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.

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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 (HMRC)—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 churn 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, by net promoter score (NPS),\(^1\) 2016, %

\(^1\)Net promoter 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?\(^2\) (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 weights 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. By contrast, the way some airlines perform on boarding and inflight 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 NPS, for frequent and infrequent flyers

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

Very satisfied, %

Journey importance, %

1Net promoter 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 (JRW) tool, with journey satisfaction as independent variable and willingness to recommend as dependent variable. Infrequent flyers = 1–4 round trips, frequent flyers = 5 or more round trips.

Source: McKinsey Airline Customer Satisfaction Survey, June 2016 (n = 312 frequent flyers and 1,581 infrequent flyers)
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.”
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. 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 net promoter score (NPS) 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 NPS. 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.
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.

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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 co-linear) 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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