

Customer experience:

New capabilities, new audiences,
new opportunities

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Table of contents



Introduction



The CEO guide to customer experience

Companies that create exceptional customer experiences can set themselves apart from their competitors.



The expanding role of design in creating an end-to-end customer experience

Lines between products, services, and user environments are blurring. The ability to craft an integrated customer experience will open enormous opportunities to build new businesses.



Mastering the digital advantage in transforming customer experience

Digital services and operations are raising the competitive bar in every sector. To capture the opportunity, incumbents should embrace a new operating model that dramatically improves the digital customer experience.



The growth engine: Superior customer experience in insurance

The value of great customer service applies as much to insurance as to any other customer-facing business—and so does the way the consequences of subpar service are amplified by social media. Insurers that want to compete on more than price must focus more on providing great customer experience.



An insurer's journey to better customer experience:

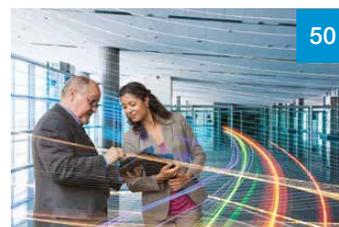
A conversation with Allianz's Firuzan Iscan

The customer-experience leader at Allianz describes how the German insurer is learning to view customer journeys from an outside-in perspective.



When the customer experience starts at home

To serve end customers better, begin with your employees.



How good is your company's internal customer experience?

To excel with customers, frontline employees need high-level service from core support functions. Société Générale's group head of corporate resources and innovation explains how to achieve such symmetry.



Finding the right digital balance in B2B customer experience

Growing numbers of B2B companies are focusing on digitization to succeed with customer-centric strategies. Here's how to get it right.

Table of contents (continued)



66

Lifting customer experience at an elevator company

Pierre Liautaud, executive vice president at Finnish elevator maker KONE, describes the critical role of frontline teams in navigating complex B2B customer-experience relationships.



69

Four ways to shape customer-experience measurement for impact

Too many companies are themselves unhappy customers when it comes to building measurement systems. But there are ways to make better investments.



75

Improving the customer experience to achieve government-agency goals

The benefits of a customer-centric strategy aren't limited to private-sector businesses. Government agencies at every level can gain by putting the needs and wants of citizens first.



85

How customer experience takes flight at the Orlando airport

Is it possible to have a good customer experience in an airport? Domingo Sanchez, a board member of the Greater Orlando Aviation Authority, explains an effort by the Authority's CEO and board to do just that.



89

Avoiding the seven deadly sins of customer-experience transformations

Efforts to improve the customer experience can deliver tremendous value, but temptations that can undo good intentions lurk in any change program. Resist seven common missteps.

About this compendium

Across sectors and regions, business leaders are recognizing the competitive advantage of superior customer experience and the value that resides not only in what a company delivers for its customers, but in how it delivers products and services. Where companies once could differentiate themselves by product or efficiency, distinctiveness today increasingly lies in creating a seamless, omnichannel customer experience.

As leaders of McKinsey's Customer Experience Service Line, we are delighted to present this volume of *Customer experience: New capabilities, new audiences, new opportunities*. This compendium draws from the collective thinking of our experts and practitioners, and follows by just 18 months our first volume of thinking on the subject. That in itself speaks to how rapidly the landscape of customer experience is evolving, and how intently business leaders are focused on it.

In addition to the perspectives of our own thought leaders, we are privileged to present the views of leading customer-experience practitioners on how they value and pursue customer-centric strategies.

- Firuzan Iscan, of German insurer Allianz, offers his perspective on applying digitization to customer journeys.
- Françoise Mercadal-Delasalles, of France's Société Générale, describes the importance of connecting internal employees to a customer-experience mind-set.
- Finnish elevator maker KONE's Pierre Liautaud explains the intricacies of B2B customer experience.
- Domingo Sanchez deconstructs the process of improving the customer experience in one of the toughest of customer environments: a major US airport.

We are grateful to them for sharing their unique and expert insights.

Our earlier volume¹ explored the critical elements of an effective customer-experience strategy that delivers benefits to customers, employees, and the bottom line. These include shaping a "customer back" perspective, the central role of customer journeys (rather than touchpoints), and the importance of forging a vision to close the gap between board direction and frontline engagement. We kick off our current volume with "The CEO guide to customer experience," a useful bridge between those perspectives and our thinking on new horizons of activity and opportunity in customer experience.

Among those horizons is a *set of new emerging capabilities* to capture the value from customer-centric strategies, in particular design thinking and digital application. Consider, for example, the way that the lines between products, services, and physical space are blurring across many industries, from banking to automotive manufacturing, and from retail to e-commerce. In “The expanding role of design in creating an end-to-end customer experience,” we explore the critical role that design now plays in shaping customer experiences, as well as the new competitors it is spawning in traditional industries. Or consider, as does “Mastering the digital advantage in transforming customer experience,” how companies are becoming better at addressing underlying customer needs through digital experiences, and how digital is facilitating the creation of entirely new experiences in traditional businesses such as insurance.

The focus on customer experience is also opening up entirely *new audiences*. “Finding the right digital balance in B2B customer experience” elaborates on the need for a thoughtful and precise strategy in bringing the power of digital technology to complex B2B relationships. “When the customer experience starts at home” explores the power of applying customer-centric thinking to dealings within an organization. When internal services and departments like IT or HR also start to act as creators of superior customer experiences for their users, they enable companies to create exceptional experiences with external customers. In “Improving the customer experience to achieve government agency goals,” our experts examine why applying customer-centric thinking in government can help the budget-constrained public sector better meet its mission goals.

New opportunities abound in all these areas, as well as in the day-to-day work of improving customer experience. “Four ways to shape customer-experience measurement for impact” explores why many companies are themselves unhappy as customers, with their jumble of metrics systems, and offers ways to find more effective, holistic solutions. Finally, “Avoiding the seven deadly sins of customer experience transformations” provides a cautionary tale of the temptations that can scuttle even well-intentioned efforts to transform customer experience.

The customer-experience landscape is changing rapidly, and knowing how to operate in it is becoming more and more of a strategic imperative. We hope that our latest volume helps you to grasp these emerging and promising opportunities. We invite you to share your thoughts and feedback.

¹ See *Customer Experience: Creating value through transforming customer journeys*, January 2016, on McKinsey.com.



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The CEO guide to customer experience

Companies that create exceptional customer experiences can set themselves apart from their competitors.



What do my customers want? The savviest executives are asking this question more frequently than ever, and rightly so. Leading companies understand that they are in the customer-experience business, and they understand that *how* an organization delivers for customers is beginning to be as important as *what* it delivers.

This CEO guide taps the expertise of McKinsey and other experts to explore the fundamentals of customer interaction, as well as the steps necessary to redesign the business in a more customer-centric fashion and to organize it for optimal business outcomes. For a quick look at how to

improve the customer experience, see the summary infographic below.

Armed with advanced analytics, customer-experience leaders gain rapid insights to build customer loyalty, make employees happier, achieve revenue gains of 5 to 10 percent, and reduce costs by 15 to 25 percent within two or three years. But it takes patience and guts to train an organization to see the world through the customer's eyes and to redesign functions to create value in a customer-centric way. The management task begins with considering the customer—not the organization—at the center of the exercise.

At a glance

To improve customer experience, move from touchpoints to journey

OBSERVE

Customer journeys consist of a progression of touchpoints that together add up to the experience customers get when they interact with companies. Seeing the world as their customers do helps leading companies better organize and mobilize their employees around customer needs.



SHAPE

Designing the customer experience requires re-shaping interactions into different sequences and, though the effort may start small, soon entails digitizing processes, reorienting company cultures, and nimbly refining new approaches in the field.



PERFORM

Rewiring a company to provide leading customer experiences is a journey in itself, often taking two to four years and requiring high engagement from company leaders and frontline workers alike.



Observe: Understand the interaction through the customer's eyes

Technology has handed customers unprecedented power to dictate the rules in purchasing goods and services. Three-quarters of them, research finds, expect “now” service within five minutes of making contact online. A similar share want a simple experience, use comparison apps when they shop, and put as much trust in online reviews as in personal recommendations. Increasingly, customers expect from all players the same kind of immediacy, personalization, and convenience that they receive from leading practitioners such as Google and Amazon.

Central to connecting better with customers is putting in place several building blocks of a comprehensive improvement in customer experience.

Identify and understand the customer's journey

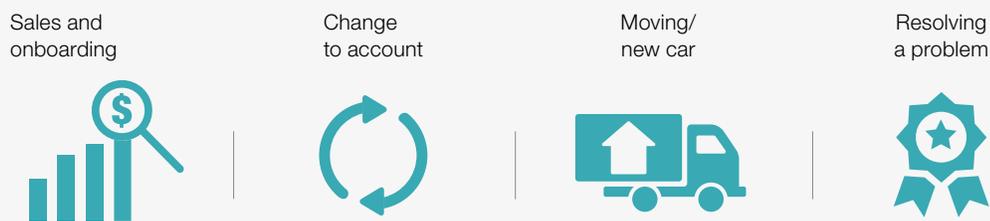
It means paying attention to the complete, end-to-end experience customers have with a company from their perspective. Too many companies focus on individual interaction touchpoints devoted to billing, onboarding, service calls, and the like. In contrast, a customer journey spans a progression of touchpoints and has a clearly defined beginning and end.¹

The advantage of focusing on journeys is twofold

First, even if employees execute well on individual touchpoint interactions, the overall experience can still disappoint (Exhibit 1). More important, McKinsey research finds that customer journeys are significantly more strongly correlated with business outcomes than are touchpoints. A recent McKinsey survey,²

Exhibit 1 Best-in-class companies optimize customer journeys.

Customers experience companies through end-to-end experiences, not touchpoints



Individual touchpoints may perform well even if the overall experience is poor



Source: McKinsey Digital Labs

Exhibit 2

Airport-security issues make up four of the top ten consumer complaints about airports.

Top complaints by customers after airport travel



Confusing layout of security-screening checkpoint



Unfriendly security personnel



Lengthy security-screening process



Complete lack of seating after security screening

for example, indicates customer satisfaction with health insurance is 73 percent more likely when journeys work well than when only touchpoints do. Similarly, customers of hotels that get the journey right may be 61 percent more willing to recommend than customers of hotels that merely focus on touchpoints.³

Quantify what matters to your customers

Customers hold companies to high standards for product quality, service performance, and price. How can companies determine which of these factors are the most critical to the customer segments they serve? Which generate the highest economic value? In most companies, there are a handful of critical customer journeys. Understanding them, customer segment by customer segment, helps a business to maintain focus, have a positive impact on customer satisfaction, and begin the process of redesigning functions around customer needs. Analytical tools and big data sources from operations and finance can help organizations parse the factors driving what customers say satisfies them and also the actual customer behavior that creates economic value. Sometimes initial assumptions are overturned. In one airport case study, customer satisfaction had more to do with the behavior of security personnel than with time spent in line (Exhibit 2). For a full view of the

airport's insightful customer-satisfaction exercise, see "Developing a customer-experience vision," on McKinsey.com.

Define a clear customer-experience aspiration and common purpose

In large, distributed organizations, a distinctive customer experience depends on a collective sense of conviction and purpose to serve the customer's true needs. This purpose must be made clear to every employee through a simple, crisp statement of intent: a shared vision and aspiration that's authentic and consistent with a company's brand-value proposition. The most recognizable example of such a shared vision might be the Common Purpose⁴ 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. The journey construct can help align employees around customer needs, despite functional boundaries. As McKinsey's Ron Ritter

elaborated in a recent video, rallying around customers can bring the organization together.

Shape: Redesign the business from the customer back

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. Then they improve the steps that make up that journey. To manage expectations, they design supporting processes with customer psychology in mind. They transform their digital profile to remove pain points in interactions, and to set in motion the culture of continuous innovation needed to make more fundamental organizational transformations.

Apply behavioral psychology to interactions

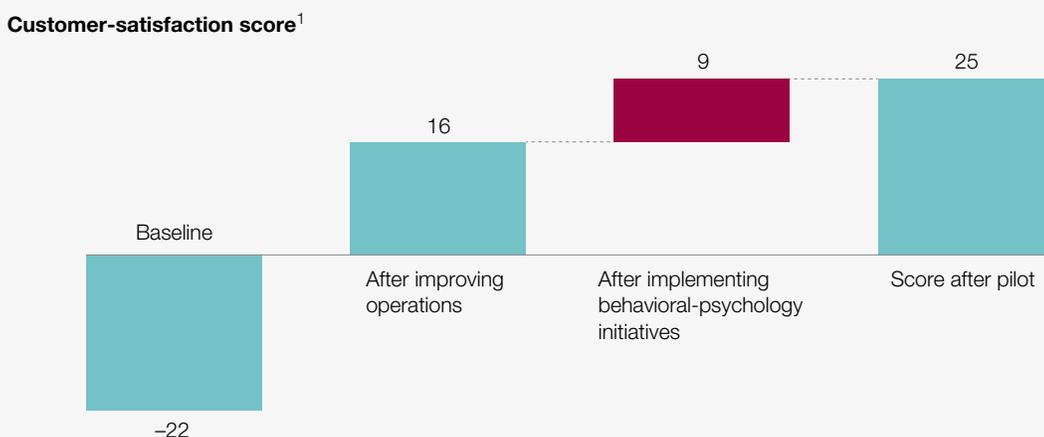
Deftly shaping customer perceptions can generate significant additional value. One tool leading customer-experience players deploy is behavioral psychology, used as a layer of the design process.

Leading researchers have identified the major factors in customer-journey experiences that drive customer perceptions and satisfaction levels.⁵ For example, savvy companies can design the sequence of interactions with customers to end on a positive note.⁶ 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. One pilot study at a consumer-services firm found that improvements in customer-satisfaction scores accrued from “soft” behavioral-psychology initiatives as well as from “hard” improvements in operations (Exhibit 3).

Use digital technologies to reinvent customer journeys

Customers accustomed to the personalization and ease of dealing with digital natives such as Google and Amazon now expect the same kind of service from established players. Research shows that 25 percent of customers will defect after just one bad experience.⁷

Exhibit 3 In one consumer-services pilot, operational improvements and behavioral-psychology initiatives raised customer-experience scores.



¹ Likelihood that respondent would recommend the company, product, or service to a friend or colleague; rated on a scale of 0 to 10, where 10 is most likely; score reflects the sum of responses of 9 and 10 minus the sum of responses of 0 through 6.



“It is a significant challenge to reorient a company toward the customer. That’s the hard part. The good part is you actually do have a customer to rally around and, as you go through this, you get to know your customers increasingly well—analytically, and also as humans, as people having an experience. Building that alignment and closeness to the customer brings the organization together and keeps it together. You stop talking about yourselves and your processes and the things that you want to do and you start talking about customers and their experiences instead.”

—Ron Ritter

For the full video and accompanying article, see [“Designing and starting up a customer-experience transformation,”](#) on McKinsey.com.



“In order to rewire a company to become a customer-experience leader—for most companies this will be a two-to-three-to-four-year journey. The reason it takes so long is quite frequently you need to work across functions, geographies, and customer segments, and it just takes a while. You need to start where you can show impact quickly before you can scale. Once you succeed, though, you’ll have a competitive differentiator that others will find hard to match.”

—Ewan Duncan

For the full video and accompanying article, see [“Developing a customer-experience vision,”](#) on McKinsey.com.

Customer-experience leaders can become even better by digitizing the processes behind the most important customer journeys. In these quick efforts, multidisciplinary 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 to release and scale major, customer-vetted process improvements in less than 20 weeks. Agile digital companies significantly outperform their competitors, according to some studies.⁸ To achieve those results, established businesses must embrace new ways of working.

Perform: Align the organization to deliver against tangible outcomes

As the customer experience becomes a bigger focus of corporate strategy, more and more executives will face the decision to commit their organizations to a broad customer-experience transformation. The immediate challenge will be how to structure the

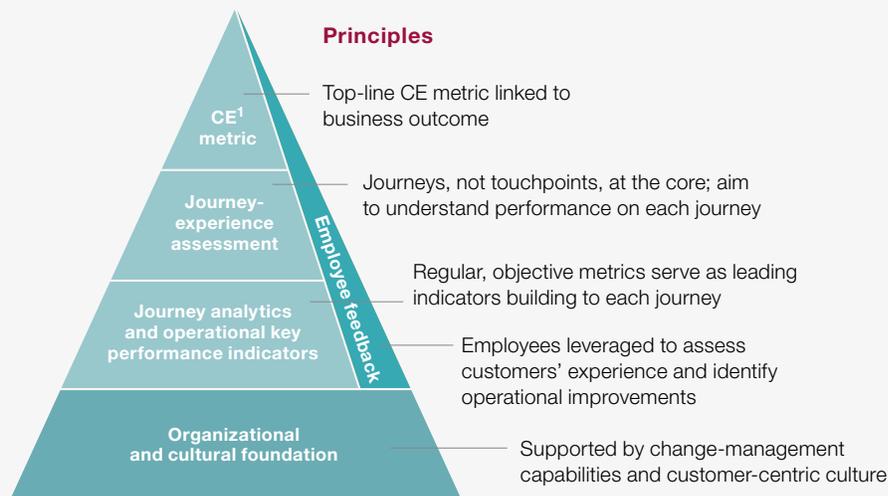
organization and rollout, as well as figuring out where and how to get started. Applying sophisticated measurement to what your customers are saying, empowering frontline employees to deliver against your customer vision, and a customer-centric governance structure form the foundation. Securing early economic wins will deliver value and momentum for continuous innovation.

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. Executives at customer-centered companies engage these employees at every level of the organization, working directly with them in retail settings, taking calls, and getting 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.⁹

Exhibit 4 The ideal customer-experience measurement system puts journeys at the center and connects them to other critical elements.

Customer-experience measurement pyramid



¹ Customer experience.
Source: McKinsey analysis

Some organizations create boards or panels of customers to provide a formal feedback mechanism.¹⁰

Establish metrics that capture customer feedback

The key to satisfying customers is not just to measure what happens but also to use the data to drive action throughout the organization. The type of metric used is less important than the way it is applied.¹¹ The ideal customer-experience measurement system puts journeys at the center and connects them to other critical elements such as business outcomes and operational improvements. Leading practitioners start at the top, with a metric to measure the customer experience, and then cascade downward into key customer journeys and performance indicators, taking advantage of employee feedback to identify improvement opportunities (Exhibit 4).

Put cross-functional governance in place

Even for companies that collaborate smoothly, shifting to a customer-centric model that cuts across functions is not an easy task. To move from knowledge

to action, companies need proper governance and leadership.¹² Best-in-class organizations have governance structures that include a sponsor—a chief customer officer—and an executive champion for each of their primary cross-functional customer journeys. They also have full-time teams carrying out their day-to-day work in the existing organization. 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. In a recent video, McKinsey's Ewan Duncan describes how rewiring a company in this way is typically a two- to four-year journey.

Log early wins to demonstrate value creation

Too many customer-experience transformations stall because leaders can't show how these efforts create value. Executives, citing the benefits of

improved customer relations, launch bold initiatives to delight customers that end up having clear costs and unclear near-term results. The better way is to build an explicit link to value creation by defining the outcomes that really matter, analyzing historical performance of satisfied and dissatisfied customers, and focusing on customer satisfaction issues with the highest payouts. This requires discipline and patience, but the result will be early wins that will build confidence within the organization and momentum to innovate further.¹³



Delighting customers by mastering the concept and execution of an exceptionally good customer experience is a challenge. But it is an essential requirement for leading in an environment where customers wield growing power. ■

- ⁹ Brad Stone, *The Everything Store: Jeff Bezos and the Age of Amazon*, first edition, New York, NY: Little, Brown, 2013.
- ¹⁰ See Dilip Bhattacharjee, Jesus Moreno, and Francisco Ortega, “The secret to delighting customers: Putting employees first,” March 2016, on McKinsey.com.
- ¹¹ See Harald Fanderl, Kevin Neher, and Alfonso Pulido, “Are you really listening to what your customers are saying?,” March 2016, on McKinsey.com.
- ¹² See Ewan Duncan, Harald Fanderl, and Katy Maffei, “Designing and starting up a customer-experience transformation,” March 2016, on McKinsey.com.
- ¹³ See Joel Maynes and Alex Rawson, “Linking the customer experience to value,” March 2016, on McKinsey.com.

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- ¹ See Nicolas Maechler, Kevin Neher, and Robert Park, “From touchpoints to journeys: Seeing the world as customers do,” March 2016, on McKinsey.com.
- ² McKinsey US cross-industry customer-experience survey, June–October 2015 data.
- ³ For more about journeys versus touchpoints, see the video “Linking customer experiences to business outcomes,” embedded in the article “Are you really listening to what your customers are saying?,” by Harald Fanderl, Kevin Neher, and Alfonso Pulido, March 2016, on McKinsey.com.
- ⁴ The Common Purpose is the intellectual property of the Walt Disney Company. See *Talking Points*, “Be our guest. . .again,” blog post by Jeff James, December 22, 2011, on disneyinstitute.com/blog.
- ⁵ Richard Chase and Sriram Dasu, *The Customer Service Solution: Managing Emotions, Trust, and Control to Win Your Customer’s Business*, Columbus, OH: McGraw-Hill Education, 2013.
- ⁶ See John DeVine and Keith Gilson, “Using behavioral science to improve the customer experience,” February 2010, on McKinsey.com.
- ⁷ See “Infographic: The cost of crappy customer experiences,” August 6, 2015, on thunderhead.com.
- ⁸ See *The 2015 Customer Experience ROI Study*, Watermark Consulting, watermarkconsult.net.

The expanding role of design in creating an end-to-end customer experience

Lines between products, services, and user environments are blurring. The ability to craft an integrated customer experience will open enormous opportunities to build new businesses.

Raffaele Breschi, Tjark Freundt, Malin Orebäck,
and Kai Vollhardt



Time was, a company could rely on a superior product's features and functions to coast for a year or more before competitors could catch up. Or a well-honed service advantage could single-handedly buffer a company from start-up challengers looking to nip at its heels. No more. As digitization drives more and faster disruptions—and as customers increasingly desire the immediacy, personalization, and convenience of dealing with digital-marketing leaders—the business landscape is undergoing an upheaval.

Products, services, and environments—both physical and online—are converging to anticipate and meet rising customer expectations. That's giving birth to a proliferation of new products, often from unexpected sources. It is also stirring up a storm of new, unanticipated competitors. In this novel mix, product companies will be pushed to create services and service providers to incorporate products into their offerings. Both will face the challenge of developing great user environments as part of customer-centric strategies.

The signs have been apparent for some time. Technologies regularly compound each other's effects, with a dynamism and speed of innovation that has become unpredictable: for example, the combination of global positioning systems (GPS), radar, video object recognition, and infrared sensors gave birth to the development of self-driving cars. In smartphones, manufacturers once focused on features and functions as selling points. Today that emphasis has shifted completely to style, lifestyle, and simplicity of use. These permeate the customer experience and define the value proposition for such products.

This evolving convergence of products, services, and environments affects some industries more than others. Telecommunications, automotive, and consumer-product companies, for example, have already embarked on a convergence journey; other industries, such as insurance, banking, and energy, lag behind them. Understanding the way this

phenomenon is taking shape can help companies prepare for the competitive opportunities and challenges. In this article, we explore some of the places where the convergence is taking shape today and some key principles for designing integrated, end-to-end customer experiences.

A convergence triad

In our ongoing work, we observe three basic types of convergences reshaping the landscape for customer-centric strategies:

- *Traditional product companies are transforming themselves into providers of services and ecosystems.* Some innovators, such as Rolls-Royce, some time ago moved beyond merely selling jet engines to selling engine hours in a lifetime service relationship with customers. Elevator operators, such as KONE, emphasize the number of floors their products will serve over time, not just their physical products. Microsoft Azure sells computing as a service, not as software; Philips is transforming the home-lighting business into a “connected business” to improve sustainability, cost of ownership, and smart control by integrating applications such as scene personalization, home automation, security services, and sleep quality into its core product.
- *Service companies are integrating physical products into their customer experience.* Amazon's Echo, for example, provides quick access to the company's services. Evernote and Moleskine have collaborated to create notebooks that seamlessly integrate physical notes; capturing handwritten ones with the Evernote camera allows you to search and organize them digitally. Progressive Insurance's connected-car devices allow the company to charge drivers according to their driving behavior.
- *Companies are investing to create a customer environment that builds a connection with their products.* Online players such as Amazon open

physical stores; car manufacturers (Tesla, for example) open fancy showrooms in shopping malls and prime locations, with a completely transformed customer experience. Electronics companies, like Apple, stage the customer experience with open-space concepts, a sprawling Genius Bar, and diverse sales staffs.

In essence, highly successful companies have realized that the boundaries between products, services, and environments have blurred. They know as well that they need an integrated view to design end-to-end experiences that are truly valuable to consumers and successful in the market. It's not just about designing the best product or service but rather about striking the right combination and making sure the integrated customer experience is compelling. This kind of successful, convergence-designed strategy can deliver a durable competitive advantage. Done well, the strategy will also make implementation more intuitive for the company and more seamless for the customers who engage with the product or service. In this evolving environment, maintaining an integrated customer-experience perspective is necessary right from the beginning of any improvement or transformation effort.

Today's consumers do not buy just products or services—more and more, their purchase decisions

revolve around buying into an idea and an experience. This change in expectations will give product and service businesses opportunities to create new revenue streams by expanding into adjacent territories. Given these complexities, the shift also requires an innovative approach to business models and a new look at how companies provide value to customers.

Where end-to-end experience design is happening

To better understand how some companies are grasping the opportunity to design end-to-end experiences, it's useful to explore some examples of cutting-edge approaches and the techniques and principles that underpin them:

Raising the temperature in thermostats

For much of this decade the smart-home-thermostat market has been under assault by new entrants using world-class design approaches. Incumbents, largely embedded in professional-installer sales channels, were left with little access to end consumers.

Ecobee, which embarked on a design-led strategy against competitors such as Nest from the standpoint of aesthetics, usability, and features, believed that its technology was superior. But it was missing a major component the company felt customers cared about—design. To Ecobee executives, it was not just

Today's consumers do not buy just products or services—more and more, their purchase decisions revolve around buying into an idea and an experience.

a matter of the product's color and shape. Rather, they believed that consumers would see value in the overall experience of interacting with the device itself, its mobile app, and its Internet presence. The “squaricle” shape of the device was decided in part by the need to differentiate it from competitors' round or square thermostats and to pair up with Ecobee's remote sensors, which have the same shape. Black was chosen as the color for its practicality, unobtrusiveness, and understated high-tech signaling.

Ecobee's approach was to redesign the thermostat with sensors that work over Wi-Fi systems, so it can moderate the temperature where the user (as opposed to the thermostat) is located. The new design made it possible to launch the product in new channels, such as Apple stores, Best Buy, and Home Depot, gaining direct access to new customers. Ecobee won *PC Magazine's* Editor's Choice Award for smart thermostats in 2015.¹

Magic bus

In late 2015, the Swedish public-transport provider Skånetrafiken aimed to enhance the value of bus transportation. The idea was to explore extending the travel experience beyond the bus with new technologies. Designers thought about that experience from an end-to-end perspective—before, during, and after travel.

The company's approach took the form of a design lab on wheels.² A multidisciplinary group of technologists and designers, with support from transport companies Transdev and Volvo, prototyped and infused a bus with new technologies. The team employed an agile approach, with iterative prototyping to generate more than 40 innovative ideas (based on interviews with customers) in less than six months. Every two weeks, new ideas were conceived, prototyped, and tested with users in a number of iterations. New design concepts transformed the space, made seating more flexible, and integrated technology into the bus. One example: a specific spot

for standing passengers—an integrated space divider with cup holders, phone chargers, and shelf space. Another, based on the preferences of bacteria-wary passengers, is a sensor system that lets riders send a stop signal to the driver without touching a traditional button.³

Skånetrafiken's concept bus took a major step toward reinventing the urban-travel experience. Although it continues to be an ongoing lab and project, it is also now ready to transport riders in southern Sweden, who will provide ongoing feedback to inspire future work redesigning urban-travel options.

A telecom company gazes into the future

A leading Nordic telecommunications company needed to replace its legacy technology infrastructure. It therefore launched an extensive transformation program to develop more relevant and valuable offers for customers and ways to meet their future expectations about the end-to-end experience of service upgrades and changes. Better technology would then serve these new needs in the most efficient manner.

The central question: What will customers want in the future? Is it even possible to tell? In this case, design specialists combined their experience with prototyping and “futuring” techniques to project future scenarios and make them tangible for consumers to explore. The team understood that some aspects of the customer's behavior, habits, and values tend not to change as much as technology or other solutions do. Encouraging consumers to play around with prototypes and to cocreate ideas with the team provided crucial insights about people's functional and emotional needs, dreams, aspirations, and views of the future. This highly collaborative approach also made it possible to engage key internal stakeholders and to bring in a diverse assortment of capabilities throughout the development process. By listening, providing transformation tools, and engaging with stakeholders, the company persuaded them to contribute their

personal experiences and ideas to the creation of end products.

Through such interactions between consumers and the company, the transformation team developed a deep understanding of what customers might expect from products and services five years down the road. That became the focal point of the company's vision of its role in creating lifetime customer value. New investments and other decisions to advance the company's technology-infrastructure-related transformation flowed from these insights.

[A design icon charges up the home](#)

A key focus of IKEA's effort to develop its Home Smart line, which introduced technology-infused furniture, was exploring the experience of integrated wireless charging of mobile phones in homes. The ultimate goal was to design a solution that would eliminate charging entirely. IKEA's design team had to reinvent the research process to explore how people would react to these new features in furniture. To support the vision of a simpler, more human-centered home life, it was important that the result not look like technology but still be understood as more than just furniture.

The team launched an immersive process: simple prototypes helped show where people would actually prefer to charge their devices in their homes (users could place stickers anywhere). An extensive, in-home testing process in several countries pinpointed the times and situations when charging becomes an issue. The team expected new technology to pave the way for completely new kinds of behavior, so it paid particular attention to understanding whether consumers would intuitively understand the underlying functionality of the products.

Home testing, which allowed families to try products for several weeks rather than only during workshop sessions, helped the company to see how the concept would fit into everyday life and influence current

habits and routines. In parallel, the team spent time with consumers in stores to learn about the retail experience and the environment where the new products were sold. To create the right store experience, it was critical to get insights on how consumers would understand and perceive this new integrated-charging feature.

The result was the world's first line of furniture with integrated wireless-charging capabilities—part of a successful initiative to bring smartness into homes and make it accessible to the mass consumer market.

Five principles of the design-led customer experience

Each company's efforts to shape design-led experiences will unfold differently. But it is possible to draw lessons—several principles for shaping a design-led customer-experience strategy—from these examples, unique as they are. As companies increasingly turn to design strategies, it is helpful to keep the principles in mind to guide their efforts.

1. Understand the customer's needs and perspectives.

Companies often approach innovation from a technological point of view and already, at the outset, have strong ideas about what the solution should be. To arrive at a new, integrated solution that taps into the power of convergence, it's better to start from a people perspective. Companies can begin to study key aspects of the customer's experience and try to understand and resolve core pain points by answering a few questions:

- What do customers really need, desire, and aspire to?
- What are they trying to achieve by consuming a product or service?
- What kinds of behavior are connected to the experience, natural or constructed?

- What do customers think about the product, the service, and the experience? And why do they think the way they do?

Often a company ought to consider shifting its mindset: away from a technological solution (“what product or service can we provide to the market?”) to a consumer-oriented one (“what customer needs do we aim to fulfill through this integrated solution?”). An unmet need, even if for the most part unexpressed, frequently turns out to be a company’s next business opportunity.

2. Draw inspiration from other industries.

Companies increasingly look beyond existing industry boundaries and try to adopt better approaches from unrelated contexts. Some examples:

- A hotel company that wanted to improve its customer experience drew inspiration from the world of senior-executive assistants. The company reasoned that the best assistants anticipate the needs of their executives, sometimes even before the executives are aware of those needs. By applying that principle to its customers, the hotel company emphasized service that anticipated their needs, as though it already knew even first-time visitors.
- A software provider of e-trading platforms wanted to redesign its core product. When it decided which information to place centrally and which could be relegated to a peripheral view, it took a hard look at airplane cockpits.

3. Get a glimpse of what’s on the horizon. By definition, design is a creative and exploratory process. Looking into the future allows a team to project an industry’s circumstances as far as 15 to 20 years away by framing the landscape of products and services. The primary elements to consider are typically societal shifts, such as changes in behavior, demographics, and social norms, as well as technological improvements.

The exercise can also be useful with a much shorter time frame by projecting emergent trends that can already be observed to a certain degree: for example, the new EU payment directives in banking—PSD2—will remove the banks’ monopoly and allow nonbanking players to initiate payments and access account information. How will this change the landscape of the banking industry? What if you could use Facebook or Google to pay your bills? What about the effects on other industries? What new business opportunities could be created when these developments combine with other shifts that happen simultaneously?

4. Empower multidisciplinary teams. Designing a convergent, end-to-end customer experience requires the broad involvement of stakeholders across the organization and beyond. They will have expertise in fields such as design research, anthropology, and business, and spheres of influence, such as product development, marketing, or finance. Creating a multilayered experience requires a variety of design capabilities, such as designing products, services, user experiences, and interactivity. Such multidisciplinary teams can break through silos and foster cross-disciplinary collaboration. Decision makers from all stakeholder groups should align together and embrace uncertainty together, developing capabilities throughout the entire design process. The use of existing resources can keep the investment in time and costs low.

5. Use agile techniques to prototype experiences and business models. The challenge of mastering many convergent opportunities is that solutions often reside in complex ecosystems that either stand alone or depend on other, related systems. Think of air travel, for instance, as a combined experience of products, services, and environments. Despite this level of complexity, companies can achieve rapid progress through prototyping, which quickly brings to life new opportunities and perspectives for effective implementation.

An experience can be prototyped through simple cardboard models, role playing, or clickable digital prototypes. This approach focuses on eliminating mistakes and highlighting possibilities for further development. Alternative business models can be visualized and prototyped to explore where value is added, costs occur, and efficiencies or new revenue streams lie in wait. We find that it's most efficient to iterate a prototype of the customer experience and the business model—these pilot efforts can secure the best outcomes before scaling. The goal should be managing prototypes in an agile way, through sprints and frequent feedback from users, with a focus on developing business value.



The convergence of products, services, and user environments is just taking flight. In this environment, large and unexpected business opportunities will appear, along with unlikely competitors. To prosper, companies must balance agile, design-led development processes with the continual redesign of customer journeys. ■

¹ John R. Delaney, "Ecobee3 smart WiFi thermostat," *PC Magazine*, January 26, 2015, pcmag.com.

² Veryday, which participated in the bus-transformation project, was acquired by McKinsey in 2016.

³ For a perspective on the bus-transformation project, see video, "Reinventing the urban travel experience," Veryday, November 29, 2016, vimeo.com.

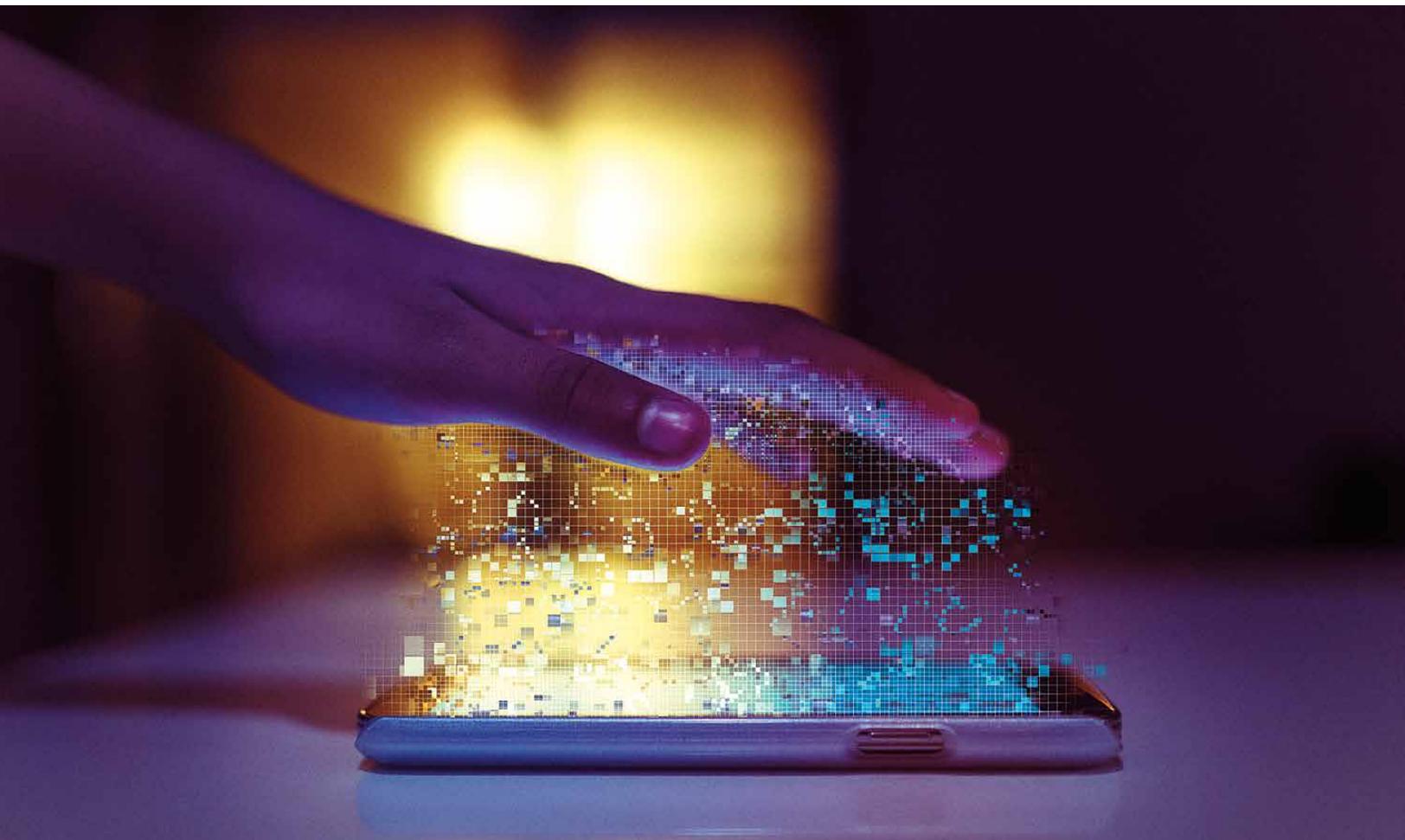
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Mastering the digital advantage in transforming customer experience

Digital services and operations are raising the competitive bar in every sector. To capture the opportunity, incumbents should embrace a new operating model that dramatically improves the digital customer experience.

Oliver Ehrlich, Harald Fanderl, and Christian Habrich



Improving customer experience delivers real benefits to companies that successfully execute customer-centric strategies. Across sectors, satisfied customers spend more, exhibit deeper loyalty to companies, and create conditions that allow companies to have lower costs and higher levels of employee engagement (see “The CEO guide to customer experience,” on page 5). In that dynamic of value creation and durable competitive advantage, delivering digital services and operations has emerged as a prime mover in reshaping customer experience in almost every sector. As digital pure plays such as Amazon, Apple, and Uber continuously reinvent themselves by delivering simple, immediate, and individualized experiences, even traditional business-to-business¹ players in sectors such as chemicals and steel are making bold moves to build dynamic shared digital ecosystems around customer needs.

It is clear that customers, stoked by digital-first attackers and those playing catch-up, will only expect more digital solutions. Our research finds that growing customer expectation of superior service drives efforts to advance and refine digital solutions. In our research, 70 percent of app users preferred added functionality over “look and feel” of the app, and 61 percent of customers said they were more likely to buy from companies delivering custom content. Three-quarters of online customers said they expected help within five minutes, have used comparison services for consumer goods, and trusted online reviews as much as personal recommendations.

It is also clear that those expectations will continue to evolve quickly, pitting incumbent companies’ profitability against their ability to deliver services in new ways and master a complex landscape of technologies, marketing approaches, and operational capabilities. Within this dynamic and rapidly changing landscape, important opportunities will manifest themselves to build revenue, deepen customer experience, and reduce cost. A strong will

to succeed will be a prerequisite, but by itself will be insufficient to grasp competitive advantage. What is required is a more radical abandoning of traditional ways of working in favor of new approaches. By rethinking traditional operating models that hinder companies from achieving their potential and combining digital technologies and operating capabilities in an integrated, well-sequenced way, companies can create customer-centric strategies that can sustain new levels of speed, agility, efficiency, and precision.²

Toward a next-generation operating model

One typical shortcoming of traditional operating models is a strong focus on optimizing internal capabilities instead of making the customer’s needs and wants the organization’s central orientation point. The strong individual silos that make up the organization of so many of today’s organizations are another barrier, at odds with the need for achieving truly cross-functional collaboration. Still, other companies remain loyal to big project pipelines that they deliver in a traditional waterfall-like manner, with a long development process and a big announcement at the end, rather than continuously testing and iterating change in a manner more closely tuned to market changes. Finally, in many cases a relentless top-management commitment to embracing digital solutions is missing.

From our digital customer experience and service-operations work with leading practitioners, we have distilled elements that we believe are critical in shifting away from running uncoordinated efforts within organizational silos to launching an integrated operating model organized around customer journeys or the end-to-end experience of a customer buying a product or service. This framework offers a perspective on those elements that help companies to dramatically increase digital customer experience, establish a true omnichannel perspective within their organizations, and drive digitization. In our experience it is possible for companies to success-

fully pursue such deep transformations, starting with a design of the operating model, and then transforming the customer journeys that matter most, while simultaneously building an agile and cross-functional approach to customer-centric organization transformation at scale.

The digital component in transforming customer experience

In this article we focus on what we've learned in building this operating model and the four success factors that are key to delivering superior digital experiences, as well as the challenges that companies across industries face in efforts to secure them. The success factors are as follows:

- designing and digitizing customer journeys
- increasing speed and agility in insight generation
- achieving customer adoption of digital customer journeys
- developing agility in delivering journey transformations

It is no surprise that a lot of digital journey transformations struggle to succeed, considering that running a digital customer-experience transformation is a complex, multidimensional task. It requires a combination of traditional transformation elements—such as rigorous, top-management commitment and steering—and cross-functional teamwork, as well as more digital elements, including agile delivery of technology, along all-journey transformation phases. That said, the effort can pay off handsomely; in our work we regularly observe up to 15 percent revenue increases and simultaneous reductions in cost to serve of more than 20 percent.

Customer-centric design of customer journeys

A key to offering an outstanding digital customer experience is creating a radical design (or redesign)

of journeys to be improved. What we have found to work extremely well is to apply design-thinking methodologies and to conduct a design boot camp. Such a starting point is also how to best begin the process of developing an agile digital delivery system within a cross-functional team.

In this process, the primary goal is to thoroughly rethink the way the journey works, instead of simply fixing inefficiencies along the way. The customer and his or her needs and preferences is both the starting point as well as the ongoing proof point for the work, meaning that new designs are immediately tested and iterated based on customer feedback. Within such redesign workshops, it helps to render the customer journey in a clickable prototype in order to obtain a more concrete look and feel of the actual customer experience, which can then be continuously tested with customers. Overall, the approach must, however, allow for seamless integration with existing channels, including nondigital journeys. Furthermore, legacy processes, which become redundant as a result of the new journey, should still be run in parallel until the new journey is fully operational.

One promising approach is what we call zero-based journey redesign, or designing a customer journey from scratch, without any preconception of the ultimate vision for the journey—rather than simply improving the status quo. One ambitious redesign of the instant account-opening process at a large bank eliminated 15 process steps (including significant paperwork), introduced an instant identification system (via passport and face-recognition software), and established a completely new online and mobile (and in-branch self-service) journey enabling account opening anytime and anywhere. With the inclusion of the in-branch self-service customer journey, the effort boosted self-service sales from zero to more than a third of total sales, with 50 percent higher conversion rates and a reduction in cycle time to ten minutes, compared with between two and six days previously.

Similarly, a redesign of the customer-relocation journey for a large, multinational energy company introduced an approach to automated communication that reduced process steps for customers by half and accelerated processing time by 80 percent, while also making it easy for customers to move their accounts at any time during or after their relocation, via a range of devices. These changes decreased cost to serve by 40 percent and tripled the retention rate of relocating customers. By embedding design thinking in the organization, management was also able to form a new vision of how customers could experience their redesigned services in the future for a broad range of customer journeys.

Increasing speed and agility in generating insights

Digitization and the fast pace of changing market and consumer dynamics require fast, frictionless “real time” insights into a multitude of different areas for decision making, specifically customer-journey management and design.

However, traditional market-research approaches are often not in line with these requirements—they take too long to be generated and don’t enable iterative step-by-step building of new experiences integrating constant customer feedback. Thus, customer-experience leaders need to find ways to be agile in generating insights, for example, by employing much more flexible and dynamic research approaches. Among these are mobile flash surveys and online focus groups, as well as the integration of these insights directly into the customer-experience design and redesign process.

Generating insights in an “agile” way in a digital-customer-experience transformation can start with conducting an in-depth user-experience assessment of current customer touchpoints, such as web properties, devices, call centers, and branches. These can then be compared with competitors. By combining this exercise with the zero-based approach to rethinking the customer journey, it is possible to

generate valuable insights as to the strengths and weaknesses of the digital customer-experience design.

During the journey design process, agile insights can then be used to rapidly test new ideas and journey steps with customers, with more scale than traditional focus groups. For example, it is possible to use an online focus group with a carefully selected target audience or live video chats with customers sitting at home testing out a new digital process on screen to provide immediate insights that can help to fine-tune key journey steps. One large European energy player used customer-experience-measurement software to integrate input from text messages, web, and email surveys. One large insurer created digital “diaries” to better understand customer pain points.

Achieving customer adoption of digital customer journeys

The awareness of how to build effective digital channels has risen significantly in recent years. However, a typical pitfall we observe is that many projects falter because not enough thinking goes into actively stimulating customer adoption. There are a number of reasons why customers fail to adopt digital channels. In some cases they are related to sales barriers, such as a preference for in-person contact, the speed with which a product is delivered, or e-care challenges, including a lack of personalized experience. Consequently, customers don’t embrace digital self-service channels to the degree desired, limiting efficiency gains and cost savings. Thus, orchestrating and stimulating digital customer adoption thoroughly is a key success factor.

In our experience, there is no “silver bullet” to stimulate customer adoption of digital journeys. Rather, the answer lies in pulling a combination of different levers and iterating approaches based on customer testing. Broad strategies, each with their own tactics, include informing the customer, making the customer journey relevant to the customer, and guiding him or her to engage:

- *Informing the customer*
 - *Using effective marketing techniques*, such as search engine optimization (SEO), search engine advertising (SEA), or offline campaigns, is critical for engaging consumers. Despite focusing on creating digital channels, there still needs to be a well-formed mix between traditional- and digital-media techniques. A great example for this combination is the market launch of Foodora in Germany, where the company successfully applied a mix between SEO/SEA, online awareness campaigns, and offline out-of-home penetration. Other digital pure plays like Amazon and Zalando followed similar strategies.
 - *Explaining the usage of the new digital channels*, for example, through videos at physical touch-points, can also be a highly effective mechanism to promote adoption. Players like Deutsche Telekom, which promotes new cloud services; Alaska Airlines, with home check-in and baggage-tag printing; or HSBC, with its tutorial videos on redesigned online banking are companies that have taken this approach.
 - *Triggering initial usage through testing*, user groups, and by pushing reviews has allowed some players to stimulate feedback and word of mouth to gain a critical base.
- *Making the digital journey relevant*
 - *Pooling relevant content and creating a delightful experience*, for example, by bundling functionalities in one app, is key, especially for digital channels that are not frequently used. There is only a limited number of apps that individual customers use, and so these need to contain as much content as possible from the same company. In Turkey, insurer Allianz decided to pool functionalities for health insurance, claims submission, and other services in one app instead of offering multiple apps, which would have a much lower likelihood of usage by consumers.
 - *Include high-frequency services to stay in use* (for example, gamification and feedback opportunities). An effective example of this is from the Chinese insurer Ping An, which includes multiple engaging functionalities in its Good Doctor app. In this way, the company triggered higher usage and was able to collect valuable behavioral customer data.
 - *Continuously improve and innovate digital journeys*. Draw from user-experience data to increase adoption and success of digital channels over time. Based on effective user-experience assessments and customer tests, some companies have used such simple tactics as developing a new landing page or changing the colors of functional elements on websites to improve subscriptions and click-through rates.
- *Guiding the customer*
 - *Providing incentives* is also a major driver for digital adoption. Offering bonus points or other financial rewards is a common approach. This strategy is exemplified by the British *Sunday Times*'s competitive pure-digital subscription offer over traditional ones.
 - *Reducing the effectiveness* or limiting access to competing or legacy channels allows companies to further nudge laggard adopters. This signals commitment and confidence in new digital tools or channels. For example, airline Wizz Air offers digital support on its website for free, while charging a service fee of €15 when seeking help from the call center.

To encourage customer adoption of digital journeys, it is critical to not simply rely on the quality of the channel but to find a suitable, individual solution using multiple levers to drive adoption. Furthermore, it is essential to achieve internal alignment in the organization across channel and business-unit leadership. Conflicts that arise among leaders on strategy, targets, incentives, and mind-sets can be highly disruptive.

Developing agile delivery of journey transformations

Delivering customer-journey projects often poses a stiff challenge to companies, particularly when it requires solving technological and IT-related issues.

Traditional waterfall delivery models build up research and testing over a long period of time and typically introduce a new effort with fanfare and a big announcement. In contrast, digital leaders increasingly rely on delivering customer-journey transformations following agile methodologies in which high-performing, cross-functional teams work toward a common, customer-centric vision, relying on real-time decision making, rapid iteration, and end products that can be presented and refined continually. There are some key advantages to this:

- Cross-functional teams—including representation from the business, information technology, and other support functions, such as back-end operations—co-locate and collaboratively work together toward a single vision for a new customer experience.
- Disaggregating project complexity, by defining a minimal viable product, can deliver a product or service to the customer in only a few months, rather than in a year or more for traditional approaches. Continuous improvement is also possible.

- A joint push for development in weekly or biweekly sprints set up the team for quick successes on a weekly or biweekly basis.
- Encouraging strong collaboration and daily interactions enables teams to identify and remove roadblocks early and pragmatically iterate designs and solutions.
- Delivery time and risk of failure is minimized simultaneously.



As digital-first disruptors reshape the business landscape, customer demands for more digital services and operational expertise are posing a challenge to incumbent players across all sectors. The response calls for a new operating model that puts the customer's needs and wants at the center of a digital transformation strategy, enabled by redesigned customer journeys and agile delivery of insights and services. ■

¹ See "Finding the right digital balance in B2B customer experience," April 2017, on McKinsey.com.

² Joao Dias, David Hamilton, Christopher Paquette, and Rohit Sood, "How to start building your next-generation operating model," March 2017, McKinsey.com.

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The growth engine: Superior customer experience in insurance

The value of great customer service applies as much to insurance as to any other customer-facing business—and so does the way the consequences of subpar service are amplified by social media. Insurers that want to compete on more than price must focus more on providing great customer experience.

Tanguy Catlin, Ewan Duncan, Harald Fanderl,
and Johannes-Tobias Lorenz



The difference between great and poor customer service has always been clear, and businesses on the wrong end of this spectrum usually pay a price. This is as true for insurance as it is for any other customer-facing business. Today, the consequences of subpar service are amplified by the speed and reach of social media. One poorly handled claim, one mistake captured on a smartphone can escalate quickly into a brand-damaging crisis. This is just one reason companies across all industries should increase their focus on providing great customer experience.

Providing a strong customer experience is not just about reducing the risk of customer-service mishaps. It is increasingly a way for companies in competitive markets to distinguish their brands. The airline industry is a good point of comparison with insurance. Both are regulated and highly competitive, and carriers in both industries find it difficult to differentiate their products through factors other than price. Personal lines insurance is becoming particularly transparent, as Internet aggregators and social media provide shoppers with more information than ever on coverage, prices, and services.

A number of airlines now see customer service as one of the few remaining ways to stand out from the crowd and are reaping the benefits. The three US airlines with the highest customer-satisfaction ratings have profits that are way above the industry average. Another major carrier is raising prices—moderately—on the expectation that customers will pay more for great on-time stats and more reliable baggage handling.

Can insurers follow this example and avoid competing on price until profits are shaved to zero? McKinsey's global research across industries shows that improving the customer experience can do far more to drive profitable growth than raising advertising spending or lowering prices. Some executives may still see insurance as a low-engagement, disintermediated category, but leading carriers are proving otherwise, delivering customer experiences that inspire loyalty

and attract new customers frustrated by their experiences with their current carriers.

For example, in the past five years, US auto insurance carriers that have provided customers with consistently best-in-class experiences have generated two to four times more growth in new business and about 30 percent higher profitability than their counterparts with an inconsistent customer focus, in part because satisfied customers are 80 percent more likely than unsatisfied customers to renew their policies (Exhibit 1).

On the path to profitable growth

Delivering a superior customer experience takes more than developing a mobile app or adding call-center staff. It requires significant investments, relentless improvements, and collaboration across customer channels and business functions, from distribution and underwriting to claims handling.

Many insurers look at each customer touchpoint, from visiting the website to calling an agent, as a discrete event. But customers experience those events as steps in a single, continuous journey toward an important goal, such as protecting themselves and their families or recovering from an accident.

Improving customer satisfaction can be an engine of profitable growth, but it demands a common vision and new levels of coordination across historically strong organizational silos. Establishing cross-functional, multichannel customer experiences should be a CEO and board-level priority.

In this context, digital tools are unlocking new opportunities for insurers. For example, since more than 80 percent of shoppers now touch a digital channel at least once throughout their shopping journey, carriers can find new ways to engage customers efficiently and effectively with personalized messages and improve speed, service, and consistency to raise satisfaction.

Exhibit 1

Companies that offer consistently best-in-class customer experiences tend to grow faster and more profitably.



¹Leaders⁷ have consistently been in top quartile for customer satisfaction with shopping experience in past 5 years.

Source: A.M. Best; J.D. Power 2011–15; McKinsey analysis

A number of commercial lines carriers are using digital tools to improve journeys. Many commercial insurance buyers value online interfaces with self-service features and the ability to track the status of interactions in real time instead of having to make inquiries by phone, email, or through their brokers.

Advances like these require coordinating multichannel interactions with an overarching view of business value. Quick, cosmetic fixes are likely to fall short, while costly changes do not always deliver strong returns. One carrier spent a significant sum upgrading its telephone system to reduce the average wait time from 40 to 20 seconds but barely improved its customer feedback. Another touted its “superior service” in a national ad campaign—and saw an immediate decline in its customer-satisfaction scores, perhaps because reality did not live up to higher expectations. Delivering a superior customer

experience depends on the full range of pricing, products, and services.

Barriers to superior customer experience

The main reason so many companies fail to improve customer journeys is that understanding what customers value is not an easy task. Identifying what drives customer satisfaction and translating it into operational-performance improvements requires deep customer insights, solid analytics, and modeling the most important customer journeys, with cross-functional ownership and multichannel, end-to-end management.

A typical insurance carrier today delivers customer experiences via separate functions (marketing, distribution, underwriting, claims), using a website, sales call center, service department, and so on, most managed by different executives with different

goals and metrics. This structure may have its purposes, but it overlooks the fact that from the customer perspective, the experience is often a single journey. Customers are unlikely to draw a sharp distinction between an agent and a claims adjuster; both represent the insurer in the event of an accident.

So how can insurers overcome these barriers and deliver exceptional customer experiences? The first step is to align on what type of experience they want to deliver. Experts disagree on some fundamental elements of this issue. Some believe that fewer customer touchpoints are better,¹ while others say more interactions create more opportunities to add value and build loyalty.

Both can be correct, of course, depending on the customer segment and the specifics of the customer journey. Customers with more complex insurance needs might want a higher-touch approach during sales and onboarding, for example, while younger customers might prefer digital-only, self-driven experiences that include advice but remain nonintrusive and available on demand. Also, the more value there is at stake in a claim, the more time customers are willing to spend in live interactions during the first notice of loss. For example, many carriers overlook the fact that speed of resolution is as important as employees' courtesy, empathy, knowledge, and professionalism. In McKinsey's research into repairable auto claims in the United States, five qualities were key to driving customer satisfaction:

- employee courtesy
- ease of communicating with the insurer
- employee knowledge and professionalism
- transparency and ease of the process
- speed of the claim settlement

In a finding that may surprise industry executives, settlement amount ranked only 12th, behind ease of tracking claim status and flexibility in scheduling the appraisal. In other words, most of the policyholders surveyed cared more about service than payment, especially when the claim size was relatively small.

Transforming the customer experience in insurance

Understanding what customers want is paramount in building a better customer experience. But real transformations are achieved when carriers take a comprehensive approach to customer journeys and how their organization works.

Only a holistic process can deliver tangible and sustained improvements. A successful approach to excellence in customer experience has four core elements (Exhibit 2):

- **Inspiration.** Create a comprehensive vision for a customer-centric business and operating model with clear targets.
- **Insights.** Develop customer insights and link customer satisfaction to operational key performance indicators and business impact (such as churn and cross-selling).
- **Improvement.** Radically redesign customer journeys from start to finish, using digital elements as the standard.
- **Institutionalization.** Build customer-centricity into the organization, changing culture and processes from the front line to the C-suite.

Each element can yield a better experience, but the full impact is seen only when the four work together. For example, making improvements without insights can result in resources being allocated to features that customers deem unimportant.

Exhibit 2

A 'customer-experience excellence engine' integrates best practices for transformation.



Vision without institutionalization may result in missing objectives because change did not stick with the front line.

Inspiration

A customer-centric transformation begins with an overarching vision exemplified by senior leaders and modeled throughout the organization. CEOs listening in to live call-center phone calls or serving coffee to their customers are nice, powerful touches. But the real value of a customer-centric culture is unlocked when employees rally behind a common purpose that drives them to go beyond their regular standard of work.

Customer-centric organizations go the extra mile, demonstrating that customer satisfaction is not just a metric on a dashboard but an inspiration. One

global bank improved new-product sales, boosted cross-sell numbers, and raised consumer and small-business customer-satisfaction scores by rewarding branch employees for being friendly, valuing customers' time, knowing the details of their business with the bank, and making sure customers' needs were met before concluding transactions.

Measurements are important, of course, and each function may pursue different objectives (for example avoiding errors to reduce cancellations, maximizing ease of doing business for brokers and agents), yet each objective must be consistent with the brand promise and tangible across all functions.

Insights

Improvements in customer experience result from a clear understanding of customer needs and their

implications from an operational standpoint. Most customer-centric processes also improve efficiency, but large investment decisions demand a clear articulation of costs and benefits, such as how much value an innovation adds from the customer's point of view and how much of a competitive edge it provides. In other words, customer-satisfaction initiatives should be grounded in facts, not gut feelings. Many companies typically assess customer satisfaction by relying on two tools, both with shortcomings:

Top-down metrics. All insurers periodically measure customer satisfaction. Many do so on a differentiated basis— by division, for example. Those may be good starting points, but they rarely provide clear indications as to where and how to make improvements. Customer-satisfaction scores need to be linked to operational metrics and economic value to highlight how to address customer needs. Likewise, recommendation scores may not reflect true customer satisfaction. In some industries, improving the customer rating may barely increase the likelihood of customers renewing a subscription or buying a new product; in insurance, a similar jump can be a differentiator.

Internal surveys. Surveying internal leaders is a good way to generate ideas for improvements, but these leaders tend to focus on technical shortcomings and may not rank other nuances in interactions the way customers do.

Increasing customer satisfaction goes hand in hand with operationally relevant customer intelligence. For example, market research needs to reveal not just customers' satisfaction with individual touchpoints but also the overall drivers of satisfaction, including brand, product, price, and service, and how they contribute to business success, including policy renewal and cross-selling.

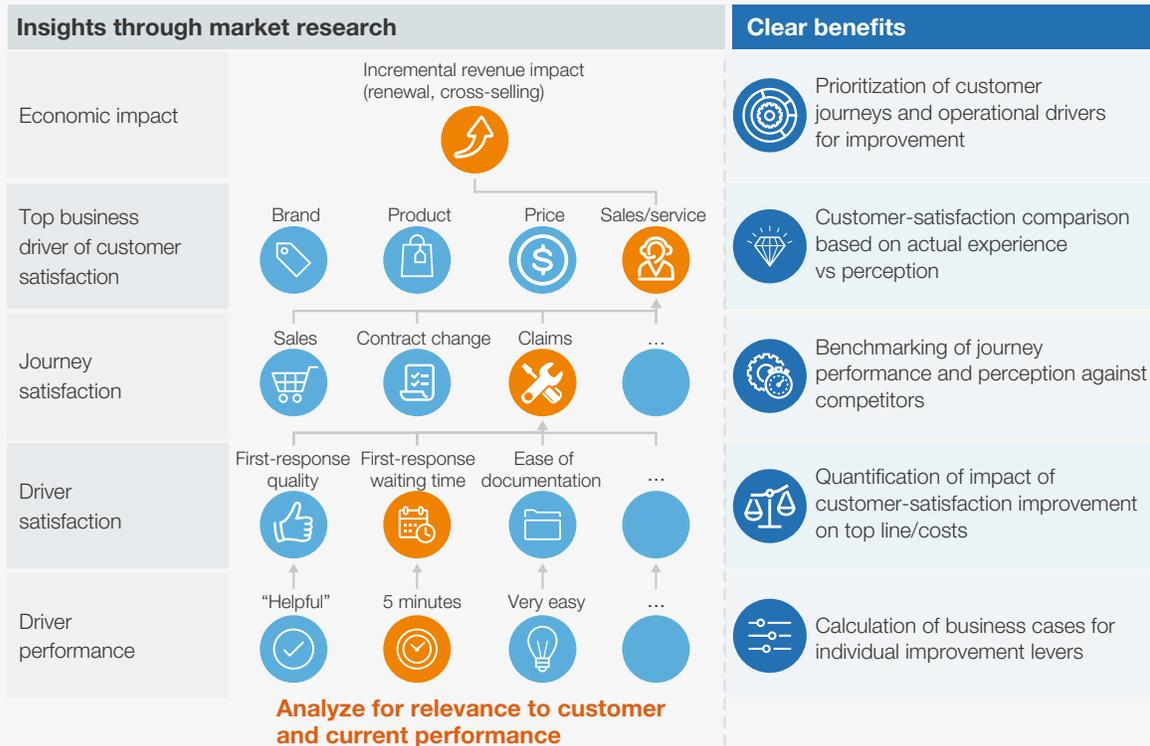
Research should determine which operational drivers and expected service levels lead to satisfaction in each journey (Exhibit 3). This type of research helps carriers understand which journeys and drivers are truly important for customers but still unsatisfactory, and what service levels customers expect, making it possible to quantify acceptable waiting times in the call center, for example. This level of detail helps carriers avoid investing in areas that would not differentiate them from the competition.

Insurers can also gain valuable insights—and avoid trying to solve the wrong problems—by comparing customers' descriptions of their experiences with actual company data. In other words, if customer complaints about long call-center wait times do not match reality, then the problem might have more to do with communication and not necessarily be solved by adding call-center staff. Repeating this kind of research pragmatically but on a regular basis can shed light on changing customer expectations and point out opportunities to improve journeys.

Customer-satisfaction scores need to be linked to operational metrics and economic value to highlight how to address customer needs.

Exhibit 3

An end-to-end economic model generates insights and guides the improvement process.



Improvement

Insights from research help insurers decide where to invest, but effectively redesigning customer journeys also requires discipline. Journeys can be optimized by assembling a cross-functional team (with members from sales, operations, IT, and other areas) to undertake a five-step process:

1. Break down the journey, using customer perspective as a central focus.
2. Map the journey against current internal operations.
3. Call out the “wow moments” and pain points, such as unnecessary wait times or delays in communication.

4. Prioritize pain points based on what matters most to customers.
5. Radically redesign the journey to address the pain points and focus on customer needs.

The first step is often the most difficult—bringing customers into the room with the team to reveal what their real emotional journey looks like and rapidly testing ideas for improvement before taking them too far. Analogously, digital tools now support much faster prototyping cycles, which accelerate the time to market and improve the carrier’s ability to keep tailoring the customer experience. Embedding behavioral research can also reveal which types of interactions customers prefer and how best to influence behavior.

Improvements must be seen as a continuous process. Carriers should plan for successive rounds of innovation, especially in digital, where expectations rise rapidly. All changes should be tested quickly with real customers, and not every lever must be in place before testing begins: they can be piloted and implemented in stages, and many incremental improvements are possible without lengthy preparations or IT infrastructure overhauls.

Institutionalization

Sustained improvements in customer satisfaction are possible only if the entire company—from top executives to the front line—is aligned around the effort and the rollout is rapid. McKinsey has found that five best practices increase the chances of success:

- *strong executive ownership* and a clear mandate for cross-functional journey owners to drive change across the organization
- *central measurement architecture* that continuously reports customer intelligence to the relevant operational key performance indicators, allowing feedback and improvement
- *lean-management practices* with regular performance dialogues about customer satisfaction between top management and operational leaders
- *proactive change management* with compelling “change stories,” recognition from top management, regular interaction with real customers to gather feedback, and new approaches to attracting customer-centric talent
- *training to give employees new skills*, and “navigators” and “champions” to carry the change to individual departments and make it stick



Many companies do well by starting with one or two small, rapid pilots to demonstrate impact and generate knowledge. They then use the momentum to scale up the improvements across the company, rolling out three or four customer-journey categories at a time, with organizational owners for each. A strong central team uses a standardized methodology and identifies synergies between customer journeys, such as in service and claims call centers, and identifies the skills required for success in individual areas. Every team has clear objectives in terms of customer satisfaction with regard to the best competitor. Recruiting profiles and human-resources policies are aligned with the new way of working.

Taking action

Insurers need to invest human and financial resources in customer-centricity to build and maintain a competitive edge. Best-in-class players have already made some of these investments and are reaping cascading benefits.

For example, a large carrier aiming to redesign its auto-claims processes set out to reduce call-center waiting time. However, using a consistent journey methodology and insights from measurement, they found that waiting time was not a major pain point for the customer. Changing call-center routing to ensure a single point of contact for the customer mattered much more, especially when severe accidents occurred. An agile, cross-functional team redesigned the claims journey and tested it quickly, demonstrating significant impact: customer satisfaction improved by 50 percent, and call-center inquiries (follow-ups) fell by more than 80 percent—with no additional net cost.

Another large incumbent aimed to radically redesign its claims process from the customer perspective,

relying heavily on digitization to improve delivery dramatically. The company provided customers with an app for submitting self-service remote damage assessments. It also offered customers a digital connection to the repair network that included rules-based prioritization to guide customers to the shops closest to their work or office location. In addition to a positive impact on the customer experience, the efficiency gains yielded almost 30 percent savings, not to mention the potential improvement in loss ratio due to greater accuracy (Exhibit 4).

The opportunities for insurers to differentiate themselves through stronger customer experience are huge and growing. The fundamental challenge many companies face is getting the organization moving. There is no time to wait. In the digital era, consumer

Exhibit 4 This is a claims journey that might be transformed.



power is rising. Carriers that cling to product-, function-,¹ or channel-centric views risk falling behind as market leaders build deeper relationships with customers and capture ever-larger shares of the market.

For carriers with the resolve to see their business through the eyes of the customer, each interaction becomes a way to live up to their brand promise. Functions come together in new ways across customer journeys, and technology and digitization become accelerators.



Transforming any large organization is difficult, of course, but the value at stake is significant. The adage is still valid: “You don’t earn loyalty in a day. You earn loyalty day by day.” ■

Matthew Dixon, Nick Toman, and Rick Delisi, *The Effortless Experience: Conquering the New Battleground for Customer Loyalty*, New York: Portfolio, 2013.

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An insurer's journey to better customer experience:

A conversation with Allianz's Firuzan Iscan

The customer-experience leader at Allianz describes how the German insurer is learning to view customer journeys from an outside-in perspective.

Harald Fanderl



“When we are talking about growth engines, the main push is coming from customer centricity,” says Firuzan Iscan, head of customer and distribution experience at German insurer Allianz. With 85 million customers worldwide, that’s a tall order to fill. But as part of a corporate renewal strategy launched two years ago, Allianz has worked to move from a process-oriented “inside out” mentality to an “outside in” mind-set geared toward customer service. In 70 projects spanning 24 corporate entities in the first year, the effort spawned a rethinking of digital strategy and corporate culture. Iscan recently sat down with McKinsey’s Harald Fanderl to describe the journey.

McKinsey: *How and when did you realize customer experience should be a priority for Allianz?*

Firuzan Iscan: When Oliver Bäte became our CEO, he introduced our renewal agenda. True customer centricity was in the middle of five renewal-agenda initiatives, and actually we started from this point to think about how we can build a customer-centric organization and how we can improve customer satisfaction. In the first year, we launched 70 customer-journey improvement projects in 24 entities.

McKinsey: *As an insurer, why is it so important to start from a customer point of view?*

Firuzan Iscan: Because as a financial institution we used to think more from an internal perspective, an inside-out perspective. At Allianz, I think we had a proven record for managing processes efficiently. We built a very efficient mechanism to serve our customers, but actually customers don’t experience the processes; they are experiencing the journey, so that’s why we changed our perspective from process into journey. I think in this changing environment, in order to be ready for future challenges, we need to put our customers in the middle, and we need to change our perspective to outside-in.

McKinsey: *What goals have you set for this strategy?*

Firuzan Iscan: We want our customers to promote us because we are serving them; we want to be a partner in their lives. And we also need to understand what the impact of customer satisfaction will be, so that’s why we are measuring our customers’ willingness to recommend us. We are linking customer-satisfaction improvement with business impact through this willingness to recommend in two ways. The first, of course: once a customer becomes loyal, he or she tends to retain his or her policies with us. The second way: through new promoters, we can gain more new customers. In many cases, we are also observing cost reduction, because the solutions we are offering to our customers remove some steps from their journeys. For example, in call centers, when you avoid repetitive calls, it means that you can save call-center costs, and also, of course, your agents, your intermediaries, will not deal with similar problems.

McKinsey: *How do you mobilize the organization behind the goals that you described, about becoming more customer oriented?*

Firuzan Iscan: I think that’s the most challenging subject, because it’s not one function’s responsibility in the organization. It’s a common purpose, so then we are talking about internalization of customer centricity. Of course, we need to involve more people, we need to change the mind-set, and it’s not an easy task. When we are talking about, for example, customer-experience management, all these measurements, projects, et cetera, it’s just maybe 5 to 10 percent of the main task. So 90 percent is about culture, and that’s why through these projects and through all these initiatives we want to involve more people in the organization; we want to include all stakeholders. We are asking our entities to build cross-functional teams for customer-experience projects. We are asking journey owners that lead the projects and

cross-functional teams coming from different parties in the organization to support this project, so the main mobilizer I can point to is cross-functional teams. And when the CEOs, the executive teams commit on these initiatives, then we can expect more from cross-functional teams.

McKinsey: *What has your approach to digitization been?*

Firuzan Iscan: One of our renewal-agenda items is digital by default, but it's not just digitization of our processes. We want to start again from our customers. We need to understand what customers expect from us—what are their requirements, what are their needs—so that's why we are using a customer-experience exercise in order to better understand

our customers' needs. This helps us develop solutions, digital solutions, so when we invest in a digital tool or a set, we know that our starting point is customer needs, and we are serving through this digital tool to better serve our customers.

McKinsey: *How do you scale that on a global basis for such a large organization?*

Firuzan Iscan: Three years ago, in Allianz Turkey, we introduced a digital agency and digital customer program, part of our digitization initiative. Before starting these digital programs, we executed customer-experience and distribution-experience projects in order to better understand what customers are expecting from us. For example, especially in Turkey, we are leading health insurance, we are the

Firuzan Iscan



Vital statistics

Born 1974, in Turkey

Education

Received BS and MS degrees in industrial engineering from Galatasaray University, Istanbul

Career highlights

Allianz SE, Munich

2016–present

Head of customer and distribution experience

Allianz Turkey

2014–16

Chief customer officer

2011–14

Head of market management

2008–11

Sales group manager

2006–08

Regional sales manager

2001–06

System and security engineer

leader also in motor insurance, and we are in the top three in pensions. When we are talking about digital tools, of course everybody first thinks about mobile applications. We did not start to develop mobile applications. We started to analyze customer journeys first: health-claims journey, pension-communication journey, and motor-claims journeys, and we identified some pain points. We used these digital assets as a solution and to engage more with our customers and also to help them through their journey.

For our agents we did the same. Before developing the solution, we first analyzed journeys of our agents in different lines of businesses, and then we defined the pain points and also the positive moments and prioritized them in order to create impactful solutions. Then we developed digital tools, and then we tested them with our agents. Globally, we are now using the same approach. We are executing many customer-experience projects in different countries. Of course, we can develop some local solutions, but also we are using these insights to develop global digital solutions through our global digital factory. The participant entities are coming to Munich, and they are contributing to the development of some global digital tools for specific journeys.

McKinsey: *What have you learned about measuring customer experience?*

Firuzan Iscan: We used to measure top-down customer-satisfaction scores in many countries within Allianz, but it was not easy to use these measures and to translate them into actions. Now we are able to see country by country in which line of business, in which journey we are struggling. We know our relative position in the market, and we know in which countries, in which lines of business, in which journeys we need to work together. So this is the main difference. Now we know how we

can use these insights and how we can translate them into action.

McKinsey: *What kind of impact have you seen from your efforts so far?*

Firuzan Iscan: I think the most important thing is that we've started to change the company. When we introduced our customer-centricity initiative two years ago, it was not clear for many people, but now we have a common understanding of our main purpose, of our aim. We know we are speaking the same language. I think this is one of the main improvements for us. Also, we are building capabilities all around the world through customer-experience projects, for market research, for project management, and measurement and customer-experience methodology and the culture. I think these are the early successes for Allianz.

McKinsey: *What challenges have you come up against?*

Firuzan Iscan: In a little more than a year in 24 entities, we have had almost 70 projects going on. I can say that we are running all these projects, we are designing solutions, but when we come to the implementation, it's not easy. I think we need to involve more business owners in order to implement faster. This is one of the main learnings from last year. Of course, we are using cross-functional teams, but we need to give leadership, project-management leadership, to business owners to involve them more and also to accelerate implementations. When we think from the customer perspective, most of our customers are hybrid customers. They are starting in online, and they prefer an offline purchasing experience. So that's why when we consider the journey end to end, we need to always take care of online and offline moments of this journey. We cannot just focus on online or offline.

McKinsey: *And going forward?*

Firuzan Iscan: We learned globally how we should collaborate, how we should manage customer-experience projects, and also how we should build solutions. But our main challenge is changing the mind-set. We will continue to work on this subject. Leadership is very important; we need to also communicate frequently to engage our employees, and we need to act as customer-centric individuals in the organization, all of us.

We are now trying to turn this wheel, and then every country, once they've built their own capabilities and they digest customer-centricity, they will run

their business this way. I hope we will succeed in a very short time and customer centricity will be part of our DNA. We will not just say that we are customer-centric or we want to be more customer-centric. It will be part of our DNA, and then we will think of other things. ■

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When the customer experience starts at home

To serve end customers better, begin with your employees.

Sylvie Bardaune, Sébastien Lacroix,
and Nicolas Maechler



Charity, the saying goes, begins at home. So too does a superior customer experience.

Growing numbers of companies are coming to recognize the benefits of customer-centric strategies: higher revenues, lower costs, and stronger employee and customer loyalty. In the effort to transform customer journeys and refine direct interactions with clients, however, many companies overlook the need to engage the whole organization, including its support functions, in a customer-centric transformation.

That's unfortunate. Turning the support functions (such as information technology, finance, human resources, purchasing, and real estate) into excellent customer-service operations is a powerful lever to sustain and expand a full customer-centric transformation. It helps to create a new service culture that deepens customer-centric efforts in all layers of the organization. It promotes a longer-term impact and the full engagement of the staff by applying the principles of customer excellence to employees' journeys. At leading customer-centric companies, such as Disney, creating great customer experiences begins with a common vision and requires an engaged and energized workforce that can translate individual experiences into satisfying end-to-end customer journeys. The logic of extending that commitment inside, to support staff, is powerful.

In our experience, successful large organizations think more and more about end-to-end transformations that focus on internal customers—their employees—as well as external ones, to gain a durable competitive edge. Not that this is easy to do. Such efforts can take two or three years to execute fully for all internal customer journeys. And rather than being a kind of employee-satisfaction exercise, typically conducted by the HR department, an effort to bring support staff into a true culture of customer service requires clear and ambitious objectives, ear-

marked resources, and involved sponsorship from C-suite leaders.

The good news is that these efforts can run in parallel with externally facing customer-experience programs, each complementing and reinforcing the other. This exercise delivers results. In our experience, redesigning customer journeys raises customer-satisfaction scores by 15 to 20 points, reduces costs to serve by 15 to 20 percent, and boosts employee engagement by 20 percent.¹

This article focuses on assessing the benefits of engaging support functions in customer-centric transformations and defines the methodology and principles for leading such programs successfully.

Why transforming internal services matters

A superior customer-experience strategy goes well beyond making products and services as good as they can be. It weaves a seamless web of “customer first” activity that extends from the vision of board-room executives to the individual actions of front-line workers in day-to-day exchanges with customers. The closer a company can align its commitment to customer-centricity with the interests of its employees, the closer it will get to achieving its customer-strategy goals.

Yet many companies struggle to align themselves internally behind these goals. Some, like banks, face security and regulatory constraints that make it hard to deliver internal services in a smooth and quick way—for instance, tight criteria for storing and sharing data limit the access of employees to multiple sources of information across locations. Worried about noncompliance, some companies place extreme limits on themselves, hurting their efforts to work efficiently, smoothly, and quickly. One bank, for example, stored all its data at the highest level of confidentiality, restricting its employees' access to useful nonconfidential information.

At other companies, siloed organizational functions address individual touchpoints in a customer's journey but leave no one responsible for the end-to-end experience. What's more, in the search for efficiency and the advantages of scale effects, companies build large teams devoted to specific topics, creating silos that disconnect support functions from their users. Still other companies, which emphasize their external image and customer-experience efforts to the detriment of internal services, treat support functions not as core drivers of corporate health but as targets for cost cutting.

Such oversights can be costly. When companies fail to maximize the quality of their internal services, they disconnect the customer experience that their employees encounter at work from the one they aspire to create for their frontline people in dealing with customers. Françoise Mercadal-Delasalles, group head of corporate resources and innovation at the French bank Société Générale, says "that if you want your front-end employees to be very good at the relationship with their clients, then the core of the company, including the support functions in particular, has to be very good with the front" (see "How good is your company's internal customer experience?," on page 50).

In short, the internal-customer experience often lags behind the external one as a top-management priority. That's a shame because the implications for good customer service are many.

- First, in our experience, the quality of internal services ultimately has a direct impact on the experience of external customers. Which customer, for example, doesn't rely on internal services (such as IT) to define the customer relationship? At one international airline, the IT department failed to synchronize its front-office tools with a new IT infrastructure. Without correct infor-

mation on flights and bookings, employees couldn't serve their customers, and that led to massive delays and flight cancellations.

- Second, in a competitive market for talented people, offering employees a seamless experience at work can be part of a company's value proposition to attract and retain talented people. Moreover, encouraging a customer-first culture in support functions tends to inspire back-office employees with a heightened sense of ownership, which boosts their retention rates, just as it does in transformations of externally facing customer teams.
- Third, transforming the internal-customer experience will probably not only increase the satisfaction of employees but also help to cut costs by increasing productivity, eliminating inefficiencies in processes, and reducing absences. For instance, digitizing manual processes increases efficiency in a significant way and reduces wasted time for employees. In our experience, such successful transformations can cut the total cost of the journeys by 25 percent within two or three years. These savings can be reinvested in growth efforts and other projects.

Measuring and understanding internal-customer satisfaction

First and foremost, companies must understand their employees' level and drivers of satisfaction with the working environment and services. We find that the best approach is a structured one that truly reveals the sources of satisfaction and the way to improve them. Too many companies do not measure employee satisfaction or the support functions' performance effectively and so fail to understand the needs of the employees using these internal services. The result is a diminished opportunity to take corrective action.

Why are companies ill equipped to assess internal-customer issues properly? Some put measuring employee satisfaction in the hands of the HR department. Often, HR sends out employee-satisfaction surveys with disparate, generic questions that don't address the forces that drive satisfaction or dissatisfaction and are disconnected from the daily experience of work. That survey-intensive approach doesn't help companies to understand the root causes of employee satisfaction and isn't always followed by the appropriate corrective action. Employees are left frustrated.

A European bank, for example, discovered that its employees were dissatisfied with their technology and tools. To bridge the gap, it offered them tablets. Most of these devices ended up ignored in drawers because they were hard to use and full of technical glitches. The bank thus added costs without making its employees more satisfied. In the end, it generated additional frustration.

This missed opportunity highlights the need to assess in detail the drivers of internal customers' satisfaction before finding the right levers to improve it. After launching a customer-satisfaction survey devoted to the journeys of employees, the bank concluded that they were primarily dissatisfied not with the obsolescence of the tools but rather with their complexity. Synchronizing passwords to log onto applications, for instance, would have made the employees significantly more satisfied with the hardware.

In many cases, companies choose to address their employees' satisfaction and dissatisfaction in the wrong way. Like many diagnoses of external-customer experiences, employee-customer-experience efforts often focus on touchpoints—the individual interactions support staffers have with their colleagues—rather than on end-to-end customer journeys. That exposes a company to the possibility of failing to understand and improve

its users' satisfaction because it can't see blind spots and misses important cross-functional issues.

Defining and measuring internal satisfaction

Measuring the satisfaction of employees with internal services ought to involve a user-centric methodology. In most cases, these efforts focus on a set of 10 to 20 journeys that are relevant because of their frequency, importance, or cost (Exhibit 1). While we illustrate this point for business-to-consumer services (such as IT for all employees), a similar analysis is also possible for business-to-business services (for instance, IT services for IT operators).

Defining the journeys of employees and preparing to survey them should follow a two-step approach. First, you need to define a list of journeys to explore, filtered by the criteria above. In most cases, only ten journeys account for about 80 percent of customer-satisfaction results. These journeys are cross-functional by nature. It is therefore important that key people responsible for all departments that deliver services to employees gather to define the journeys and embrace the customer perspective. Avoid trying to define journeys within organizational silos; for instance, a journey like "I am a new employee in the firm" involves HR (to provide contracts and validations), the purchasing office (to produce badges), the real-estate department (to secure an office), IT (to deliver hardware and software), finance (to share bank-account documentation), and so on.

Next, to ensure that the list is complete and representative, test it with employees who use these internal services. To survey employees about the fine-grained elements of journeys, it is important to surface the details. In fact, the objective of surveying employees about their satisfaction with internal journeys is not just to assess it. Above all, this effort aims to understand the elements that drive satisfaction or dissatisfaction with the journeys and in

this way to identify and establish priorities for transforming them. To do so, the detailing exercise should break down the steps employees go through during these journeys, with input from those who operate them and those who use them. Live observation of the journeys should be part of the effort.

Analyzing the ratings and feedback gathered through the survey will help companies to understand:

- what really influences employees' satisfaction with internal services
- the level of satisfaction with each of the journeys
- what drives satisfaction or dissatisfaction with each journey

These findings will determine the priority areas for an effort to transform the internal-customer experience.

Exhibit 1 Employees embark on customer journeys, too.

Types of internal-customer journeys (B2C-company example)

- 1  I use my working environment inside the office (workstation, collaboration tools, building, elevators, networks, etc).
- 2  I use my working environment from a remote location.
- 3  I use mobile devices to access collaboration tools, including email, chat, and browser.
- 4  I request new products or services related to my workstation setup, connectivity, collaboration tools, etc.
- 5  I request new products or services related to my desk, office, or building.
- 6  I work through a problem related to my workstation setup, connectivity, collaboration tools, etc.
- 7  I work through a problem related to my desk, office, or building.
- 8  I am a new employee or an employee starting in a new role.
- 9  I move office or my team moves office.
- 10  I look for or receive information about how to use my workstation, collaboration tools, office elements, etc.
- 11  I need to develop or share my expertise on specific topics.

Source: McKinsey Customer Experience Survey 2016

They will also help companies to avoid complex efforts that won't be rewarded (Exhibit 2).

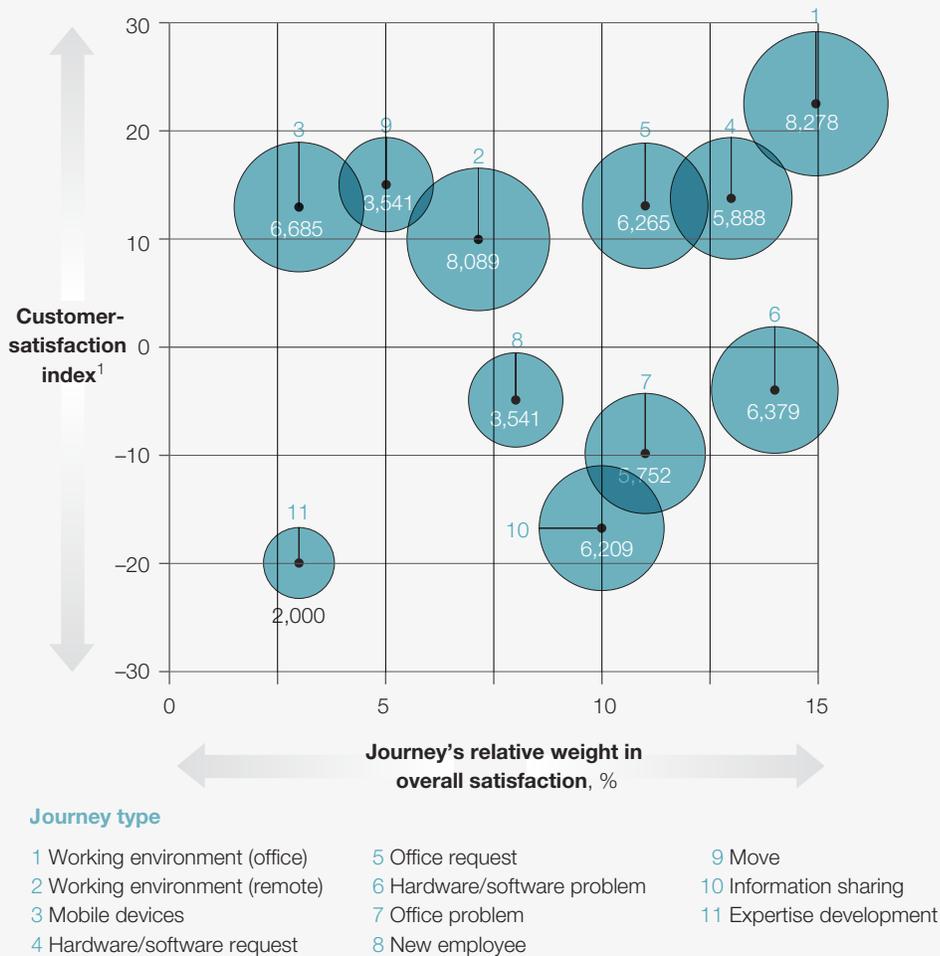
A European insurance company, for example, took more than a year to develop a comprehensive employee portal that aggregated all links to internal

requests and information about support functions. The IT team led the effort but didn't analyze the needs of internal customers, test features with the user base, or provide training on how to use them. After releasing the portal, employees were not using it at all, because it was complex and required several

Exhibit 2

A B2C internal-customer-journey prioritization matrix can help companies avoid complex efforts that won't be rewarded.

Internal-customer satisfaction by journey type and size of response



¹ % of answers with 9–10 level of satisfaction minus percentage of answers with 1–6 level of satisfaction. Customer-satisfaction score is a customer-loyalty measure that gauges how likely a customer is to recommend a product, service, or organization.

Source: McKinsey Customer Experience Survey 2016

passwords for access. After a structured internal-customer-centric transformation, the company refocused its efforts on improving journeys that mattered more to employees. As a result, their satisfaction with internal services increased significantly.

What do employees want?

Over the course of conducting several internal-customer-experience surveys at large companies, we have drawn some conclusions about the major areas of dissatisfaction employees experience with internal services.² Among them:

- the availability and clarity of information
- the overall time needed to complete tasks required by support functions
- the effort required to go through processes involving support functions

Our research has also helped us compile data on categories of employee needs and sources of satisfaction and to develop a hierarchy of what employees want from customer-centric organizations (Exhibit 3). The more advanced a company is in its customer-centric thinking, the more likely it is that the determinants of employee satisfaction will evolve from basic courtesy by the staff to the availability and timely delivery of information and, finally, to an enjoyable and seamless experience resolving problems and issues on the first swipe.

Key success factors for conducting an internal-customer-centric transformation

As with any customer-centric transformation, an internal-user-centric one requires organizations to put in place design and governance prerequisites:

One is establishing the right overall architecture—setting a clear and aspiring vision, including a change story; drawing up a governance blueprint;

drafting an initiative road map; and aligning the organization on metrics and objectives. In addition, to change mind-sets and behavior and to ensure that the whole organization works to give internal customers an outstanding experience, the company must develop and implement purpose-driven change-management principles defining a new way to work.

Another prerequisite is setting up cross-functional transformation teams representing all functions and departments involved in internal-customer journeys. To be autonomous and to test all relevant ideas in a risk-free environment, the teams must run the transformation by defining their own rules and scoping out activities they could not undertake if operating in a regular day-to-day environment.

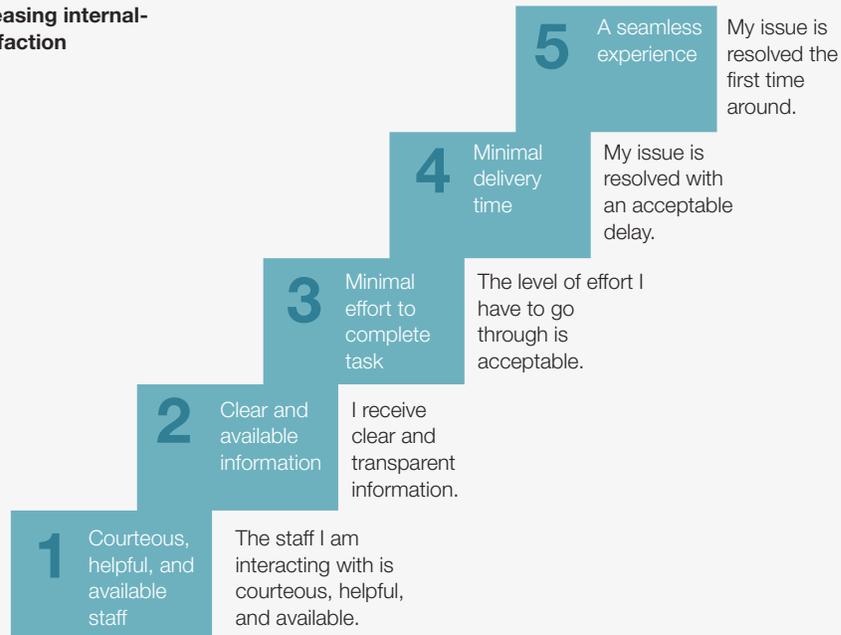
Besides the traditional key success factors encountered in customer-centric transformations generally, our experience running internal-customer-centric transformations has highlighted factors specific to them:

Managing a cultural transition to refocus support functions on the customer. Although frontline employees are constantly in touch with customers, the support functions may well have become increasingly disconnected from them and developed their own purposes and motivations, detached from the company's. To refocus support functions on the customer, organizations should mobilize a range of outreach efforts. These include creating an understanding of and a commitment to the need to increase internal-customer satisfaction; reinforcing internal-customer-satisfaction mechanisms, including customer-feedback loops and incentives; building the skills and capabilities required to deliver services for internal customers; and modeling desired behavior by the heads of support functions to demonstrate the importance of the internal-customer experience.

Exhibit 3

The more advanced a company's customer-centric thinking, the more satisfied its employees will be.

5 steps to increasing internal-customer satisfaction



Source: McKinsey Customer Experience Survey 2016

A bank, for instance, tried to encourage a customer-centric transformation of its support functions without stimulating this kind of cultural transition. By failing to create a sense of common purpose and aspiration, the bank also failed to engage its employees. The result was only small-scale progress.

Building strong links between the support units and the business to ensure alignment of interests and close collaboration. One manufacturer pursued a customer-centric transformation of the information-technology department by putting in place intermediary roles between IT and the business, to serve as an interface between them. The result: the IT teams became disconnected from the business, while the intermediaries didn't convey messages from the business to IT and vice versa effectively. By removing

these roles, reestablishing direct links between the two entities, developing tools better suited to the needs of employees, and including them at all stages of product development, the company significantly increased the satisfaction of the business and IT operators alike.

Giving support units direct contact with internal- and external-customer feedback relevant to their actions. A private bank ran the customer-centric transformation of the frontline and support functions in parallel. Employees of the support functions attended "client arenas," where clients shared their experience of and feelings about their relationship with the bank. During these meetings, clients complained about constraints on activities (such as making some transactions) because of

multiple restrictive compliance requirements. This was a decisive moment for the compliance function, which had resisted interacting with clients in the past. By standing in the shoes of the clients, the compliance team changed its purpose from acting solely to protect the bank to providing a smooth customer experience while continuing to play its protective role.



Companies hoping to tap into the competitive advantages of a superior customer experience would do well to look inward as well as outward. Including employees in a culture of customer-centric thinking is a powerful way to build not only organizational loyalty but also effective outreach to end customers. ■

¹ Based on self-assessment of employees before and after transformation efforts. Customer-satisfaction improvement scores range from -100 to 100.

² Based on several surveys on internal-customer satisfaction conducted in past years across representative samples of more than 10,000 employees in each organization.

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How good is your company's internal customer experience?

To excel with customers, frontline employees need high-level service from core support functions. Société Générale's group head of corporate resources and innovation explains how to achieve such symmetry.

Nicolas Maechler

© John Lund/Getty Images



Since 2009 Françoise Mercadal-Delasalles has been the group head of corporate resources and innovation at France's Société Générale. In that role she oversees all group information technology (IT), purchasing, real estate, and shared resources. In this interview with McKinsey's Nicolas Maechler, she explores the opportunities and challenges in developing an "internal" customer-experience sensibility that extends seamlessly from the employees who work inside large organizations out to its frontline employees and then to customers.

McKinsey: *How did you come to realize that customer experience would be a priority for your organization within Société Générale?*

Françoise Mercadal-Delasalles: In terms of our global strategy, it was a goal for the group for a long time as part of our thinking about client relationships. But the question we'd been asking ourselves was how to actually do it in the real world. As you know, banks are embedded in a challenging global climate and their image suffered in the last years. It was a real necessity for us to renew the relationship with our clients, so this subject has been at the heart of the transformation of the bank for five or seven years now.

McKinsey: *Why would customer experience be important to you as someone at the head of a large internal organization, since your entity is not directly in touch with the bank's customers?*

Françoise Mercadal-Delasalles: I'd make two points in response to that. First of all, you know that IT or digitalization today is at the heart of the relationship with the customer, so when you are supervising IT, you have to be sure to question the way your clients are using the bank through IT.

The second point—and this is very important—is we didn't invent this idea of "internal" customer

service ourselves. We learned that if you want your front-end employees to be very good at the relationship with their clients, then the core of the company, including the support functions, in particular, has to be very good with the front. There has to be symmetry. So we realized that if the whole company, including the support functions and—especially IT—wouldn't really change its way of viewing the service relationship, with either external or internal clients, we wouldn't move very fast even if frontline employees were making a tremendous transformation.

McKinsey: *So to be good with customers requires the organization to be at its best internally in terms of services provided to employees.*

Françoise Mercadal-Delasalles: Exactly. It's a global value chain to serve the client, and we have to be very good in the same mind-set from the front to the back end of the processes.

McKinsey: *How did you go about trying to make the concept practical?*

Françoise Mercadal-Delasalles: We needed to find a concrete and strong methodology to capture the experience of the customer—the user of the service. What is important is to understand that any user of a service, whether internal or external, wants the service to be in real time, efficient, quick, simple to access, and, if possible, nice.

In this journey of transforming yourself, probably the most difficult part is to start to understand what the problem is. And our methodology enabled us, first of all, to divide our services into a number of concrete user journeys, then to go and capture their satisfaction through surveys, and then deepen the understanding of the different pain points. What is so interesting in this methodology is that you don't start your transformation from the usual point of view—you start from the point of your user. You start

seeing the problem differently: for us that was a major discovery. We put ourselves in the shoes of our customers to really understand what they wanted from us, and then bring solutions.

McKinsey: *The number of different users within the bank must have made it complex. Weren't there too many journeys to consider?*

Françoise Mercadal-Delasalles: That's always the most difficult part. When you sell products or services outside, I think it's easier to design the different user journeys. When you are an internal service, first of all, the majority of your people don't look at themselves as running a service, but more as part

of a large department. Our first job has been to segment these internal relationships into separate user journeys. We agreed at the beginning of the transformation to limit the number of journeys to 20 or 25 or we wouldn't be able to do anything else.

This was the beginning of the cultural transformation of the entity, in fact. That's why I'm saying it's so important to start with that. Once you shift the vision that your people have of what they are doing and they really understand that, yes, they are serving customers, then you have to accept the judgment, let's say, of appreciating the quality, efficiency, and rapidity of the service you are providing your customer.

Françoise Mercadal-Delasalles



Vital statistics

Born 1962
Married, 4 children

Education

Earned a bachelor's degree in humanities and law. Is a graduate of the Institut d'études politiques de Paris as well as the École nationale d'administration

Career highlights

Société Générale

February 2009–present
Group head of corporate resources and innovation

October 2008

Named a member of the group executive committee

2008

Head of business efficiency and innovation

Caisse des Dépôts

2003–08

Assistant to the secretary general

French Ministry of Finance

1995–2002

Deputy director of the European office of the budget department

Fast facts

Sits on the board of CIGREF, an association of large French companies dedicated to researching and analyzing digital culture

Board member of Pacte PME, an association of large public and private companies and local authorities dedicated to growing small and medium-size enterprises and encouraging the emergence of new leaders

Passions include family, yoga, and hiking

McKinsey: *How did you distinguish between the sort of regular users of everyday services of the bank and decision makers. Did you treat the groups differently?*

Françoise Mercadal-Delasalles: It was definitely visible in the survey we did. We made a number of categories, including day-to-day users, and decision makers or users of advanced services (like development teams, for example), but what was interesting was that these special users themselves were day-to-day users of a computer, a building, or lifts, so even then, they were also consumers of our services. I kept repeating that if these users were not happy with our day-to-day services, they couldn't value globally what we were doing.

McKinsey: *What were the most revealing findings?*

Françoise Mercadal-Delasalles: Well, what really struck all of us is that the results were quite challenging. We already had, of course, quality measures: global surveys measuring customer satisfaction. And our ratings were between 6.5 and 8.0 out of 10.0, so we were relatively happy about this because we were pretending that it was not bad at all, in particular, for internal services. And when the results of this survey came, which were detailed in our 22 user journeys, each divided into different subservices, the scores were showing us we clearly had room to improve across most journeys.

McKinsey: *So what did you do?*

Françoise Mercadal-Delasalles: We looked in detail at the results in order to really be able to touch the pain points people were feeling, because if you stay at a very conceptual level, you never take any action. What really changes the feeling people have about the services you are giving them is concrete actions against their pain points.



I also used these results as a way to move everyone in our management team, because they really then accepted that we definitely had to do something, to do something real—that there was an urgency to innovate.

McKinsey: *What initiatives did you pursue in response to your findings?*

Françoise Mercadal-Delasalles: We spent some time to really define what would be the best initiatives we should pursue to improve ourselves. There were a lot of areas where we could have started, and, after a while, we decided to deep dive, again, on real problems.

To renew a computer in this bank, for example, required waiting more than 30 days. So moving this indicator could be a real game changer, even if it might seem to be a small problem. If you find a solution, you really change the way people look at you. Also, this

“What really changes the feeling people have about the services you are giving them is concrete actions against their pain points.”

is something that is sufficiently ring-fenced to be able to solve it. We put in place a start-up team to redesign the journey. We empowered the team to really go as far as they could and to disrupt all the processes that are in place today in order to really solve the problem.

After two months they came back with a 1-day process instead of 30 by completely redesigning the old processes. It had a tremendous impact in the group because we showed that it was possible.

McKinsey: *This is quite impressive—I imagine you are now scaling that?*

Françoise Mercadal-Delasalles: Yes. The idea is to scale at the company level to spread the methodology, which is not so easy because, again, it's a challenge to the way we generally think of solving problems. It's starting with seeing the problems from the user's eyes, and then solving them in a different manner. So there are two important things to note: to detect the problems by thinking of them as mini-journeys, from the standpoint of the user, and then solve the problem in a start-up mode.

McKinsey: *What are the challenges you see?*

Françoise Mercadal-Delasalles: The cultural resistance should not be neglected because putting a

start-up in place means a number of different things. First of all, it means you have to detach your very good people from their regular activities to the start-up, and if you don't do that, you will never get to the answer for the problem. There is, of course, at first a resistance—managerial resistance, team resistance. Second, you have to give autonomy to the start-up, which is, again, very contradictory to our traditional way of managing people.

And then, in the end, what's quite difficult is to reconnect the start-up with the global run of the operations because maybe they can invent something really nice, smart, and so on, but if you can't bring it back in the company to really transform it, then well, you are very happy, you have a very nice start-up, maybe you can create a new business, but you don't transform the company. So this is a very important point.

McKinsey: *How do you maintain the focus on customer experience today?*

Françoise Mercadal-Delasalles: To be honest, as we are an internal service, it is difficult to have a permanent structure to look at customer experience. We are looking at the best way to renew the surveys—shortened versus what we did at the beginning—but, at least, we measure our progress on the different transformations that we started. We absolutely need to do this.

But I have to be frank: perseverance is important. When you are an internal service you are not naturally challenged by your own top management in the user experience of your internal customer. Of course, top management is rightfully turned toward the external client first and thinks of the internal one less often. However, this concept of symmetry of attention is something that really got our attention in this entity, and we really understood that we have to go in that direction, and now, after seeing the results, when I explain this direction to the board of the bank, they see it's worth the effort. ■

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Finding the right digital balance in B2B customer experience

Growing numbers of B2B companies are focusing on digitization to succeed with customer-centric strategies. Here's how to get it right.

Nicolas Maechler, Adina Poenaru, Thilo Rüdert von Collenberg, and Patrick Schulze



Customer-centric strategies, once the preserve of business-to-consumer players like Amazon and Google, are now fundamentally changing the complicated landscape of business-to-business relationships, too. Case in point: the chief executive of a global chemical business produces items that are in such high demand that they are allocated, rather than sold, to customers. Nonetheless, he recently announced at a top-management meeting that the company could no longer afford to deliver “a subpar experience” to its customers and therefore would embark on a customer-experience transformation spanning all functions.

Industry-leading B2B companies increasingly respond to intensifying global competition by putting customer-centricity and experience at the heart of their strategy. This often leads to changes in the business model: Monsanto, for example, is transforming itself with an online platform from a supplier of seed and crop-protection products to a productivity partner, providing advice on subjects ranging from product selection to sowing and harvest timing. In the industrial-equipment sector, Atlas Copco is on a similar journey, with a platform supporting customers in the selection, purchase, operation, and maintenance of their equipment.

For a large swath of B2B companies across many sectors, the growing influence of customer-experience strategies and the bold moves of customer-centric leaders pose a critical challenge. Traditionally, winning in the B2B arena has been a matter of being in the right markets, offering superior products and services, or being the lowest-cost producer. As these advantages have come under threat from increasing global competition, many players have invested in functional excellence. But while these benefits are substantial, they are dissipating quickly as competitors tap the increased mobility of labor markets and expanded access to knowledge.

This is why we believe that the emerging battle in B2B will be fought on the smart combining of digital and nondigital transformation to improve customer experience. A holistic, cross-functional transformation of a company’s core, including its culture, enabled by digitization offers a significant opportunity for differentiation and competitive advantage, especially as new competitors fluent in digital tools move into the B2B space. The trick is striking the right balance between digital and human interaction in B2B’s more complex customer relationships.

An opportunity—with challenges

Investing in improved customer experience pays dividends. We have seen companies substantially raise customer-satisfaction scores through significant improvements in operational performance. These improvements can lower customer churn by 10 to 15 percent, increase the win rate of offers by 20 to 40 percent, and lower costs to serve by up to 50 percent. In parallel, as customer experience improves, employee satisfaction tends to increase as well, because a more direct connection with customers adds meaning to employees’ work and helps them witness customer satisfaction.

Business-to-business customers are already demanding a better experience. In a recent McKinsey survey of 1,000 B2B decision makers, lack of speed in interactions with their suppliers emerged as the number-one pain point, mentioned twice as often as price. And digital solutions loom large in executives’ thinking as a way to make routine tasks more efficient. Some 86 percent of respondents said they prefer using self-service tools for reordering, rather than talking to a sales representative.

Yet the reality at most B2B companies is far from this vision. Many companies often need days to provide a quote, require customers to fill in complicated order forms (often on paper), and frequently leave customers in the dark about the status of their order.

In an effort to serve customers better, some companies have invested in developing customer portals or apps. Yet often these efforts fail to create significant improvements in customer experience, because underlying issues such as bad data remain unsolved or the functionality of the technology proves to be too limited or complex to be useful.

At the root of the problem is that while the role of customer journeys is central to both B2B and B2C, their incidence and importance is different for B2B. Among the chief differences:

- *Relationships often go deeper in B2B.* In many B2B industries, codeveloping a product with a supplier is common and a key source of innovation, but it is very rare in B2C relationships. Also, many B2B relationships are long-term, with recurring sales. This makes reordering a very important journey, whereas “nonsubscription” goods in B2C are more often bought on a transactional basis.
- *Longer, more complex B2B journeys involve more individuals.* In a B2C setting, selecting a supplier largely amounts to choosing a simple yes or no to a standardized offering. In B2B, multiple engineers need to evaluate and later certify the product, often adapting a design or process, while logistics and customer-service operations typically must wait to coordinate regular deliveries until prices, volumes, delivery terms, and other points are negotiated. The whole process can require decisions by 15 to 20 people, just to make the transaction happen.
- *Customization is more widespread in B2B than B2C.* B2B suppliers adapt not only their products but also their processes to accommodate customers. Therefore, redesigning the customer experience requires an understanding of this

variability: How much of it is value-creating flexibility to meet the needs of key customers, and how much has crept up because flexibility was the norm, with no one in charge of making efficiency-versus-flexibility trade-offs? For example, in container shipping, some customers prize the flexibility that suppliers offer them in meeting customers’ special requirements when it comes to managing customs or accepting cargo. Mapping a “typical” journey in this case may lead to dozens of alternative paths that customers can take when interacting with the shipping company.

- *The stakes are usually higher in B2B deals.* Individual customer relationships are easily worth millions of euros for big B2B companies. These sellers will go to great lengths to keep a good (and profitable) customer happy and loyal; losing a single customer could spell disaster for the entire company. For B2C, it’s more of a numbers game, rather than one individual customer’s worth. To tap the potential of an improved customer-experience program, companies need to understand the profitability of their customer base and address the pain points in the customer journey with different measures that fit the financial, as well as strategic, profile of the customer segment. Companies mostly serving a few big customers can use entirely different journey designs than those serving thousands of smaller customers. Most companies will need to design journeys that accommodate both ends of the size spectrum. For example, a chemical company serves customers that spend hundreds of millions of dollars on their products per year, but it also serves small mom-and-pop shops that spend only a few hundred dollars annually. As a result, the strategic task is now putting in place different journeys and methods of tracking levels and triggers of satisfaction.

Transforming B2B organizations to improve digital experience

Any customer-experience program should start with an inventory of customer needs, a leadership commitment to governance, and a grouping of journeys based on their importance to customers, the potential impact of improvement on satisfaction, and their cost to deliver. Keep in mind that there are also common pitfalls that companies would do well to avoid. The result will be unique for each company, but in our work, five key success factors regularly emerge from successful efforts in B2B businesses.

Focus on the six journeys that drive customer experience in B2B

The first factor is a focus on the most significant customer journeys. By comparing customer interactions and touchpoints across B2B industries, we have identified six key journeys that shape the customer experience in most industries and cover the customer life cycle end-to-end (see sidebar, “Six journeys that truly matter in B2B”).

Identifying products and services that meet a need. B2B customers often find it challenging to identify the right product or service. Improving this journey is especially relevant for companies with a fragmented customer base and nonessential but value-adding products. For example, one agrochemical company significantly increased its customer base by developing a “soil analyzer” application that allows farmers to get a first indication on possible yield increases remotely. The app takes them through a streamlined process of soil sampling, crop planning, and buying a package of yield-enhancing products. The company then used digital marketing and its sales channels to promote the app, resulting in a substantial uptick in orders.

Selecting a supplier and making an initial purchase. In this journey, buyers struggle to compare suppliers in a timely manner across multiple criteria. Some

simplify the choice and choose a supplier only on price (to be disappointed later on by the service level) or take months to go through a very detailed tendering process. Suppliers that differentiate based on performance or that package required information tailored to the precise stage in the buyer’s purchasing journey can create significant value by helping buyers make a faster and more informed choice. A manufacturer of wind turbines, for example, is developing a website where prospective customers can enter location data and receive information including expected energy output, installation costs, expected maintenance, expected revenues, and financing options for the company’s products and its main competitors. This information enables buyers to make a faster decision based on their total cost of ownership.

Codeveloping products with a supplier. This is a critical journey in innovation-heavy industries, but many sales managers and R&D leaders complain how difficult it is to keep projects efficient and on track, as they tend to operate in a governance vacuum. To address this issue, a textile company built an integrated platform for a B2B collaborative information system, including an e-vendor-managed inventory, e-production, and an e-library, all integrated on one platform to provide quick access to information both for supplier and customer.

Dealing with unexpected events. Coping with purchase-related problems, such as equipment breakdowns and missed deliveries, is a make-or-break journey. This is the moment when the customer is the most vulnerable.

Using the product and getting service. Receiving (planned) maintenance also is a make-or-break journey, again especially for customers of machinery and capital goods. For example, in three months, a manufacturer of building equipment achieved a 25-point increase in its customer-satisfaction score³

Six journeys that truly matter in B2B

In the following six journeys that characterize the B2B customer experience, we have found that meeting customers' needs delivers measurable business benefits (exhibit).

1. **'I identify products/services I need.'** In this journey, the customer translates a latent need for a product or service into an explicit one through technical sales conversations or research. The need is for enough technical support to evaluate a solution.
2. **'I select a supplier and buy initially.'** The customer compares different suppliers and their offerings, weighing price, total cost of ownership, performance value, and "soft" factors. The need is to get multiple stakeholders aligned on a choice.
3. **'I codevelop or customize with my supplier.'** The buyer works with the supplier to have the product or service customized to meet the buyer's needs. The intensity of the process ranges from selection from preconfigured options to a multiyear joint R&D effort. The buyer's primary need is to manage return on investment.
4. **'I deal with unexpected events.'** This journey occurs when the buyer encounters problems such as equipment breakdowns, missed deliveries, missed payments, and other mishaps that can make or break close relationships with suppliers. The buyer's need is to minimize disruptions to the business.
5. **'I use the product and get the service.'** As the customer uses the product and performs or obtains regular (scheduled) maintenance, this journey should involve ease of use and performance optimization. The customer also may encounter innovative offerings, such as hourly pricing. The customer's primary need now is to maximize efficiency.
6. **'I reorder.'** This final journey involves reordering a well-known product or service. The need now is for an efficient transaction, coupled with confidence in getting a good deal from the supplier.

and significantly reduced churn in service contracts by improving its breakdown and maintenance journey. The company leveraged remote diagnostics to plan appropriate time for repairs, ensured the technician had all required information and materials handy in a dedicated app, and kept facility managers up-to-date with a tracking-and-tracing system based on simple text messaging.

Reordering familiar products and services. Efficient and error-free reordering is a major concern for customers sourcing raw materials or components.

One steel manufacturer developed a quotation app to empower its sales reps to set prices themselves within guidelines, rather than wait for the pricing manager to do it for them. In doing so, they reduced average time to quote a price by more than 90 percent while maintaining a high degree of central control.

[Address the root causes of customer dissatisfaction to enable digital interaction](#)

Digitization is often heralded as a tool to leapfrog competitors and leave behind problems such as bad data or poor interaction quality. However,

Exhibit Measurement can highlight linkages between every level of customer-experience delivery.

Gains to be made, by journey range



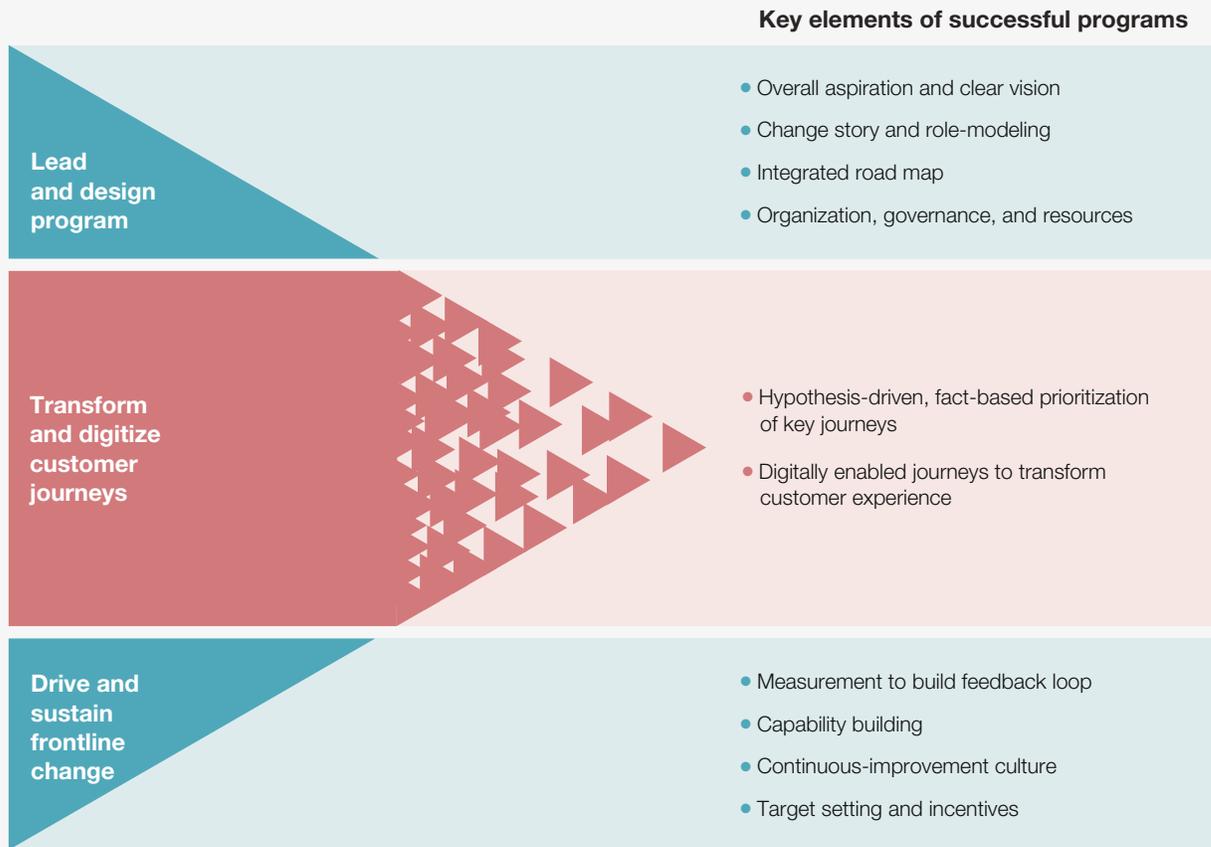
Source: McKinsey analysis

most large B2B companies find it hard to create value outside their established business system. Because journeys are longer and more complex, fully automating them may not be possible or economical. In situations where the stakes are high, most B2B decision makers do not want that approach anyway; they prefer to deal with an individual. Thus, any enhancement of the customer experience—digital or not—will require many people in the organization to change the way they work. Successful customer-experience transformations cannot be run as small and isolated journey optimizations. They require

program management and a portfolio of initiatives to encourage frontline change that addresses issues in performance management, employee mind-sets and behaviors, organization, and skills gaps that came to the surface in the design phase (Exhibit 1).

One diversified industrial-goods manufacturer learned this lesson the hard way. The team developed an elegant and compelling vision for the future journey that was heavily digital based and included instant order confirmations, one-click reordering, track-and-trace capability for in-progress orders, and transparency about the implications of order changes.

Exhibit 1 Successful customer-experience programs include leadership action and frontline empowerment.



Source: McKinsey analysis

Yet when the team presented the approach, the mood at the presentation was glum. When the program lead inquired what was wrong, the future product owner shared her concerns that their work could set big expectations that could be impossible to achieve because too many things outside their immediate control needed to be changed. In the discussion that followed, the team surfaced a long list of required changes, including IT systems, organizational structures, training needs, and mind-sets. Rather than treating these as one big roadblock, the team decided to enroll a C-suite-level program owner and also make one person responsible for each change,

thus translating them into a portfolio of initiatives that laid the groundwork for transforming their organization's core.

Design hybrid journeys combining digital and human interactions

How much companies should invest in digitization of individual journeys varies significantly, but some general patterns emerge. Companies with standardized products and a fragmented customer base will want to invest more heavily in the customer journeys of identifying needed products and services, making initial purchases, and reordering to benefit

from efficiencies. In contrast, companies selling more customized products to a smaller set of customers often put a higher priority on the journeys of codeveloping or customizing with suppliers and dealing with unexpected events.

One chemical company redesigned and digitized its ordering journey with numerous ideas for digital self-service, only to find that key customers were skeptical about not having an individual relationship manager to call when things went wrong. The team went back to the drawing board and tweaked the experience design. Most important, they reinstated the role of the relationship manager, giving customers a choice between using the self-service platform and calling the manager. They arranged it so the customer and manager would use the same portal to compare notes. And they added a cobrowsing and desktop-videoconference feature so that communication about any problems would be quick and personal.

This example illustrates how the best reimaged journeys purposefully switch between digital self-service, digitally enabled human interactions, and improved offline interactions to match customer preferences and ensure the degree of standardization and transaction volume that warrants investments in digitization. B2B customers are generally happy to use digital self-service for simple, routine interactions like reordering to save time or be more flexible. Yet, when the interaction is new and complex or the stakes are high, most still prefer a real person (who also might be digitally enabled).

Thus, for each journey and interaction, a range of interventions could apply (Exhibit 2). For example, the journey “I deal with unexpected events” could be improved by making it fully digital, providing self-help guides or a tracking-and-tracing system for resolving issues. The improved journey also could be digitally enabled—say, with augmented-reality goggles to help technicians be more efficient, or a visit-scheduling system to ensure that technicians have

the necessary time and preparations for the job. Or it could offer an offline improvement, such as training technicians to acknowledge the problem with the customer, provide full transparency about the situation, and explain how to prevent the problem in future. The right interventions to use will depend upon customer preferences, the economics of the journey, best practice or references in the industry, and the internal systems, mind-sets, and processes available.

[Create tracks to manage variability](#)

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 be 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.

[Use an agile approach to cut through the complexity](#)

Customer journeys can be complex. Typically, the initial design is never 100 percent right. Therefore, the work of designing cannot stop at the end of the designated design phase. To advance progress, a cross-functional team with journey experts from the business side and IT need to work hand-in-hand from design to ongoing operation.

Exhibit 2

To transform B2B journeys, define a range of digital and human interventions, to be combined as needed for each situation.

Journey	 Improved human interactions	 Digitally enabled services	 Fully digital, automated self-service
Identify	<ul style="list-style-type: none"> Educational marketing Strong technical expertise with focus on creating value for customer 	<ul style="list-style-type: none"> Live chat/call-back tool Joint web shopping with sales rep 	<ul style="list-style-type: none"> Product/solution navigator Product configurator Lead capturing
Select and buy	<ul style="list-style-type: none"> Independent performance comparisons Simple and transparent pricing 	<ul style="list-style-type: none"> Sales rep empowered to live-quote based on dynamic deal scoring Online content iterations and signature 	<ul style="list-style-type: none"> Interactive value calculators Web shopping, including availability and delivery timing
Codevelop or customize	<ul style="list-style-type: none"> Best-practice standards on project governance, resource tracking, and progress reporting 	<ul style="list-style-type: none"> Cloud-based collaboration platform Interactive product/solution holding and simulation 	<ul style="list-style-type: none"> Open innovation platforms giving access to key data
Deal with issues	<ul style="list-style-type: none"> Apology and acknowledgment of problem Full transparency about situation Explanation and help to prevent 	<ul style="list-style-type: none"> Augmented-reality tool to guide response Visit scheduling and preparations based on remote diagnostics 	<ul style="list-style-type: none"> Self-help guides Notifications tracking resolution progress
Use product	<ul style="list-style-type: none"> Simple, intuitive interactions Efficient packaging Friendly service, looking to add value 	<ul style="list-style-type: none"> New offerings (eg, uptime guarantees or hourly pricing) 	<ul style="list-style-type: none"> Remote equipment monitoring to trigger maintenance
Reorder	<ul style="list-style-type: none"> Offering but never pushing visits Focus on simplicity (eg, clear product documentation and simple invoices) 	<ul style="list-style-type: none"> Next-product-to-buy engine to add value and drive cross-selling 	<ul style="list-style-type: none"> Analytics-based order reminder 1-slide reordering through self-service website

Source: McKinsey analysis

But as such a team continues to learn and improve the design, and as it runs into unforeseen problems, traditional project planning with timelines and milestones defined at the beginning of the project will become meaningless. Instead, a journey owner should be empowered to make decisions and revisit priorities for every one-to-four-week “development sprint.” These priorities will be expressed as “user stories” that capture the spirit and benefits of an idea without defining every detail, thus leaving room to incorporate what is learned during implementation. At the end of each sprint, the full team can review the improved journey with customers and get critical feedback from major stakeholders. While such agile

approaches and scrum processes that employ small expert teams, rapid iteration, and repeated testing with customers may be most familiar to many in the IT community, we have found that they translate well to the human-interaction elements of customer journeys.

Consider the utility company that digitized the journey whereby customers connect their home or business to the grid. The customer-facing team minimized programming time by using clickable dummy screens to test new ideas with real customers in weekly sprints and then revising plans as feedback came in. To enable the envisioned customer experience, a back-

end team changed complex physical processes involving more than 4,000 electricians, a network of heavy-construction companies, and local municipalities. The team mirrored the approach of the front-end team, testing processes, gathering feedback from stakeholders, and eventually rolling out the new process in one geographical area for live testing. This emphasis on a test-and-learn approach with quick iterations, rather than extended up-front planning, was significantly faster than any comparable project the company had done to improve processes.



The customer-experience challenge for B2B companies is growing. And while B2B players share with B2C companies the need to build strategies around the core of understanding customer journeys, the complexity of B2B relationships makes digital-transformation efforts unique. Carefully parsing those complex customer relationships, striking the right balance of human and digital interactions, and maintaining an agile approach to navigating intricate customer networks will be among the keys to success. ■

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- ¹ See Climate Corporation, a subsidiary of Monsanto Company, at climate.com
 - ² J. Stanley, C. Plotkin et al., “When B2B buyers want to go digital—and when they don’t,” *McKinsey Quarterly*, forthcoming.
 - ³ Customer-satisfaction score is an index of customer loyalty that measures a customer’s willingness to recommend a company’s product or service. Scores can range between –100 and 100 points.

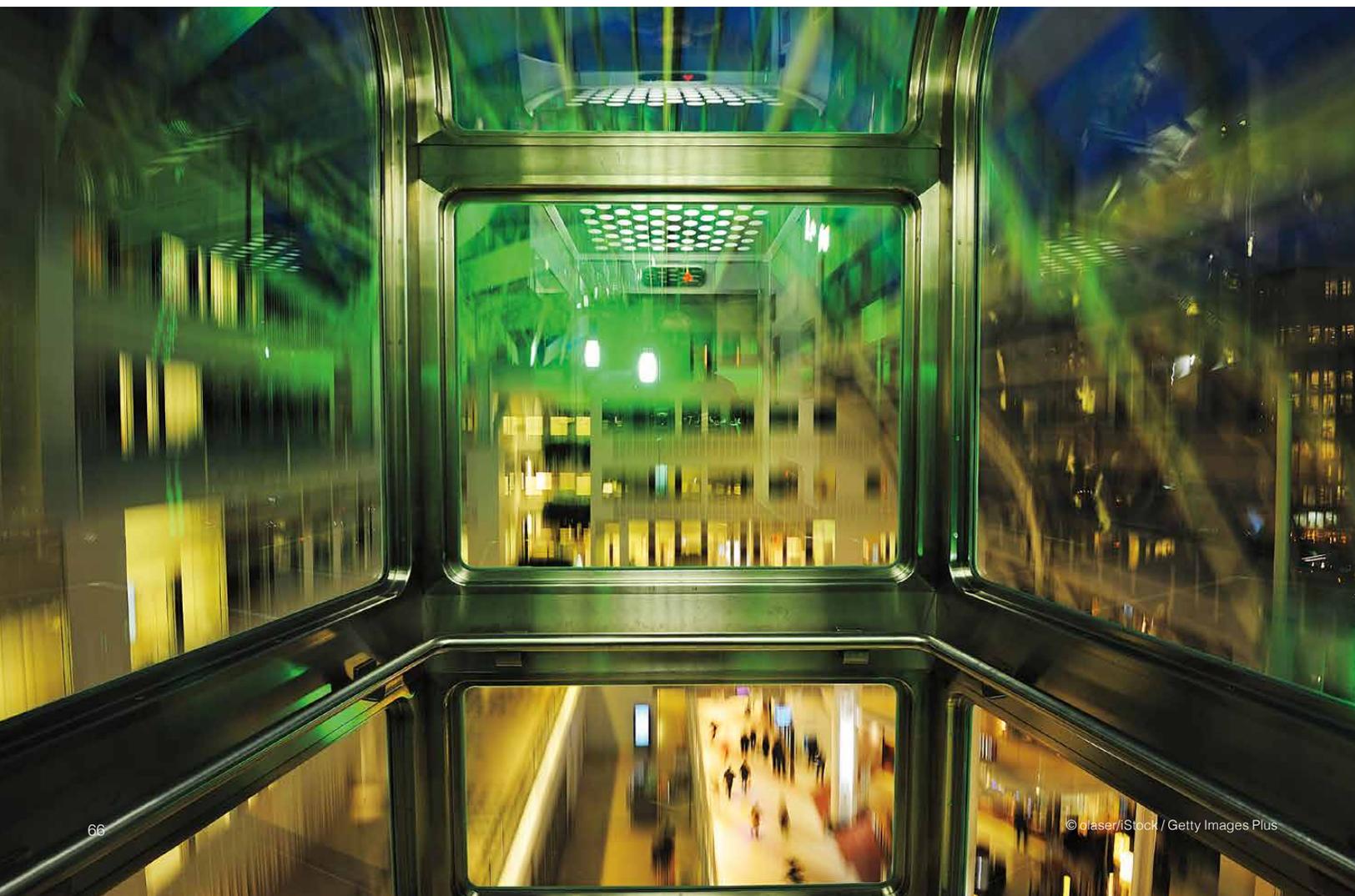
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Lifting customer experience at an elevator company

Pierre Liautaud, executive vice president at Finnish elevator maker KONE, describes the critical role of frontline teams in navigating complex B2B customer-experience relationships.

Nicolas Maechler



Superior customer experience, once the exclusive preserve of business-to-consumer companies, is now proliferating through the B2B arena. In a recent interview, Pierre Liautaud, executive vice president of Finnish elevator maker KONE, explained to McKinsey's Nicolas Maechler how focusing frontline workers on complex B2B customer journeys can create unique cocreation opportunities with customers to improve relationships and efficiency.

On 'moments of truth'

Our main goal in the customer-experience area is actually to deliver ultimate service quality. To do that, we decided that we had to work along a certain number of directions. The first one is responsiveness. Responsiveness means the ability to show that we can meet customer demands that, even more and more in the digital world, are asking for fast and instant responses.

The second one is understanding our customers better. And in that case we looked at understanding the customer journeys as we interact with them in a deep way. The last initiative has been around sales, account management, and pricing. So as the customer journey was our key initiative, we decided to focus on one particular business unit, which is global maintenance services. We decided to pick a country—in this case, France. We built a full pilot of understanding our customer journey in the residential segment. We picked a district. We picked a set of customers. We picked technicians and sales-people in order to model what the customer journey was and what were the most important elements or moments of truth in those customer journeys.

The real “wow” moment in this project was the ability to create new offerings or changes in our processes with the field and with the customer. There was really cocreation. We interviewed housing owners. We interviewed building managers. And based on that research and the feedback from our people, from our employees at the front line in touch with the

customers, we redesigned our processes. And we focused on around nine key moments of truth or key touchpoints.

On 'surprises'

There were indeed a lot of surprises in how we built our new maintenance processes. The first one was that a set of customers that we had somehow ignored or discounted actually were the most important ones in making decisions or influencing decisions. And therefore, we decided that our new maintenance journey will have a higher focus on those segments, namely the housing owners.

We also discovered that the on-boarding visit, the moment where the first visit of a technician and supervisors with the customer occurs, was really a moment where you could really create enormous buy-in, enormous good will. So this on-boarding visit was defined as a key moment where now, along all the geographies where this is in place, we have recrafted that moment to make it a super strong element.

The technician is indeed the person who sees the customer the most. We have more than 20,000 technicians—maintenance technicians—who are dispatched from equipment to equipment, from unit to unit, from building to building, to care about our customers, to care about the equipment that they have in their responsibility.

For many years at KONE, we had a service program called KONE Ambassador. KONE Ambassador was a program through which we trained and coached our maintenance technicians to have a true service attitude toward a customer. In light of the learnings of the customer-journey project, we decided to make this program a company-wide program, not just for the maintenance technician, but for everyone.

At the end of the day, customers who pay KONE bills are the ones who pay our salaries.

And I think it was enlightening to see all KONE personnel, whether they're sitting in the factories—whether they're sitting in R&D, whether they're sitting in sales, marketing, finance—to understand the impact of what they do on customer satisfaction. So having a true service mind-set is one of the key ways to win customer loyalty.

On 'digital designs'

About two-thirds of our maintenance portfolio happens to sit in Europe. So after the French pilot, our first priority was to expand the experience and the project across Europe. We are now, at this moment, in five countries in Europe that have deployed the project. And our goal is that, by the end of 2018, 100 percent of Europe—that is two-thirds of KONE maintenance portfolios, that is 700,000 equipment units in service—will benefit from the customer-experience project that we have built together.

At KONE we believe that the customer experience spans multiple channels. Indeed, a physical interaction between the technician or the salesperson or the customer-care people and the customer is an important one. But more and more, we see the impact of digital channels where customers are able to see in real time what's happening with the equipment, and with service-level agreements that we have passed with them.

We've announced recently the global availability of an application called KONE Care Online, or KONE Mobile, which puts this information at the fingertips of the customer, whether they're housing owners or building managers. We believe that technology will transform our industry the same way it has transformed the financial industry, the automotive industry, and many others.

In the case of KONE, we believe in connecting our customers, connecting our equipment, connecting users, connecting our own employees. All the mobility and connectedness applies to all the stake-

holders. We don't think that technology will replace technicians. We think that technology will enable, and technicians will enable KONE to provide superior customer experience to our customers.

On 'scaling fast'

In our customer-experience initiative, we've learned a couple of things. I think we've learned that those programs are best when they're built with the field and with the front lines instead of being kind of engineered in headquarters. So my first recommendation would be work with your customers, work with your field, work with your salespeople. They are the ones who are able to guide and to accelerate the development of your initiatives.

The second one is scale fast. Those programs are meant to create enthusiasm with your field and buy-in from your client. And the rollout of this program is as important as the pilot. You need to build the capabilities to roll out the program globally, and you need to make the resource investments in the rollout. And we've discovered how important the quality of the people who conducted the rollout was.

We started the customer journeys with maintenance and Europe. We are now exploring the extension of our customer-experience program to the new equipment business, to modernization, to Asia-Pacific, to the Americas. The ability to transform that success into a huge service business in China is super important. So developing customer experience, customer journeys in the China mainland is actually super important for our future. ■

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Four ways to shape customer-experience measurement for impact

Too many companies are themselves unhappy customers when it comes to building measurement systems. But there are ways to make better investments.

Victoria Bough, Ralph Breuer, Harald Fanderl, and Kevin Neher



“What gets measured gets done,” the old saying goes. It’s understandable, then, that executives looking to boost their companies’ competitiveness via superior customer experience have for some time now invested heavily in a farrago of metrics that at times seem to range from the sublime to the ridiculous: metrics that score satisfaction, metrics to gauge willingness to promote a service or detract from it, metrics to judge how effortlessly a company serves its customers, and even metrics to assess how “ideal” a customer’s experience is.

Sadly, in too many cases, these efforts swallow up substantial investment and deliver little impact with respect to improved customer experiences. Beyond the upfront costs of establishing complex and costly measurement systems, many top-line metrics are hard to manage and end up focusing on the measure itself, rather than identifying the root causes of customer dissatisfaction. Insights often conflict, the way that initiatives link to value creation proves elusive, or connecting improvement ideas to top-line metrics is difficult.

The irony is that companies often wind up unhappy with their own customer experience as purchasers. In our work, we find more and more companies feeling unsatisfied with existing measurement systems and looking to design a measurement strategy that aligns all of their customer-experience metrics into a unified model that operationalizes a customer-centric strategy. Such a holistic approach to measuring customer experience can take many forms in design and implementation. Some of the approaches we explore here can give executives the ability to limit waste on current methods and have a more direct impact on their top-line customer-experience metrics.

Fundamental thinking

In our experience, three core elements are critical for transforming a middling approach to customer-experience measurement into one that can deliver impact and create value. First, the heart of effective

customer-experience measurement is the organizing principle of measuring experience at the journey level, as opposed to looking only at transactional touchpoints or overall satisfaction. Second, it’s critical to invest in hardwired technology that can capture customer feedback on a daily basis from multiple channels and integrate survey results, social-media posts, and operational data into comprehensive, role-specific dashboards. These can provide transparency and drive decisions at all levels. Finally, overcoming organizational inertia requires cultivation of a continuous-improvement mind-set at all levels. Organizations must create the mechanisms to close the loop between frontline workers and customer feedback, then use the data to change the design and execution of the customer-experience process.

Reports from the field

In our work, we regularly come across examples of companies that have pursued ineffective and wasteful approaches to improving customer experience, as well as those that have created value with measurement efforts. Here we share four ways to ensure that your investments in customer-experience measurement deliver results.

Connect the dots: Cocreate an integrated measurement model

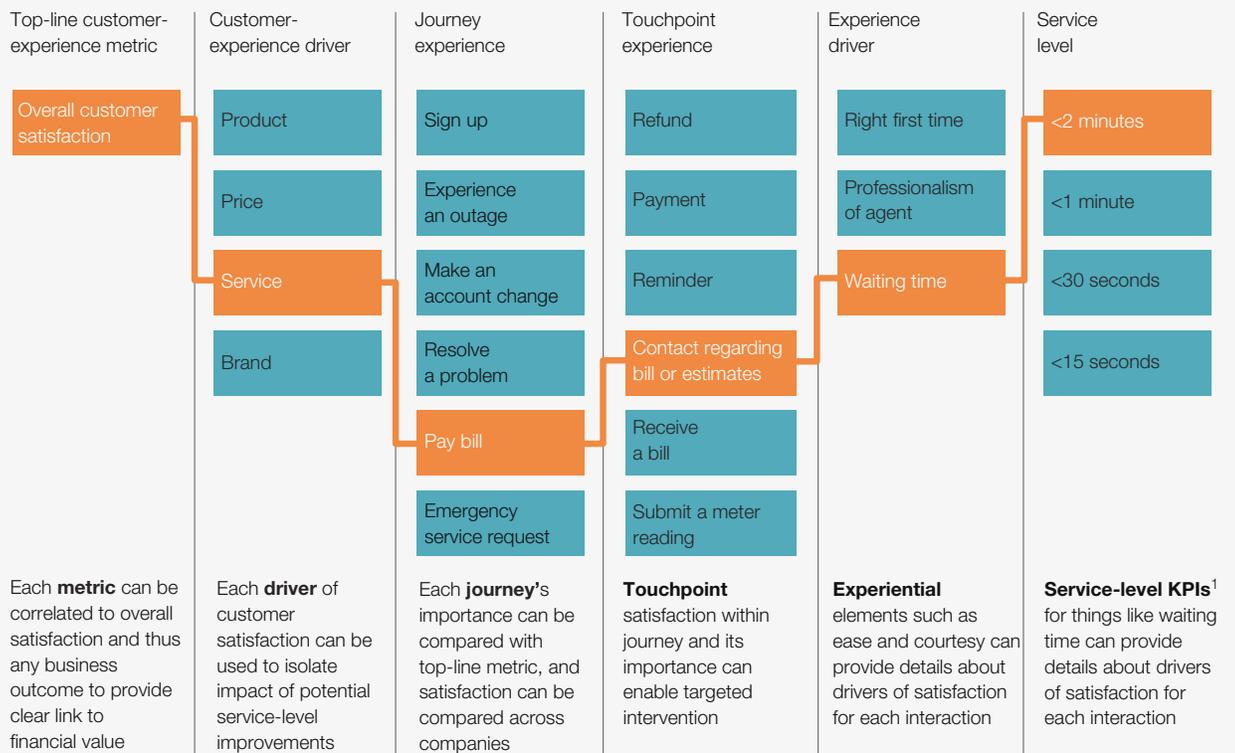
Many companies have large numbers of disjointed customer-satisfaction surveys. At one large European utility, the operations department measures customer satisfaction at a highly granular level, while the marketing department initiated a more holistic touchpoint-measurement system. The problem: the two measurements fit together poorly, making it impossible to connect dependencies between certain touchpoints and overall impact.

A more holistic measurement strategy starts with an integrated measurement model in which all customer-experience metrics along touchpoints and journeys flow up to a top-line metric (Exhibit 1). It matters less which top-line metric a business relies upon; almost any will do, and some companies

Exhibit 1

A holistic, integrated measurement system has clear linkages between metrics at every level of customer-experience delivery.

Example: Linkages measuring customer experience throughout call to a utility company



¹ Key performance indicators.

Source: Strategy Analytics; McKinsey analysis

construct metrics of their own design. More important is how the business inserts the metric into a systematic capability to collect, analyze, and act on feedback in an effective and complete system for measurement of the customer journey.

The way to do this begins with convening a set of senior leaders to agree on the top-line metric the entire organization will use as a North Star to measure improvements across the company. Second, define the remaining layers of the measurement model—most critically, the customer journeys that matter, as well as the elements that drive experience

and operational performance. For one global transportation company, this meant clearly understanding the three journeys that drove over 65 percent of customer satisfaction. Deeper analysis uncovered, for each journey, the drivers of satisfaction, as well as two to five operational metrics, such as number of damage claims and count of customer service calls, linked to journey satisfaction. In an analysis of energy utilities in Europe, it turned out that within the “I join” sign-up journey, 75 percent of the journey satisfaction was explained by four operational drivers, including “freedom of choice” and having service turned on at the time and date the customer wanted.

Creating an integrated measurement model allows companies to eliminate reams of metrics that do not drive top-line satisfaction. It focuses the company on the journeys, touchpoints, and elements that matter to customers.

[Learn from the best: Benchmark against competitors and leaders](#)

Many companies suffer from myopia in measuring customer experience. Companies often hyperfocus on their own performance and small pain points, and they do not spend enough time looking at how they stack up against others—not only their nearest competitors but also companies that are best in class in customer experience within and outside their sector. Such an exercise is powerful in triggering bigger and bolder ideas to improve customer service and experience.

The real liberating moment is when a company goes from a mind-set of optimizing existing capabilities to one of innovating new approaches and solutions to gain new skills in serving customers better. For one telecom company in Europe, undertaking regular benchmarking on multiple journeys unearthed useful insights for reshaping its approach to customer experience. While overall performance was strong

in its approach to the customer journey involving resolution of technical problems, the company was at a major disadvantage in how its technicians visited and interacted with customers. That highlighted an opportunity to leapfrog competitors with respect to a crucial frontline driver of customer satisfaction.

[Choose the right measurement system](#)

Even companies that are new to customer experience can implement a rudimentary voice-of-the-customer system with which they can collect feedback from their customers on a monthly or quarterly cadence. However, if you are serious about creating a culture around customer experience, don't waste your money on a system lacking the right capabilities. Table stakes in this game are a system that collects, analyzes, and allows companies to act on customer feedback in real time. Furthermore, your system must be able to apply advanced analytics to the data in order to diagnose root causes and predict impact on future customer behaviors. Many of the major measurement-system providers have invested heavily in this area in recent years.

We find a three-step process useful in selecting a measurement platform (Exhibit 2). The first step is to define an integrated measurement model

Exhibit 2 Selecting a journey-measurement system is a three-step process.



Source: McKinsey analysis

that identifies the metrics that drive top-line satisfaction. The second step is to design the interactive dashboards for each set of stakeholders: executives, customer-experience leaders, and frontline managers. The third step is to select the platform that will best meet the specific needs of the company.

It's important to evaluate systems based on how well they can put the measurement strategy in motion. In addition, three strategic criteria are also worth considering:

- 1. Flexibility.** Some system providers can make changes to survey questions and dashboards in a matter of minutes, while others take days or weeks, or simply leave it to you to figure out. Think hard about the frequency with which you expect to make changes and your level of resources to make these changes on your own.
- 2. Scalability.** Are you operating in more than one region or country? Do you do business in multiple languages or with a distributed workforce? Choose a system that has been tested across a broad spectrum of complex multinational environments with a proven capacity to scale in response to your organization's needs.
- 3. Cost.** Companies regularly face intense budget pressures or have a cost-conscious culture that manifests itself in a do-it-yourself mind-set. If your approach to customer experience is serious, be wary of all-singing, all-dancing measurement systems that cost significantly less but might fail in delivering the desired impact. Weigh return on investment, not just lowest cost.

Your system should meet your needs on all three dimensions while providing the specific capabilities, such as advanced analytics and real-time feedback, that you need to drive results.

Change measurement mind-sets

Even the best measurement system may not be enough to change the mind-sets of the organization. But success is more likely in organizations that take a few critical steps.

A good first step is to appoint journey "owners" and empower them. These journey owners play a critical role in aligning the functional silos that exist in every organization. They bring together cross-functional teams focused on a shared goal of improving customer satisfaction for a specific journey. To help them overcome organizational resistance, empower owners with direct access to C-level executives to obtain decisions quickly, as well as with a budget to implement structural changes of the customer journeys they oversee.

A second, reinforcing step is to implement journey dashboards. These dashboards should make it easy to see performance by journey at a single glance. This reinforces the shared goal of each cross-functional journey team and enables the executive team to provide support when certain journeys are underperforming. Journey owners should be able to quickly drill down into touchpoint-level and driver-level satisfaction metrics and analyze root causes within their journeys. For example, the owner of the "resolve technical issues" journey should be able to see overall satisfaction for the journey, for each of the touchpoints, and for key drivers, such as the as the number of technician visits required to resolve the problem.

It may seem obvious that a journey-based customer-experience philosophy should be executed with journey-based measurement dashboards that reflect this priority. Still, many companies have not yet taken this step. The best practice is to make these journey dashboards highly visible across the organization and to implement standard processes

around them, such as holding regular stand-up meetings or weekly team sessions to review customer feedback, recognize strong performances, and initiate immediate corrective actions where necessary.

Finally, make customer interactions an inherent part of weekly routines for as many employees as possible. We have seen great results when teams lead weekly whiteboard sessions by talking about the latest customer feedback and identify possible root causes of problems. Doing that makes the customer-experience measurement system motivate action, drive change, and alter behaviors, rather than serving as a purely diagnostic tool. It is important that your employees understand the root causes of customer satisfaction or dissatisfaction, so they can either fix the problem directly (for example, by contact with customers) or start to work on the deeper source of the problem along the customer journey.



The right customer-experience metrics help you understand what customers value and how to address their needs. The metrics you choose are less important than the measurement strategy you implement to enable both real-time action and long-term impact. ■

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Improving the customer experience to achieve government-agency goals

The benefits of a customer-centric strategy aren't limited to private-sector businesses. Government agencies at every level can gain by putting the needs and wants of citizens first.

Tony D'Emidio, David Malfara, and Kevin Neher



Across the business landscape, savvy executives are increasingly asking the same question: What do my customers want? They are coming to realize that, whatever they offer, they are in the customer-experience business. Technology has handed consumers growing power to choose how and where to buy products and services, and customer-friendly leaders such as Amazon and Apple steadily raise customer expectations for superior service ever higher. We find that how an organization delivers for customers is beginning to be as important as what it delivers. Our research shows that companies that systematically put customers first create inroads against competitors, build cultures that benefit employees as well as customers, and improve the bottom line from both the revenue and cost sides.

The customer-experience phenomenon may seem far removed from the work of federal, state, and local governments, but it offers important lessons. True, agencies rarely have a direct competitor from which they are trying to capture market share. Nor do disruptive start-ups typically emerge to steal their customers. Yet the rationale for agencies to improve the citizen experience may be just as powerful.¹ For enhancing an agency's ability to achieve its stated mission, outperforming in efforts to meet budget goals, and engaging employees in a superior culture of citizen service, customer-experience improvement efforts offer public agencies far-reaching lessons.

Central to any successful customer-experience program is a focus on identifying, understanding, and mastering the customer journey: the complete end-to-end experience customers have with an organization from their perspective. In essence, improving citizen experiences requires more rigorous effort to improve citizen journeys across channels and products. Like customer-focused businesses, most agencies focused on serving citizens typically think about touchpoints: the individual transactions through which citizens interact with the agency and its offerings. But this siloed focus on individual touchpoints misses the bigger, and

more important, picture: the citizen's end-to-end experience. Only by looking at the citizen's experience through his or her own eyes—along the entire journey taken—can you really begin to understand how to improve performance meaningfully.

Journeys can be long, stretching across multiple channels and touchpoints, often lasting days or weeks. For example, for a new student loan or a mortgage, an individual's journey might include learning about options, submitting an application, setting up an account, resolving problems, and so on. Journey-based thinking often means reframing an agency to put the customer, rather than the traditional organization chart, at the center of the strategy. In our experience, it is possible to apply science to defining an agency's highest-priority journeys and measuring customer satisfaction across those journeys, not just at individual touchpoints. It is also possible to apply design elements necessary to structure the organization in a customer-centric manner and make it adaptable as citizen needs and conditions change.

Mission critical

Browse the “about us” section of the website for any US government agency, and it immediately becomes clear how vital are the missions that departments are tasked to carry out. Their success can be gauged by clear and definitive measures, not only in terms of operations but also in terms of their impact on the lives of US citizens (Exhibit 1).

But, to execute those missions successfully, citizens must actively engage with the agencies that exist to serve them. That entails effectively learning about the services, understanding the value to the individual, and being able to meet the requirements. For example, the Department of Veterans Affairs cannot provide the best possible care for veterans and their families if veterans aren't able to enroll in the system, find the correct information online or over the phone, or determine what benefits they

Exhibit 1 **The mission statements of three selected US government agencies demonstrate the goal to improve lives.**

**Department of Education,
Federal Student Aid**



"... making higher education more accessible and helping the neediest students succeed."

Department of Veterans Affairs



"To fulfill President Lincoln's promise 'To care for him who shall have borne the battle, and for his widow, and his orphan' by serving and honoring the men and women who are America's Veterans."

Small Business Administration



"... preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation."

Source: Agency websites

are entitled to receive. Similarly, the Education Department's Federal Student Aid program cannot help the neediest students if those students do not engage because they aren't aware of the services that are available, or if they find completing the paperwork overly complex or time consuming (see "Pioneering a customer-experience mind-set for Federal Student Aid programs," on McKinsey.com).

Our research in the private sector shows that satisfaction with an experience is directly linked to loyalty measures (Exhibit 2), indicating that an improved experience drives a desire to engage more frequently and more consistently with a given organization. A focus on improving the citizen experience—for instance, making it easier to complete a transaction in a more timely manner—can improve

the citizen's voluntary compliance, make the delivery of services more cost effective, and improve the citizen's trust in government.

Although several agencies are solely focused on providing services for relevant citizen populations, others are revenue funded and have related targets. For agencies with such revenue responsibilities, like the National Park Service or the Export-Import Bank, a focus on improving the citizen's experience can create opportunities to provide additional products and experiences as well as reduce churn. Our research has shown that improved experience has a measurable impact on a customer's willingness to increase the overall services purchased from an organization (Exhibit 3). Across private industries, successful projects for optimizing the customer

Exhibit 2

Customer satisfaction with an experience is directly linked to customer loyalty.

Relationship between healthcare-insurance-coverage satisfaction and renewal



¹% of consumers who rate likelihood of renewing their health coverage within next 12 months as 9 or 10 on scale of 1–10, where 10 is extremely likely.

²Consumer ratings of satisfaction on scale of 1–10, where 10 is extremely satisfied.

Source: McKinsey Cross-Industry Customer Experience Survey, 2015

experience typically achieve revenue growth of 5 to 10 percent.²

Improvements to citizen experience need not come at a heavy cost to operating expenditures or in the form of large capital investment. In our experience, when customer-experience programs are executed systematically, they usually reduce costs or are, at worst, cost neutral. An effective program can identify the experiences that matter most to citizen users, and it will focus investment in areas that improve the experience while demoting, automating, or eliminating operations that customers do not value. Across private industries, successful projects for optimizing the customer experience typically achieve cost reductions of 15 to 25 percent within just two or three years.³

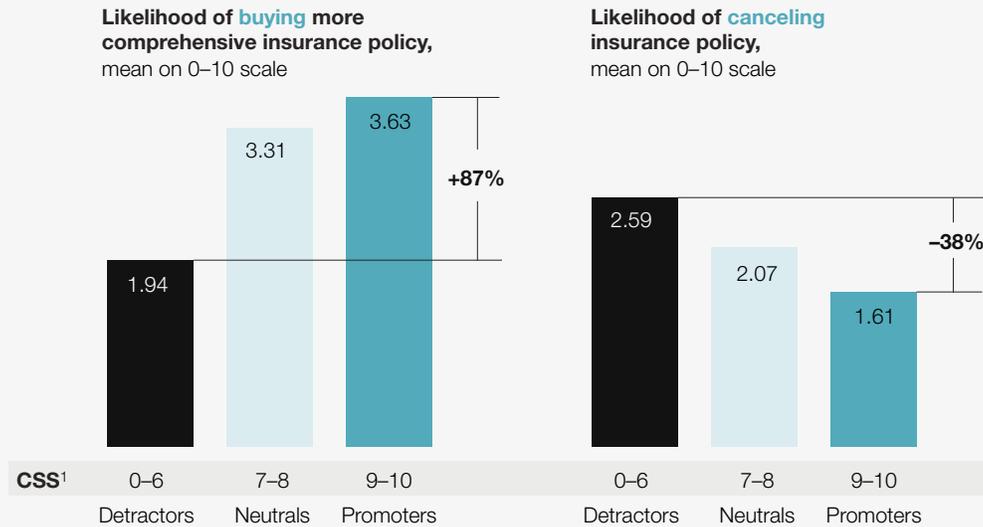
A virtuous cycle

Improving the citizen's experience can also reverse slumping employee engagement at agencies themselves. According to the Office of Personnel

Management's 2016 Federal Viewpoint Survey, satisfaction and engagement of government employees have been stagnant since 2012. In the study, engagement has been flat at 65 percent since 2012, with some agencies scoring as low as 35 percent engaged. The global satisfaction index decreased by about 3 percent, with some agencies scoring as low as 34 percent satisfied.⁴ As with most private-sector companies, it's clear that government agencies struggle to maintain engagement among their workforce.

Superior employee engagement and citizen experience reinforce each other. Studies identify a direct link between employee engagement and a positive customer experience.⁵ We've also found that a program focused on improving the experience and engagement of frontline workers can have a significant positive impact on the customer experience. In our work with clients, we've also found that the reverse is true: a focus on customer experience has an equally important impact on employee engagement and satisfaction. Well-run customer-experience

Exhibit 3 Satisfied customers are more likely to upgrade or add services and are less likely to cancel.



¹Customer-satisfaction score is a measure of customer loyalty that gauges how likely a customer is to recommend a product, service, or organization. Detractors, neutrals, and promoters are categorizations of customers likely to criticize, remain passive, or promote a company's product, service, or organization.

Source: McKinsey Customer Experience Survey, 2016

programs give employees a focus and a common, unifying purpose centered on customers. We've found that most employees, even those who appear to be underperforming, want to do well and deliver a great experience for the customer base, but many lack the tools or skills necessary to live up to expectations.

A thoughtful citizen-experience improvement program can remove workplace barriers and provide employees with the knowledge, skills, tools, and capabilities necessary to do their jobs to the best of their abilities. Finally, we often see that what's good for the customer is also good for the front line. Customer-experience programs aim to reduce complexity, friction, and unnecessary work from customer-facing processes, which also leads to reducing job complexity and improving time allocation and satisfaction. For example, a call center may identify how to segment call volume in a way that reduces or automates responses for low-value requests, so that employees

are free to spend more time solving difficult issues with customers, deliver a great experience, and find more satisfaction in their daily work.

A significant challenge

Government agencies have considerable ground to make up in building a more citizen-centric culture. In recent years, satisfaction with government agencies has been declining. In the January 2015 report of the American Customer Satisfaction Index (ACSI),⁶ satisfaction with federal agencies fell for the third consecutive year and was 6 percent lower than it had been in 2007. Our research shows that federal-government agencies ranked last in customer satisfaction among 11 industries studied (Exhibit 4).

One reason is that, despite agency efforts to improve, private-sector companies continue to raise the bar on customer service—and in so doing, raise expectations of what people will accept in both the private

and public sectors. Within industries, leaders are constantly innovating to improve experiences. For example, JetBlue, a leader in air-carrier customer experience, invests in an immersive-training campus to imbue crew members with its own distinctive brand of customer service. Across industries, disruptors are shifting how people think about experiencing better service. Uber has made hailing a taxi a convenient digital experience, and Airbnb has redefined travel lodging. Through such innovations, citizens come to measure the level of agency service not against traditional government peers but against smooth, personalized, and “always on” experiences they interact with every day.

Keys to improving citizen experience

Our work in both the public and private sectors has shown us that leaders in customer experience have a few things in common, regardless of industry.

The lessons learned from this work can be applied to define a clear process for improving citizens’ experience while achieving success measured against mission, revenue, cost, and employee-experience goals. Metrics and effective habits for leading customer-experience efforts can be gleaned from leading practitioners, and case examples can show how these concepts work in practice. At one large international airport, for example, the results have been dramatic. In a recent video, an airport executive describes this customer-experience transformation.

As noted earlier, improving customer experience begins with a focus on the complete experience a customer has with an agency, as seen from the citizen’s perspective.⁷ That journey has a clearly defined beginning and end, spanning the progression of touchpoints. Citizens don’t know or care who in an agency owns the individual experience of billing,

Exhibit 4 Public-sector services have ground to make up relative to the private sector, when assessed against industry leaders.

Customer satisfaction with industries, average score out of 10

Industry sector



Source: McKinsey Customer Experience Journey Pulse Survey, December 2016

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 agencies, by focusing on the task, can provide experiences that make citizens want to engage and continue engaging.

Our work has taught us that the most successful programs of the most successful practitioners have six hallmarks (Exhibit 5). These can be adopted to make significant strides toward a best-in-class customer or citizen experience.

Define a clear aspiration

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 authentic and consistent with a company’s value proposition. Many government agencies already can clearly articulate such an aspiration. For example, some employees at the US Department of State’s Bureau of Consular Affairs cite a simple rallying cry they’ve informally adopted: “No missed trips!” Even a three-word statement can capture a genuine and easily interpreted goal that can help focus leadership as well as the front line: the job is not simply to issue passports, it is to make sure citizens safely and efficiently reach their destinations. Such a clearly articulated vision for the experience can be easily translated into a set of simple principles or standards to guide behavior throughout the organization. In this way, large, distributed agencies can synchronize their actions, using the aspiration as a guiding light to steer their daily activities.

Exhibit 5 Six hallmarks of best-in-class customer-experience practitioners can guide improvement efforts.

Hallmarks of great customer journeys



Source: McKinsey analysis

Develop a deep understanding of what matters to customers

Citizens on their journeys hold agencies to high standards: the best services, with no errors, immediately available, procured with the help of high-caliber employees at low prices. How can agencies determine which of these factors are the most critical to the citizen segments they serve? Which are most critical to achieving their stated mission? Understanding the most important journeys and where opportunities exist, citizen segment by citizen segment, helps an agency maintain focus and have the greatest impact on the satisfaction of its citizens and its own performance.

Fortunately, the advent of big data and advanced analytics has helped organizations parse not only customers' opinions about what will satisfy them but also customers' actual behavior related to using the organization's products and services. Similarly, multiple sources reflecting the voice of the customer—including surveys, social media, and the real-time chronicling of the research and purchase experience—can illuminate how well organizations currently are managing their customers' journeys. Once organizations have identified the most important journeys and defined their strengths and weaknesses, the process of redesigning and prototyping can begin. For instance, at the Federal Student Aid program, the Office of Customer Experience identified a steady theme of customer conversations: confusion about the loan-repayment process. Based on the importance of this step in the citizen journey and the broad-reaching nature of the issue, the organization consolidated repayment calculators and began allowing customers to import their loan information directly into the new calculator.

Use behavioral psychology to manage expectations

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

products or services can generate significant additional value. An increasingly effective tool at these organizations is behavioral psychology, used as a layer in the design process. For example, an organization can design the sequence of interactions with customers to end on a positive note. It can merge different stages of interactions so they seem to take less time and engender a feeling of progress. And it can provide simple options that give customers a feeling of control and choice.

One official at the Internal Revenue Service relates how traditional guidance to tax preparers indicated that taxpayers could expect their tax refunds to be processed within two days. Research showed that while that turnaround time was true on average, most returns were processed within six days, and the mismatch between expectations and typical performance led some taxpayers to complain of “delays.” So the agency lengthened its general guidance for wait times and gave taxpayers a way to check the status of their returns. By adjusting user expectations, the agency improved the customer experience, measured as a decrease in complaints and inquiries, with no actual change in processing times.

Use digital and design thinking to reinvent customer journeys

Customers accustomed to the immediacy, personalization, and convenience that define digital “natives” such as Facebook and Google now expect the same kind of service from most of their interactions. Research shows that 25 percent of customers will defect after just one bad experience.⁸

Agencies can realize significant improvements in citizen experience by digitizing the processes behind the most important journeys. Successful examples from the private sector demonstrate quick efforts where multidisciplinary teams jointly design, test, and iterate high-impact processes and journeys in the field, continually refining and rereleasing them

after input from end users. Such methods help high-performing incumbents release and scale major user-vetted process improvements in under 20 weeks. This methodology helps leaders in customer experience speed up their operations.

To achieve similar results, agencies must embrace new ways of working. We see one such example of innovation at the Social Security Administration (SSA). For years, the ACSI has consistently ranked the SSA's Retirement Estimator as one of the government's top online services.⁹ A source of its success was that the program's design and initial development phase incorporated human-centered design techniques. During a three-month period, SSA conducted focus groups and small-group usability testing to iteratively test design assumptions. The testing started with low-fidelity prototypes, building in sophistication with each testing phase, and ended with the final working prototype. The agile "tech company" style of working has resulted in a high-value online service for the SSA's customers.

[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.¹⁰ Some organizations create boards or panels of customers to provide a formal feedback mechanism.

From leading practitioners, we've distilled four simple rules for building a sense of frontline engagement. 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 the company sets clear expectations and lets employees know that it trusts them to do their jobs. Finally, tap into the creativity of your frontline employees by giving them the autonomy to do whatever they can to improve the citizen experience and fix problems themselves.

The National Cancer Institute (NCI) has done some groundbreaking work in customer research to empower their information specialists with the knowledge to do their jobs effectively. Institute leaders realized that in order to meet the needs of cancer patients, they needed clearer insight into the lives of those they were serving. In one innovative initiative,¹¹ the NCI created personas and customer journeys for Hispanic citizens, so the information specialists could better understand the citizens' specific needs when faced with a cancer diagnosis. Each persona included details such as language preferences, where and how citizens primarily accessed their health information, and which treatment questions were likely to be most important to them. These detailed personas provided valuable insight into the lives of patients, helping the NCI web team and call-center agents better publish useful information and answer calls at the NCI contact center with the empathy and care that cancer patients need and deserve.

[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 serve as role models for 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.

For instance, the General Services Administration’s Office of Citizen Services and Innovative Technologies (GSA/OCSIT) used a Government Customer Experience Index to jump-start its citizen-experience program. To obtain feedback directly from customers, GSA/OCSIT used the questions from the government’s Digital Government Strategy as a foundation for their survey of the users of the federal government’s official websites, USA.gov and GobiernoUSA.gov, as well as the National Contact Center, and other citizen-facing channels. By analyzing questions that gauged overall satisfaction, ability to complete intended tasks at websites or contact centers, and basic loyalty, they were able to compute a single customer-experience index, which was then used to create action plans addressing critical issues.



Mastering the concept and execution of an exceptionally good citizen experience is a challenge, but it can help government agencies reach new heights against their stated missions, achieve revenue

and cost targets, and improve the overall engagement of their employees. By focusing on the citizen’s overall journey and scientifically applying lessons learned from other customer-experience leaders, public entities can gain significant ground in the satisfaction of the citizens they serve. ■

- ¹ Although we use the term *citizen*, it is important that for most public-sector agencies, their customers extend far beyond citizens; for example, many noncitizens are US taxpayers, and many visitors to national parks are from abroad.
- ² See the introduction to Ewan Duncan, Harald Fanderl, Nicolas Maechler, and Kevin Neher, “Customer experience: Creating value through transforming customer journeys,” *McKinsey on Marketing & Sales*, July 2016, McKinsey.com.
- ³ Ibid.
- ⁴ Global satisfaction includes satisfaction with job, pay, and organization, as well as a willingness to recommend the organization.
- ⁵ “The engaged workplace,” Gallup, gallup.com; *Customer experience matters*, “Report: Employee engagement benchmark study, 2016,” blog entry by Bruce Temkin, February 16, 2016, experiencematters.blog.
- ⁶ “Citizen satisfaction dips, but future looks brighter,” *ACSI federal government report*, American Customer Satisfaction Index, January 26, 2015, theacsi.org.
- ⁷ See the introduction to Duncan et al., “Customer experience.”
- ⁸ “The cost of disappointed customers,” infographic, Thunderhead, thunderhead.com.
- ⁹ “Honors & awards,” Social Security Administration, ssa.gov.
- ¹⁰ Brad Stone, *The Everything Store: Jeff Bezos and the Age of Amazon*, first edition, New York, NY: Little, Brown, 2013.
- ¹¹ *DigitalGov*, “Persona development case study: NCI and Spanish language outreach,” US General Services Administration blog entry by Ashley Wichman, March 2, 2015, digitalgov.gov.

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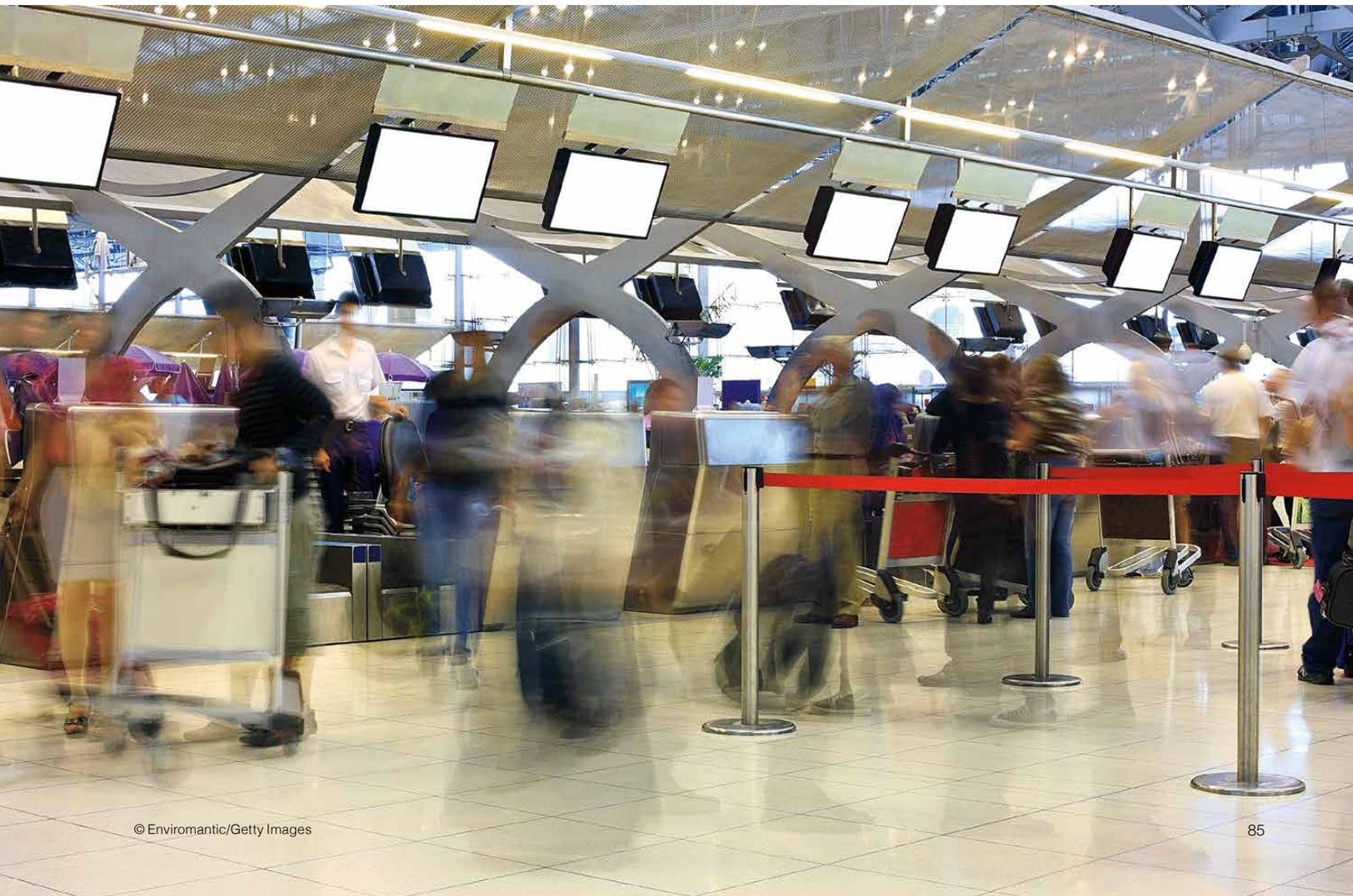
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How customer experience takes flight at the Orlando airport

Is it possible to have a good customer experience in an airport? Domingo Sanchez, a board member of the Greater Orlando Aviation Authority, explains an effort by its CEO and board to do just that.

Ron Ritter



Ask any consumer where he or she finds a good customer experience, and the answer isn't likely to include airports—but that doesn't have to be the case. Domingo Sanchez, a board member of the Greater Orlando Aviation Authority, explains how an effort by the Authority's CEO and board to focus one of the busiest airports in the United States on strengthened customer service can bring airport staff together and improve business in one of the toughest customer environments. This interview was conducted by McKinsey's Ron Ritter; an edited transcript follows.¹

Logical

Airports don't usually focus on customer service—but in my mind, it was the only focus. I'd talked to our executive team about what airports really do. What I discovered was that most of them focus on structurally getting people in and out of the airport, which is the function of an airport. We're not a retail center. We don't sell hats and umbrellas, we don't sell food, and we don't park cars—that's not what we do. We're there as a hub to move people in and out. So the only thing that we could improve upon was the customer experience. The way I explained it to them, when they asked "Why is this important to you," was that the only thing we do is figure out how to make people feel better about being in the airport.

We're the vacation capital of the world. What I recognized was that all of our stakeholders throughout Orlando were engaged in these customer-service initiatives. Why shouldn't the gateway to Orlando, which is the Orlando airport that pushes 43 million passengers through Orlando every year, be focused on this? So we had to figure that whole thing out.

For me it wasn't an epiphany on why it was important to have customer service, it was just logical. How can I as a board member create big impact for our passengers and for our employees? And so this was the initiative they decided to pick up on.

Now boarding

So how did I get everybody on board with this initiative? It was a challenge. We had to figure out how to get everybody engaged, not only from a community standpoint but also from a political standpoint. And so, frankly, I spent a lot of time meeting with stakeholders and talking to our leadership, getting them to understand why this was important—not just for our current operation at the airport but also for the south terminal, which is a big project.

The south terminal is a \$2 billion expansion. We're adding 16 new gates and a new intermodal station. We're going to have light rail from Miami to Orlando, direct. So what I had to do, to prove to the board and the community that it was important, was two things.

Number one, we had to make the statement "It's important to do this because of the way people feel." That's number one. But we also had to make a strong business case on why this made sense for us to do. Why would we want to invest \$5 million annually in customer experience, in an airport that's been in existence for the past 40 or 50 years?

I thought one of the funniest things that we found was the fact that people at the Orlando airport, the passengers, value clean bathrooms. They didn't focus on TSA wait times, they didn't focus on retail. What they wanted was to get off a plane and to have world-class, clean, nice bathrooms. So that was a funny thing that we went through.

Training was critical when it came to creating community and a culture to help drive customer experience. We focused on how to effectively train all 18,000 employees. We made it simple. We figured out that if we could get all 18,000 employees to do five simple things—whether it was looking people directly in the eye and smiling, picking up trash, or focusing on safety, for example—five simple things that we came up with started to create a culture change and a feel of the airport that was focused on customer service.

One of the things I discovered was that it would be easy to teach somebody to smile and be pleasant. But if your bags are two hours late coming off the airplane, it doesn't matter how big the smile, you aren't happy. And so we had to fix both of those elements.

So we had to look at it from an operational standpoint, and then from a people-interaction standpoint. What makes this process work, number one, obviously, is getting leadership to buy in. And we did things. We hired a customer-service director, which the airport had never had. We established a nice \$5 million budget to do only customer initiatives that were really important.

We provided the team with a lot of flexibility to reward our partners and our employees within the organization, to encourage the customer experience. So there are a number of different things that we did—and the list is quite long—to focus on customer engagement.

Being digital

Digital is probably certainly in the top three most important things to get right when it comes to customer experience. Early on, what we discovered was that we didn't have a lot of data on our customers. And so we went through this initiative where we "Bluetoothed" the whole airport—there were these little Bluetooth pods everywhere.

What we were able to discover is a number of different things: where the customers are dwelling, where they are going, where they are hanging out, where they are headed to, and how long it takes them to get to certain destinations. From a digital standpoint, it gave us so much information. It was overwhelming, the tools that we were able to produce because of that information.

What we discovered with social media was that, as long as we respond to our passengers, it ends up being more of a positive experience. Before we weren't even responding. We would get a critical comment or somebody would say something, and it would be radio silence. And so we've implemented a program where social media is on the forefront of everything that we do.

A long runway

I think what's improving in customer service right now with airports is people are starting to notice. People are starting to be aware of what their experiences are, whether those experiences are inside the community or inside the airport. People are starting to take notice. I think that there's a long runway, no pun intended, on the customer experience.

I think it's going to continue to improve as we start to mature through this process. Because we're still very young at it. The biggest hurdle is that it's always

“What we discovered with social media was that, as long as we respond to our passengers, it ends up being more of a positive experience.”

changing. That's probably the biggest challenge: that we have to think about it on a daily basis. We have to think about it from a strategy standpoint every three or four months.

What do we need to change? What do we need to improve? It's an ever-evolving process. It's almost like its own living organism. It's not something that's static, that you just do and you're done. People that are industry leaders in airports, and executives—if I had to give them a little bit of advice, number one, work hard on getting buy-in from your leadership team, which can be a challenge sometimes.

But once you have it, don't stop there. You have to create momentum. Customer service is cultural. If you have a small glimpse, just a small glimpse of that culture, then you need to capitalize on it and make sure that you get the train going down the rails. That's number one.

Number two, take big steps initially. Hire the customer-service director. Give her a robust budget. Show her that this is not only important to the customer but that it's also personally important to you. And be a driver for the initiative. ■

¹ For more, see the full video interview, "How customer experience takes flight at the Orlando airport," February 2017, on McKinsey.com.

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Avoiding the seven deadly sins of customer-experience transformations

Efforts to improve the customer experience can deliver tremendous value, but temptations that can undo good intentions lurk in any change program. Resist seven common missteps.

Ewan Duncan, Kevin Neher, and Sarah Tucker-Ray



Many businesses are coming to understand that, increasingly, how an organization delivers for its customers is as important as what product or service it provides. But for companies looking to make the customer experience a strategic priority, adopting a customer-centric mind-set can be a struggle. Like many change programs, customer-experience transformations often fail to meet expectations. That's not surprising: they require employees to change their mind-sets and behaviors, and an organization to make cultural changes and rewire itself across functions, with the customer's needs and wants—rather than traditional organizational boundaries—in mind.

Our work with organizations of all types has enabled us to study the differences between successful and failed customer-experience transformations. Over the years, we have distilled seven sometimes fatal mistakes—the “seven deadly sins”—which can take a number of forms: lapses in vision, misguided investments, and design errors, for example. Understanding how to recognize and avoid them can dramatically improve the likelihood that your organization will reap the benefits of a customer-centric transformation.

1. Myopia



Many managers enter a transformation with no real vision for the organization's future state. Instead, they have a general desire to improve the customer experience and rush into action very quickly, before defining a more specific vision. Targets are often vague, devoid of aspiration, and lacking in specificity—a reflection of an underlying fear of failure. Managers communicate broad, operationally anchored goals and praise marginal results instead of inspiring a powerful vision for the future. Leaders may also prioritize the wrong areas of focus, wasting time setting targets for parts of the customer journey that don't have a real impact.

Great organizations instead spend significant time up front to define a clear, compelling, personal, and ambitious aspiration, which doesn't necessarily involve becoming a customer-experience leader. Depending on the context, it may make sense for a company to aim at having a best-in-class customer experience or to improve the baseline but not invest in a full transformation.

A leading travel company, for example, spent the first two months of its transformation defining a five-year vision for improving the customer experience. It worked methodically, customer journey by customer journey, to define goals—not only operational-performance metrics but also how the organization wanted its customers to feel. A road map, posted prominently around headquarters and in frontline locations, displayed the aspiration for individual journeys. (One senior manager told us that viewing the road map “helps me remember what

we're trying to do here.”) Senior leaders were often found bringing their future-state vision to the attention of staff passing by. The call to action inspired by the forward-looking vision touched employees from the C-suite to the front line. The vision was ambitious, but management had concluded that an inspiring look into the future was necessary to make sure the transformation launched successfully.

Some organizations have an even more detailed focus: on specific kinds of customers whose experience they wish to improve in order to set aspirations and change operations, mind-sets, and behavior.

To direct the energies and commitment of employees, for example, the US Department of State's Passport Services Directorate (responsible for issuing and renewing passports) informally adopted a concrete, concise, and personal mantra of “no missed trips” for passport applications. The effort has mobilized the workforce and shown it how individual activity connects to broader goals and purposes. The large German insurer Allianz set a bold vision to achieve true customer centricity throughout the organization in order to bring together otherwise disparate business units. The vision can be bold and long term, but for employees to embrace it requires that it be understandable, meaningful, and relevant.

2. Indifference



Many a customer-experience transformation fails because it doesn't become a top-three priority for the CEO or the top team. Without their support, securing cross-functional alignment is difficult, and transformations lose momentum when internal resistance or apathy materializes.

The odds for success improve when engaged leaders role-model the new behavior and ensure integration across internal silos. One HR-management company faced nontraditional competitors entering its market. Research showed that customers sought more personalized solutions outside the current offering. Leadership therefore decided to differentiate the business by focusing on the customer experience, setting bold goals to improve it while raising employee morale and reducing the company's cost to serve (a critical step given growing pressure on pricing). As a signal of alignment, the CEO pulled an emerging leader out of a continuous-improvement role and visibly elevated her into a new customer-experience one. A cross-functional mandate and top-level support helped the organization to increase its productivity by 40 percent, raise its market share, and improve employee satisfaction through empowerment and coaching.

In the United Kingdom's tax department—Her Majesty's Revenue and Customs—leaders indicated a renewed focus on the customer by acting quickly to rename job titles and role descriptions: the director general, business tax, became the director general, customer strategy and tax design, while the director general, enforcement and compliance, became the director general, customer compliance. Leaders are focusing on improving customer experience and in parallel are redesigning the organization's physical footprint to match a new channel strategy.

3. Worthlessness



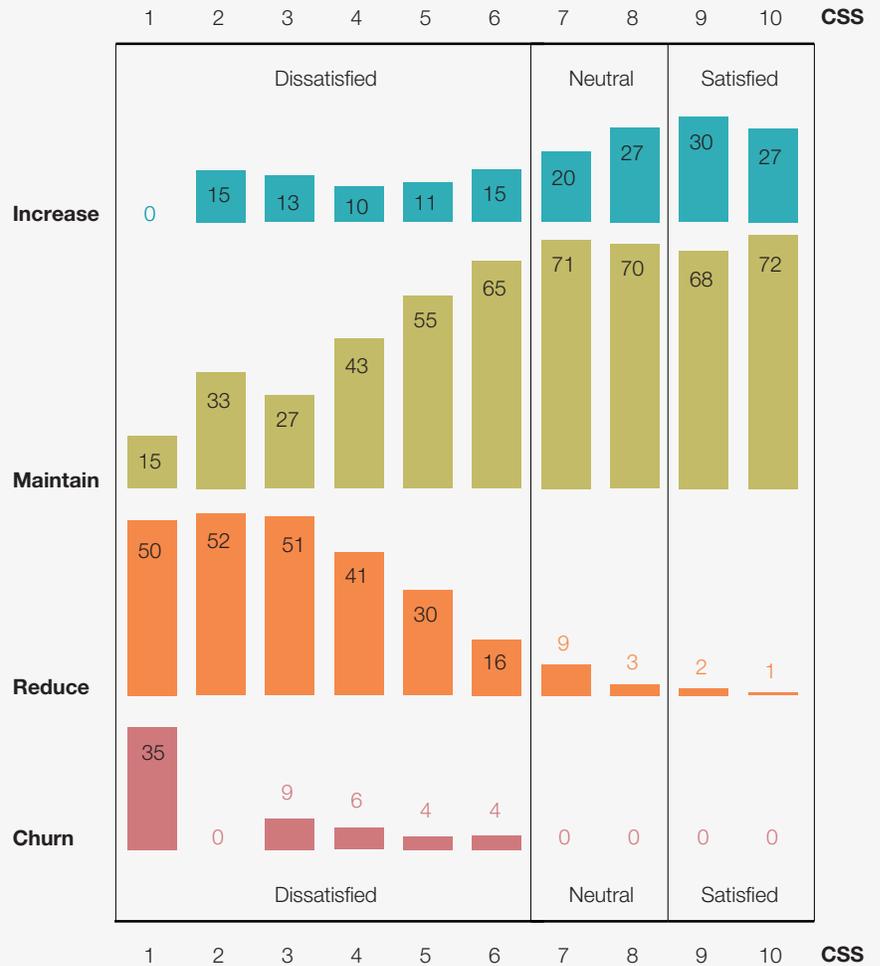
Many organizations launch programs to transform the customer experience with no sense of what a better one will be worth and therefore no way to judge potential initiatives. Leaders of such a transformation will find it hard to secure sufficient resources for needed investments if they don't have evidence that their efforts will generate business value. More than ever, gimlet-eyed chief financial officers demand a business case for even the smallest changes. And if the CFO isn't on board, your transformation effort will probably come to a halt. Building the link to value is possible, before any action has been taken, by using customer research and operational data to link satisfaction with the customer experience to outcomes of financial interest, such as loyalty, customer churn, and revenue. This analysis will provide the foundation to know what each point of satisfaction is worth.

One telecom provider directly linked customer satisfaction with customer churn by establishing a link between a likelihood to cancel Wi-Fi service and customer-satisfaction scores: satisfied customers were three to four times less likely to churn¹ than unsatisfied ones. However, the company also learned that it would have only a limited benefit from pleasing already-satisfied customers, so it focused on reducing the dissatisfaction of those with lower scores. A public-transportation company established a link between the customer experience and revenue growth: it found that satisfied customers were more than twice as likely as dissatisfied customers to increase shipping volumes (Exhibit 1). Mission-driven organizations, including governments, can also benefit from creating a better customer experience, as improvements in mission outcomes, employee engagement, financial outcomes, and societal benefits (like trust in government) show.

Once a link to value is established, a leadership team needs to understand where it is worthwhile to expend effort—what actually matters to customers and can drive value. Building a business case for improving the customer experience is a challenge.

Exhibit 1 A transportation company's more satisfied customers reported a greater willingness to increase their volumes.

Customers' anticipated account-volume changes, customer-satisfaction score (CSS),¹ 2016, %



¹Customer-satisfaction score is a measure of customer loyalty that gauges how likely a customer is to recommend a product, service, or organization.

Note: Original question polled: "How likely are you to make the following changes with regard to your service from [company] in the next 12 months?" (n = 1,500+).

Source: 2016 Journey Pulse survey, customized

4. Heedlessness



Many customer-experience transformations begin with the top team’s assumptions about what matters. Are these leaders overly weighing the voices of a few dissatisfied, highly vocal customers who are “squeaky wheels,” or are they seeing the world through their own experience as customers? Some organizations set out to “boil the ocean,” transforming all parts of the business at once. They therefore spend significant time and money on things that, in the end, don’t matter to customers.

Others approach customer-experience transformations as an operational problem. Instead of viewing the experience through the customer’s eyes, these executives want to learn which pain points exist now and whether they reside at particular customer touchpoints, such as a call center or a point of sale. Even surveys and other traditional ways to generate meaningful insights can come up short—many customers can’t articulate what is most important to them and often answer questions inconsistently.

Successful transformations therefore tend to start with a rigorous attempt to identify those things that matter most to customers. Such efforts establish a clear understanding of where improvements in the customer experience can create value across the organization—financial returns, operational efficiencies, and improved employee engagement and outcomes. Our research shows that two factors stand out in understanding what matters to customers:

1. *Measuring customer journeys instead of touchpoints.* Cross-industry research has demonstrated that journeys—or the customer’s end-to-end experience of buying a product or service—tend to predict overall satisfaction much more accurately than customer satisfaction with individual touchpoints. In fact, the end-to-end customer-experience metric predicts overall satisfaction and willingness to recommend twice as accurately as touchpoints do.
2. *Using imputed importance to analyze survey responses.* While it might seem logical to ask customers directly what matters to them, we find that imputed importance predicts overall satisfaction much more accurately. To define what matters in this way, organizations first analyze which journeys are most important for overall satisfaction and which elements of those journeys (such as courtesy or speed of service) predict overall satisfaction best. Then, within a journey, techniques like Johnson relative weights² and other regression analyses can identify the areas most likely to improve overall satisfaction.

These methods allow companies to take a targeted, hypothesis-driven approach to a customer-experience transformation. They can then determine

what matters overall by combining imputed importance, the number of customers touched, the priority level of the customer segments involved, and alignment with broader strategic objectives. It is critical to couple these statistical techniques with ethnographic research to build a fuller picture of what matters, especially in settings where statistical techniques may come up short.

From our research we see that the customer journeys that matter vary notably across frequent and infrequent travelers. Items such as “travel inspiration”—such as destination and flight searches as part of pre-trip planning—and the arrival process matter more to frequent travelers.³ By contrast, the way some airlines perform on boarding and in-flight service matters more to infrequent ones, who in general are less satisfied (Exhibit 2).

Exhibit 2 Frequent flyers are more satisfied than infrequent ones across all customer journeys.

Traveler satisfaction and importance by customer satisfaction,¹
 for ● frequent and ● infrequent fliers

- Journeys**
- a. Travel inspiration
 - b. Shop and book
 - c. Prepare for travel
 - d. Boarding and in-flight
 - e. Getting to airport
 - f. Airport experience
 - g. On trip and arrival
 - h. Post-trip
 - i. Lifestyle engagement



¹Customer-satisfaction score is a measure of customer loyalty that gauges how likely a customer is to recommend a product, service, or organization.
²Satisfaction based on % of respondents with journey customer-satisfaction score of 9 or 10 on scale of 1–10.
³Journey importance calculated using Johnson-relative-weights tool, with journey satisfaction as independent variable and willingness to recommend as dependent variable. Infrequent fliers = 1–4 round trips, frequent fliers = 5 or more round trips.
 Source: McKinsey Airline Customer Satisfaction Survey, June 2016 (n = 312 frequent fliers and 1,581 infrequent fliers)

5. Imbalance



Sometimes, customer-experience transformations collapse even when executives have correctly determined what matters to customers, defined a good target, articulated a clear link to value, and provided strong support. In these cases, the culprit is often a loss of momentum from a project's failure to have an impact in the short term.

Many leaders focus on long-term changes or holistic service redesigns and don't expect any financial impact from them for two to three years. Employees may become frustrated during this period and disengage, while customers may decide to take their business elsewhere. Moreover, leaders may focus exclusively on the top-line impact—revenue from increased loyalty and reduced churn—to the detriment of equally powerful cost levers, including cost to serve. Great customer-experience transformations include a balanced portfolio of initiatives (long and short term, revenues and costs) to show success early, sustain momentum, and learn over time.

One major US airport, pursuing a multiyear passenger-experience redesign, paid attention specifically to quick wins. One example was to get rid of the moving sidewalks—the customer-experience diagnostic exercise revealed that they were used primarily by employees and were not particularly important to passengers. The maintenance and operational teams jumped at the chance to remove the moving sidewalks, which were expensive to maintain and required frequent attention. Similarly, the merchandising and retail leaders saw a potential for increased sales in having more passengers walking alongside storefronts.

Removing the moving sidewalks turned out to be a quick change that eliminated costs and increased revenues, building support for the transformation and generating money for reinvestment elsewhere in the program. What's more, a survey of customers found that what they wanted most was not a dramatic service redesign but consistently clean bathrooms. The airport could work to overdeliver on this preference and rapidly improve customer satisfaction. As a result of the overall portfolio of initiatives, the airport jumped from 11th to 5th place in US airport customer-experience rankings—the biggest one-year jump of any airport.

For one executive's perspective on related challenges, see "How customer experience takes flight at the Orlando airport," on page 85.

6. 'Fractionalism'



A lot of managers think about the customer experience very narrowly, focusing only on individual issues and forgetting about the overall system for delivering value. Some excel at designing specific kinds of interactions with customers but ignore the fuller experience, both before and after purchase. Others forget to look at operations through the customer's eyes. Many build measurement systems and focus only on reporting and tracking, underestimating the importance of the internal cultural changes needed to achieve and sustain a new approach. The belief that top-down management, supported by measurement alone, will improve the customer experience is a common mistake of these transformations.

Our research shows that up to 70 percent of all organizational-change efforts don't meet expectations, because of resistance from managers or other employees.⁴ We believe that successful cultural change relies on four factors. To be sure, one of them is formal measurement and performance systems. But employee involvement, role modeling from leaders, and clear explanations of why change is necessary are important, too. Great transformations work across all four at once and spend as much time on the "soft stuff" of culture change and communication as on the "hard stuff" of performance management.

A leading pay-TV provider, for example, doubled its customer-satisfaction score and achieved a number-one industry ranking through a holistic approach to change, focusing relentlessly on culture. With 20 million customers in the United States, the company faced intensifying competition from traditional and nontraditional players, in an industry with negative customer satisfaction ratings. Leadership made it a strategic priority to break out of the industry's patterns and use the customer experience to differentiate the company. By pursuing a comprehensive change program, these leaders enthroned the voice of the customer across the organization.

First, the company built an analytics capability to understand what matters to customers and empowered the front line through lean management and continuous-improvement training. Teams of employees redesigned multiple end-to-end customer journeys, becoming change agents and trainers for other members of the staff and helping to develop an ongoing improvement system, including a test and learn lab. Overall, the company not only improved the customer experience dramatically but also reduced call volumes by 12 million calls and customer escalations by 20 percent, with significant cost effects.

7. Orthodoxy



Leaders seeking to transform the customer experience may look only to traditional or even outdated techniques, without understanding the power of cutting-edge design and digital capabilities. When companies fail to consider opportunities from design thinking—shorthand for a problem-solving process that includes several components—they may not succeed in transforming identified customer pain points, in particular, by learning from other experiences and industries. And without digitization, leading companies may lose value because they do not pursue automation vigorously or make their processes sufficiently seamless.

Great organizations apply the tools of human-centered design to create distinctive customer experiences and separate themselves from the pack. Companies can apply these tools equally across product, service, and digital experiences. From call-center scripts to the replacement of printer ink, great customer experiences build loyalty, which drives growth and generates competitive advantages.

For starters, it's necessary to really understand customers and their needs, to infuse that sense of empathy into the entire organization, and learn how to use it in decision making. A prototyping mentality helps your company iterate toward success by testing and learning with real customers. The company must work toward final products, services, and experiences that delight them—not only through aesthetics but also through other end-customer values, such as speed, simplicity, or connection to other experiences. Design thinking reflects insights from behavioral psychology, which can help to improve the customer experience with small tweaks to journeys and touchpoints.

The best-in-class use of digital technology includes the end-to-end reimagining of what really does and does not require human interaction, as well as building predictive, anticipatory, and seamless customer interactions. A top property-and-casualty insurance carrier, for example, wanted to improve the way customers experienced its claims process, to make the most of its adjusters' time, and to reduce the number of calls to service centers. The insurer used a customer-centric, design-thinking approach to redo its digital claims process:

- Predictive analytics segmented customers and enabled digital tools and call-center agents to base the personalization of services on personality characteristics and preferences.
- A redesigned claims tracker kept customers informed of the current state of their claims while proactively providing information on what would happen next.

- A simple, rapid-feedback interface enabled customers to let the insurer know, at all times, how they were feeling about the process so the company could quickly address issues along the way.

By analyzing the interactions throughout the service ecosystem—that is, by taking a holistic journey approach—the insurer created a seamless digital experience out of what had previously been a disconnected mix of off- and online interactions.

To redesign the customer-facing security experience, a public-safety agency of the US federal government took a proactive approach to building empathy, paired with a traditional hard analysis of the effectiveness of its security systems. Its empathy-building activities included conducting a series of focus groups with core customer segments to understand their wants and needs, multiple site visits to experience the process first hand, and interviews with line employees to gather feedback and take suggestions for improvement. Once a new process had been designed using the lenses of empathy, effectiveness, and efficiency, the agency built prototypes to test the design with real customers and to bring stakeholders into the process, solicit feedback, and make updates in real time.

The opportunities in transforming customer experience—higher profits, more loyal customers, more engaged employees—are numerous. Knowing and resisting the temptations that will lead a change program astray is a good place to start. ■

³ McKinsey Cross-Industry Customer Experience Survey 2016.

⁴ Carolyn Aiken and Scott Keller, “The irrational side of change management,” *McKinsey Quarterly*, April 2009, McKinsey.com; and Carolyn Aiken and Scott Keller, *The inconvenient truth about change management: Why it isn’t working and what to do about it*, McKinsey & Company, 2008.

¹ Defined as canceling subscriptions in the next 12 months.

² Derived importance tracks the relationship between overall satisfaction with the customer experience and satisfaction with its individual aspects to understand how closely one predicts the other. Johnson-relative-weights (JRW) analysis distinguishes the relative impact of individual predictor variables (even when they are colinear) on the overall outcome. JRW produces a ranked list of driver variables that are statistically distinct from other drivers and predictive of overall outcomes.

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