

Marketing & Sales Practice

The three building blocks of successful customer-experience transformations

Meeting new consumer needs and expectations is critical to post-COVID-19 business success. Here's a proven formula for upgrading customer experience.

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Leading a customer-experience (CX)

transformation can generate a lot of anxiety. Many leaders hesitate to even start because they are overwhelmed by the many challenges of driving change across virtually every silo in the organization. But this hesitation creates real risks for the business. The recent shifts in consumer behaviors and expectations brought about by COVID-19 are forcing companies to change how they connect with and serve customers. Those that do not adjust to the next normal will quickly be left behind. History clearly shows the value of investing in customer experience during a downturn. In the last economic recession, companies that prioritized customer experience realized three times the shareholder returns compared to the companies that did not. The time for action is now.

The good news is that there is now a proven formula for executing customer-experience transformations. It comprises specific steps across three core building blocks: a clearly defined aspiration, an agile transformation approach, and a thoughtful deployment of new capabilities, particularly advanced analytics (exhibit). By combining all three building blocks, companies can create a competitive advantage in their industry. In ten years of helping more than 900 companies design and execute enterprise-wide customer-experience programs, we have seen this approach deliver powerful results: 15 to 20 percent increases in sales conversion rates, 20 to 50 percent declines in service costs, and 10 to 20 percent improvement in customer satisfaction.

Exhibit

The three building blocks of customer-experience transformations.

Build aspiration and purpose

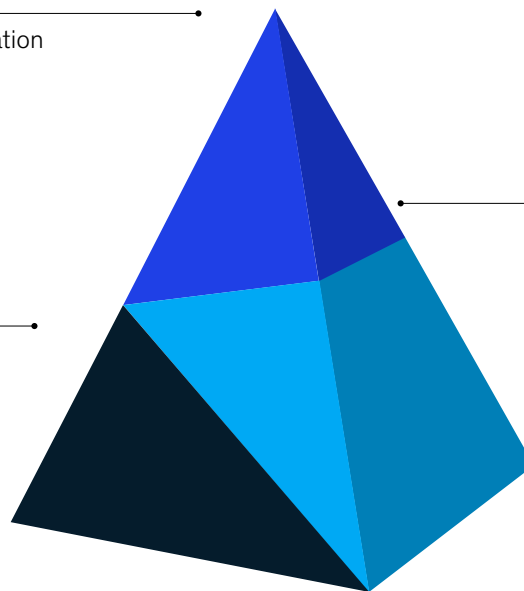
- Develop customer-centric vision and aspiration
- Establish link to value
- Translate into roadmap

Enable the transformation

- Transform mind-sets and build capabilities
- Step up technology, data, and analytics
- Establish cross-functional governance and agile operating model
- Deploy measurement and performance-management system

Transform the business

- Discover customer needs
- Design solutions
- Deliver impact
 - Journeys
 - Products
 - Services
 - Business models



Build aspiration and purpose

The first step in a successful customer-experience transformation is to align on a crisp definition of the type of experience you want to deliver. When companies set out to define their customer-experience aspiration, they often fall into one or both of two traps: either the aspiration is generic and does not align tightly to the company's purpose, or it's unclear how the aspiration will create value that can be measured and tracked. Falling into either of these two traps leads to CX-transformation programs that lack clarity and coherence.

A good CX aspiration delivers on company purpose and brand promise. In alignment with their company missions, Nike seeks to deliver inspirational experiences, Starbucks looks to provide experiences that nurture, and BMW seeks to offer the ultimate driving experience. Costco doesn't try to replicate the experience its customers have at high-end retailers but instead provides a no-frills in-store experience that reflects its low-cost brand promise.

Companies then translate aspirations into expected business value by defining the specific changes in customer behavior they expect to see. If a bank were looking to deepen customer relationships, for example, this focus could be reflected in a decision to measure success by the number of customers who choose the bank for all their core banking needs. This focus on customer behavior completely changes the conversation in the C-suite. Leaders start talking about customers, not about financials. They prioritize the experiences that will lead to the expected customer behavior even as customer needs evolve over time.

Many of the best companies use quantitative research and statistical analysis to ground their decisions in facts about what customers value so they can prioritize the experiences that matter most. The most advanced companies use advanced analytics to run simulations of the expected impact of their potential investments so they can build compelling business cases for them.

Once they have prioritized the experiences with the greatest potential impact on customer behavior, CX leaders identify the internal processes and technology capabilities they need to substantially reimagine them. They consolidate the prioritized experiences and the

development of the required capabilities to create a road map that identifies critical activities quarter-by-quarter. These companies typically plan their investments in 24-month increments with frequent stage-gates to validate that the expected financial impact has been realized.

Transform the business

While executives often successfully develop comprehensive CX-transformation road maps, many fall into the trap of implementing business-as-usual programs to execute the needed change. The most common mistake is parceling out various elements of the program to different functions. That leads to communication challenges, ownership issues, and accountability problems that sink even the most straightforward transformation aspirations.

Customer-experience initiatives at the companies that most successfully undertake them look and feel completely different. These companies create agile, cross-functional teams that have true ownership of their projects, deep technology expertise, and a culture of design thinking and continuous improvement. Prior to the pandemic, these teams could be found problem-solving around white boards in an open floorplan with glass walls, background music, and a continuous hum of activity. One innovative bank adopted a "culture of red shoes" to illustrate its innovation speed and agility, and the CEO would lose his dress shoes in favor of red sneakers when he visited the design labs. In the current environment, these teams have seamlessly transitioned to collaboration platforms to drive continuous cross-functional innovation. For companies truly committed to a CX culture, these aren't superficial ornamentations. They reflect a significant investment in recruiting and nurturing agile teams with deep expertise in experience design, developing cutting-edge omnichannel platforms and technology, and reimagining the experiences, products, and services that best deliver on the brand promise.

To define customer personas and understand customer needs, the cross-functional agile teams leverage design thinking and advanced analytics toolkits to carry out rapid-fire quantitative and

ethnographic research. They conduct cocreation workshops to develop innovative concepts and prototypes that address pain points. They use advanced analytics to identify and prioritize meaningful performance metrics such as reduced wait time to quantify the actual financial impact of changes in customer behavior as reflected, perhaps, in increased contract renewals, and to track progress. Once they have developed new products and services, these agile teams make sure they are scaled across the business, integrated into the technology platform, and continuously tested and refined across segments and geographies.

These design-driven actions are not nice-to-have items. In our 2018 research on the business value of design, we found that top-performing user-centric companies outpace their peers in terms of revenue by nearly two to one. Critically, they also rapidly iterate as they design new experiences, ensuring they prototype and test them with consumers to increase their chances of success.

Another critical element of all successful CX transformation programs is a central team that combines ideation tools and methods, continuously conducts both generative and evaluative customer research, and brings together cross-functional experts with specific expertise, such as scrum masters, omnichannel technology architects, designers, and researchers. This central team ensures that the culture of technology-enabled innovation becomes a distinctive competitive asset that is sustained over time and across all geographies.

Enable transformations

Leaders who have successfully implemented new experiences for their customers sustain the changes by building new capabilities. There are four that we find are most critical for success:

- **Customer-centric mindsets.** From the C-suite to the front lines, employees must feel confident that they have the necessary skills and tools to deliver the best possible experience for customers. Leading companies develop academies that combine digital courses, live workshops, and ongoing nudges to support
- the development of new capabilities. Each learning journey is tailored to a specific role within the organization. For example, front-line employees receive practical tips on how to put themselves in their customers' shoes and demonstrate empathy when engaging with customers. CX managers and innovation teams build skills around redesigning customer experiences and mobilizing cross-functional teams. Executives receive tips on how to support, accelerate, and celebrate customer-centricity within the organization—for example, by integrating design thinking into the early stages of the strategic planning process.
- **Integrated technology stack.** In order to deliver exceptional omnichannel customer experiences, companies need a technology stack that spans the business. It often takes the form of a digital platform built around microservices and APIs to quickly and flexibly offer a variety of services to customers, an omnichannel contact-center platform with call recognition, chat, video chat, and email management, and a single system that integrates the platforms with each other. For example, a health insurer that wanted to redesign its customer-onboarding journey pursued two parallel workstreams: one that reimaged and simplified the entire enrollment process and another that rebuilt the underlying technology. The two teams, working together, were able to modernize the omnichannel platform and technology, which enabled them to transform what had been a set of disparate, paper-based, channel-specific processes into a seamless, digitally enabled omnichannel experience. In just six months, this company tripled online applications, realized 90 percent straight-through processing, and reduced back-office work by 80 percent and front-office work by 70 percent.
- **Agile operating model and governance structure.** Innovation teams are only effective if they have the autonomy to make decisions. This means establishing agile decision-making processes and assigning formal decision rights to leaders on the team. These new processes

and decision rights often require some internal negotiations but yield extraordinary results. For example, a B2B financial services firm that committed to a new agile operating model raised their customer satisfaction score from less than 20 to more than 50 in two years by increasing on-time responses to customer requests by 90 percent, reducing the request backlog by 40 percent, and eliminating the need for 600 employee-hours each month.

— ***Performance-management system built on predictive analytics and machine learning.***

Leading organizations are now using predictive analytics, machine learning, and big data to overcome the well-known limitations of customer feedback, which often provides an incomplete and inaccurate view of actual customer experiences. At minimum, companies need management systems with sophisticated feedback loops that teach employees which behaviors yield the best results and guide innovation teams on where to focus their efforts. The best tools allow companies to accurately predict the current satisfaction and future spend of each of its customers based on their experiences. One major travel company built a capability that scored the experience of every single customer based on data such as location, loyalty member history, and recent trip experiences. It then used machine learning to predict customer satisfaction for each customer based on their individual experience. This new capability allowed the company to dramatically improve its follow-up with customers immediately after poor service experiences, increasing satisfaction by 800 percent for the most dissatisfied customers and reducing churn intent by 59 percent.

Bringing it all together

The greatest sustained impact in customer experience comes from bringing together the three building blocks. Here's how one European energy provider did just that. Faced with increasing customer expectations, fierce competitive dynamics, evolving market and regulatory pressures, and internal complexity, its leadership team responded with a comprehensive customer-experience transformation.

This included reshaping both the go-to-market approach and operating model to regain a sustainable leadership position in their market.

To define its aspirations and the value it wanted from the CX transformation, the team quickly formulated clear business objectives. By quantifying and prioritizing the individual CX “value pools” in their B2C business—acquisition, service, retention, and process digitization—it developed a transformation road map for double-digit improvement in earnings before interest and taxes (EBIT) over the course of three years.

For the second building block, transforming the business, the leadership team created a cross-functional team composed of CX “ambassadors” from ten countries and a core team of designers and CX experts. They convened for two days a week in a central location and operated as a “CX factory” to consolidate customer insights, harmonize customer-journey definitions, and translate value pools and customer pain points into tangible blueprints and prototypes for optimal customer journeys. Their analysis showed that most high-impact CX levers were applicable across all countries despite differences in individual markets. The CX factory team created a fully functional microsite for home movers, took it live in the first pilot country in four weeks, and then scaled it to other countries based on its demonstrated financial impact: increased customer retention and reduced servicing costs as fewer customers called in for support during their move.

These changes were only made possible by transforming the underlying capabilities and establishing critical enablers—the third building block. The organization embraced agile principles not only in the CX factory but also across each geographical business unit—rapidly iterating and generating ideas, prototyping, and adapting minimum viable products (MVPs) based on customer feedback. To scale these capabilities, the organization conducted virtual training sessions around key skills, such as agile, design thinking, and problem solving. It codified best practices in a virtual library for use by any team

member in any country. Finally, it showcased the dramatic impact of this new way of working through videos, communications, and tools shared throughout the organization.

The redesigned journeys reduced the energy provider's personal-contact costs by more than 20 percent and customer churn by almost 15 percent, and significantly increased both customer and employee satisfaction. In fact, one-third of the full impact potential from the three-year program was realized within the first 12 months.

How to get started

Companies that aspire to become more customer-centric can use one of the following quick-start methods:

- ***Set a bold aspiration that reflects the brand promise.*** A series of three to four executive workshops is often all it takes to align around a customer-centric aspiration and the associated financial performance metrics. Many companies are able to look to internal and external benchmarks in order to set a target and establish a timeline for achieving it.
- ***Create momentum with a 'lighthouse' innovation team.*** Many companies choose to give customers and employees a sense of

what success looks like by launching one or more "lighthouse" projects that show concrete results with minimal investment. Redesigned journeys can often be prioritized, designed, and prototyped in six to twelve weeks and create excitement and support for subsequent investments. The first lighthouse can then quickly be scaled up across multiple experiences until it becomes the standard model.

- ***Build an integrated customer insights and action engine.*** The most forward-looking companies have created integrated data lakes and used advanced analytics and machine learning to improve the experiences of every customer. An analytics engine that enables leadership to identify the customer interventions and investment strategies with the greatest impact can be deployed in three to four months.

Customer experience is a competitive advantage in the new normal. Only by committing to the three building blocks of a CX transformation can companies expect to emerge from the crisis with a sustainable advantage over their competitors.

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