival Field-service NPS Employee NPS	VP, field
Renewal	Streamlined upgrade program	Upgrade volume	VP, loyalty

¹Net promoter score.

Source: McKinsey analysis

Identify areas of health that you want to strengthen or shift, and then design appropriate interventions, such as leadership role modeling, improved incentives, and new training and career-development programs.

To check on progress as the transformation continues, make sure everyone understands how individual contributions fit into the big picture. Continue to build ownership through formal accountability and informal marketing. And constantly evaluate progress on your health-related interventions.

Hitting your performance and health targets is not the end, however. Rather, you must ensure a smooth transition to an era of continuous improvement. This requires infrastructure to maintain gains in performance and leadership to nurture advances in organizational health. Rewire your existing organization to support ongoing gains, with systems and leaders to emphasize sharing knowledge, capturing ideas for improvement, and promoting ongoing learning and dedicated expertise. For example, one service provider aligned its functional and

cross-functional initiatives with metrics that had functional owners in order to establish customer-experience gains and generate momentum (Exhibit 4).

Starting up

The most important criteria for getting a transformation effort off to a fast start is to find the parts of the organization where the leader and at least some employees want to change. These prospective change agents can be high performers who want to get better or laggards who need to improve quickly. Either way, picking those who are most willing can ensure you get off the blocks quickly. ■

¹ See Scott Keller and Colin Price, "Organizational health: The ultimate competitive advantage," *McKinsey Quarterly*, June 2011, mckinsey.com.

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Linking the customer experience to value

Many customer-experience transformations stall because leaders can't show how these efforts create value. Patiently building a business case can fund them, secure buy-in, and build momentum.

Joel Maynes and Alex Rawson



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The road to failed customer-experience programs is paved with good intentions. Executives are quick to see the end-game benefits of a customer-centric strategy: more satisfied customers, increased loyalty, a lower cost to serve, and more engaged employees. But they often fail to understand clearly what a superior customer experience is worth and exactly how it will generate value. At a recent roundtable, fewer than half of the customer-experience leaders present could say what ten points of net promoter score would be worth to their businesses.

Many companies begin their efforts to change the customer experience with a broad aspiration to transform it. Executives launch disruptive initiatives to delight customers with bold moves and innovations. But they often fail to quantify the economic outcomes of differences in customer experiences, so their efforts end up having clear costs and unclear near-term results. Customer-experience transformations invariably raise questions about business policies, cross-functional priorities, and how to invest in innovation. Without a quantified link to value and a sound business case, such efforts often can't show early gains, build momentum among functional executives, and earn a seat at the strategy table. They stall before they ever really get going.

There is a better way, anchored in science, fresh research, and a structured methodology. We also find that the most successful programs are self-funding—early wins remove costs from the system and simplify the business. Those savings can then fund medium-term initiatives to innovate, to change the trajectory of the customer experience, and to support some of the boldest actions. With a self-funding business case, a customer-experience program can maintain momentum and build buy-in throughout an organization.

Make no mistake, however: building an unambiguous link between the customer experience and value requires patience and discipline to invest early in an analytic approach. It is easy to skip this step

for the sake of speed, but that is a mistake every time. When establishing a link to value is done well, it provides a clear view of what matters to customers, where to focus, and how to keep the customer experience high on the list of strategic priorities.

In essence, getting the logic and the math right for a successful program requires a structured approach and real science to achieve three objectives: building an explicit link to value, directing investments to where they will do the most good, and designing a detailed road map populated with early successes to self-fund the transformation.

Building an explicit link to value

Companies investing to improve the customer experience must be clearer about what it is actually worth and exactly how the improvements will generate value. To construct this link, start by defining the customer behavior that creates value for your business and then follow customer satisfaction over time to quantify the economic outcomes of different experiences. Several steps can help.

Develop a hypothesis about customer outcomes that matter. Start by identifying the specific customer behavior and outcomes that underpin value in your industry. For example, in the telecom sector, more satisfied customers should be less likely to churn, have fewer issues that escalate into calls, and sign up for more products. Airlines will focus on capturing a greater share of trips and trip revenues and on lowering the cost to serve. Business outcomes will vary by industry, but the principle is the same—postulate three to five hypotheses about the outcome measures that deliver value.

Link what customers say to what they do. The next step is to link what customers say in satisfaction surveys with their behavior over time. Begin by building a customer-level data set of the results of past surveys that asked respondents about their overall satisfaction or willingness to recommend your products or services. Using an email or

customer identifier (with due regard to customer privacy concerns and in compliance with applicable regulations, of course), most companies can link survey results back to their databases. Query your customer database to pull down two to three years of monthly data for each priority outcome measure. For example, a pay-TV company matched its historical willingness-to-recommend survey responses at a customer level, on the one hand, with two years of monthly data on customer retention, cost to serve, revenues, product upgrades, and referrals, on the other. This type of link will form the backbone of your customer-experience data analysis.

Analyze the historical performance of real customer cohorts. Using customer data linked to survey respondents, analyze customers you designate as satisfied, neutral, or dissatisfied over a period of one to two years. How much less subject to churn are satisfied customers than dissatisfied ones? What about generating expensive calls, adding additional lines of business, or defaulting on loans? For each group of customers and segments, summarize the one- to two-year outcomes. Those with larger differences among dissatisfied, neutral, and satisfied customers tend to link more solidly to value. Leading customer-experience companies use these data to estimate the value, at an enterprise level, of moving 5 percent of their dissatisfied customers to a neutral status.

Look at the trend to take a forward-looking view. Successful customer-experience programs look forward, not backward, in assessing the link to value. Building a business case solely on backward loyalty data may overinflate the economics in ways that bias investment decisions. For example, since 2009 the stated loyalty of customers has dropped by 20 percent for pay-TV companies that provide an average customer experience. By looking at year-over-year changes in outcome measures for dissatisfied, neutral, and satisfied customers, companies can build a view of where the link to value is heading.

Track outcomes. In our experience, the best approach to quantify the value of the customer experience is to track outcomes over time for each customer segment that matters. To set priorities and quantify payouts for improving the customer experience, every company with a program to improve it should be able to link satisfaction directly to business outcomes.

Directing investments to where they will do the most good

To be confident that your customer-experience program will generate a positive return on investment, building a link to value is necessary but not sufficient. The next step—where most companies fall short—is to base priorities for initiatives and opportunities on their importance to customers.

What matters to customers

To do this well, a company must create a model of what matters to customers, a graded short list of customer pain points to eliminate or fix, and a view of opportunities to innovate as seen from the customer's perspective. A number of actions can be taken.

Focus on customer-satisfaction issues with the highest payouts. Customer-experience break points are not standard across industries. For example, in health insurance, improving the experience of customers who are dissatisfied with the service so that they become merely passive about it has more economic impact than migrating such “passives” to the category of people willing to promote the service. However, in retail banking, every promoter does matter—moving someone from the 80th to the 90th percentile of satisfaction has a significant economic payout. Using the link-to-value analysis outlined earlier, determine if it would be more valuable to reduce the number of detractors or to create more promoters, and then focus your portfolio of customer initiatives on achieving that goal to maximize the return on your investment from the start.

Build a model around what matters to customers.

End-to-end customer journeys, not individual touchpoints, are the unit to measure when setting priorities for your customer-experience investments. Why? Our research has found that journey performance is significantly more strongly linked to economic outcomes than are touchpoints alone. Modeling customer satisfaction around journeys rather than touchpoints enables you to estimate the most important end-to-end journeys across customer segments. Start by rethinking the scope of existing surveys. Test whether they cover the most important customer journeys and lesser elements of customer satisfaction. Next, expand your customer data set so that it links up with operational data, as well as input from employees and customers. Finally, you can use advanced “derived importance” analytics, such as Johnson relative weights,¹ to build a model of customer satisfaction that links perceived and operational performance on each journey with long-term costs and revenues.

In addition to identifying the most important journeys, supplement the model by exploring how consistently you perform. In our experience, improving your consistency in delivering a flawless customer journey is often one of the best ways to create value. A flawless onboarding journey, for example, might entail a single sales phone call, zero callbacks, service activation within 48 hours, active usage in the first ten days, and no issues on the first bill. A company may be 80 to 90 percent successful at each stage of that sequence, but only 30 to 40 percent of customers will have a flawless experience end to end. Done well, the satisfaction model will also help you measure the value of consistent performance.

Within journeys that matter, size and set priorities for key areas to improve. Once you know the journeys to focus on, assemble a cross-functional

team to dig into possible initiatives to improve your performance. What pain points or opportunities will help you differentiate your company? Where do you want to focus first?

To create a set of pain points, analyze the voice of the customer, starting with the driver model above. But extend it into specific operational surveys, focus groups with customers who recently undertook the journey in question, and deep structured interviews to highlight pain points, missed expectations, and opportunities to differentiate. In parallel, the voice of the employee will help you gather the experience of those who know customers best—the front line. Use site visits, employee focus groups, and supervisor interviews to construct a map of the current journey and a short list of pain points, complexities, and opportunities to streamline.

Once you have listed the pain points, size the potential impact of each, using three measures: reducing the cost to serve, capturing longer-term revenues and loyalty, and improving overall satisfaction. In the customer-experience area, the most concrete business cases are often built on a near-term reduction in the cost to serve: fewer calls, escalations, technician visits, and so on. These moves remove both customer pain points and costs from the system. Then measure longer-term outcomes. For example, mobile customers who dispute their first bill are less likely to remain active 12 months later—a lagging effect common across many industries. Finally, for each journey, size the potential impact of improvements at every pain point on overall customer-satisfaction scores. Moreover, what does the model you have created suggest about the value of customer-satisfaction improvements over time? Taken together, the near-term cost, medium-term loyalty, and overall-satisfaction analysis will help you set priorities for addressing specific pain points in the journeys that matter.

Identify opportunities to innovate and disrupt in competitive white spaces. While eliminating pain points for customers is important, it is equally critical to identify areas where you can differentiate your company from competitors as customer expectations change. For example, retail-banking customers increasingly want a digital, branchless, and paperless experience. Getting ahead of that trend is far more important than incrementally improving the branch experience.

Where else can you innovate?

Voice-of-customer analysis can provide a starting list of disruptive ideas. How else can you decide where to innovate? First, focus innovation resources either on important customer-experience journeys where you have a large gap against competitors or on reasonably important journeys where the gap is narrow or unclear. The model described above will help you estimate the potential for disruption in those areas.

Second, look at your operational data for digital-innovation opportunities. Which customer journeys drive the largest number of calls? For example, a typical banking customer of the diversified financial-services group United Services Automobile Association would make multiple calls to obtain a new car loan. USAA turned this process into an online digital-loan-origination solution. Journeys that generate more than six calls per customer are leading opportunities for digital innovation; you can build an economic case around reducing the cost to serve customers and promoting loyalty by engaging them more intensely.

Third, conduct ethnographic research to follow customers in their daily lives and identify unmet needs and innovation ideas. Then assess these ideas against the customer-satisfaction model to estimate the potential impact.

Designing a road map with early successes to self-fund improvements

So far, you have analyzed what matters to customers, set your priorities for customer journeys, and weighed the importance of initiatives. Now you can construct a transformation road map backed by a clear business case. Many customer-experience efforts lose momentum because the path to impact is too slow or too vague. Efforts to improve near-term quarterly performance can therefore sweep aside initiatives to improve customer-satisfaction scores. To overcome that risk, successful efforts construct road maps that ring the cash register in the near term, fund themselves in the medium term, and make a long-term impact anchored in a model of the things that matter most to customers. To create that road map, it can help to follow these steps.

Calculate each initiative's expected value, time to capture, and cost to implement

The exploration of what matters most to customers should unearth the value of initiatives under consideration and help to crystallize a short list of priority efforts. With that in hand, convert an initiative's overall potential impact into an expected value by combining the severity of an incident or opportunity (for instance, its magnitude of impact, whether it is positive or negative, or when it occurs) with its frequency (say, how often all or part of the customer base is affected). For example, a telecom company would consider a phone's technical failure a severe but infrequent event. By contrast, surprise billing changes are less severe as individual events but happen all the time. Addressing the customer shock from billing changes almost always represents greater overall value.

For each of these examples (and others), a cross-functional team must then estimate the time needed to capture the value at stake. If the expected benefit is reducing customer churn or boosting future revenues, a payoff may not be visible for more than 12 months. Finally, estimate implementation costs.

In a smart sequencing, you want to order and balance multiple initiatives: those that will affect the largest number of customers, that will pay off quickly, and that address the most severe problems or the most important areas to exploit.

Separate initiatives to help balance the portfolio

To achieve the right balance and sequence, two dimensions are critical. First, some initiatives, such as simplifying billing or revising rules on issuing customer credits, will be policy driven. Others, such as enhancing the skills and training of field technicians or boosting customer-service skills at a retail bank, will require a frontline field rollout. In general, policy initiatives can be directed centrally and are therefore faster to implement than field-driven initiatives requiring disciplined rollouts in waves. A well-sequenced road map balances both types of initiatives throughout.

Second, some initiatives will affect nearly all customers, and some will be severe opportunities that affect only a few. A good sequencing balances both because companies must ensure that a majority of their customers experience the change in some way. An overemphasis on severe incidents and opportunities is a common blind spot.

Design a balanced road map that will signal success and fund itself

With the expected value, cost, and impact timetable for each initiative in hand, and with a clear sense of which initiatives can be undertaken centrally and which require a rollout in the field, operators will have enough information to build a well-sequenced road map. Keep in mind a few design principles:

- Ensure some quick wins early. For example, make a policy change that is easy to implement, even if its impact is relatively small.
- Tackle at least one sacred cow in the early going to signal that you are serious. Every company

has them—often, some pricing or policy element that the organization knows to be customer unfriendly but generates such high earnings that most executives shy away from unwinding it. Armed with a robust fact base, leaders can demonstrate the value of piloting such initiatives.

- Balance severe incidents and opportunities with frequent ones—make sure the road map will touch all customers and all employees in some way within the first year.
- Finally, use the early wins to finance investments in longer-term solutions—for example, upgrading systems or easing logjams in IT. Armed with your analysis of what matters to customers, you will typically find constructing the business case to be straightforward.



Many companies begin customer-experience efforts with lofty ambitions but a poor grounding in linking programs to value. There is a better way. Take the time to construct a self-funding business case and you will reap company-wide buy-in as your reward. That will anchor your customer-experience program and pay dividends long after the up-front months needed to do it right have passed into history. ■

¹ Johnson relative weights and related analyses refer to the contribution a variable makes to the prediction of a criterion variable, by itself and in combination with other predictor variables.

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