Customer experience:

New capabilities, new audiences, new opportunities

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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 volume[1] 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.

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[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

| Sales and onboarding | Change to account | Moving/ new car | Resolving a problem |
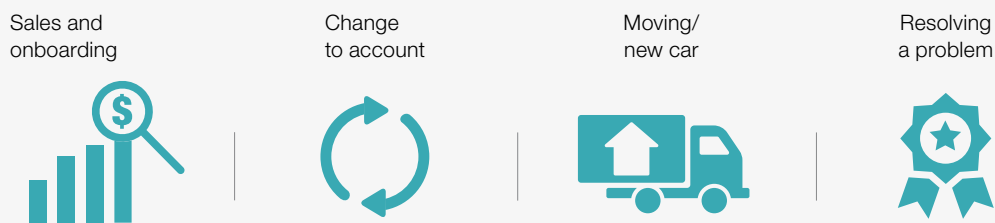
Individual touchpoints may perform well even if the overall experience is poor

	Agent	Call center	Web	Support	End-to-end journey satisfaction
'I want to improve . . .' journey					
Touchpoint satisfaction	90%	85%	85%	90%	60%
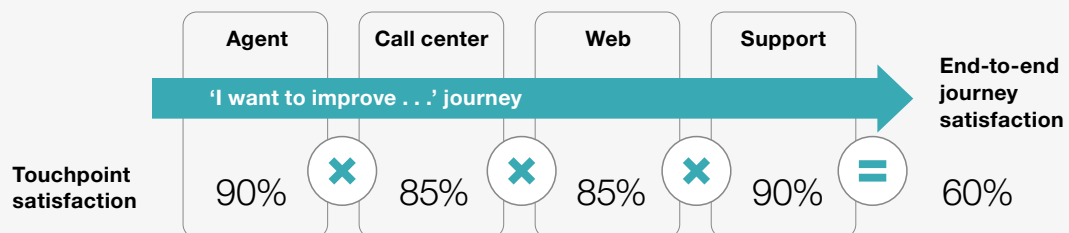
Source: McKinsey Digital Labs

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 Purpose[4] 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.**

Customer-satisfaction score[1]

Baseline	−22
After improving operations	16
After implementing behavioral-psychology initiatives	9
Score after pilot	25
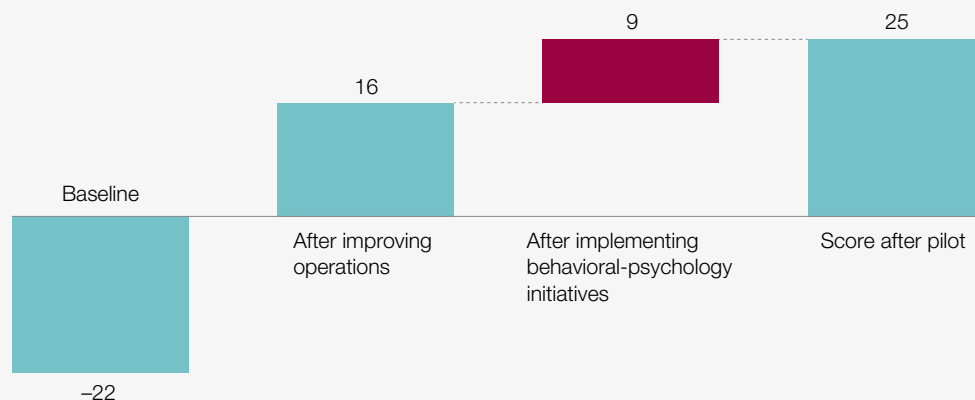
[1] Likelihood that respondent would recommend the company, product, or service to a friend or colleague; rated on a scale of 0 to 10, where 10 is most likely; score reflects the sum of responses of 9 and 10 minus the sum of responses of 0 through 6.

"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

Principles

- CE[1] metric — Top-line CE metric linked to business outcome
- Journey-experience assessment — Journeys, not touchpoints, at the core; aim to understand performance on each journey
- Journey analytics and operational key performance indicators — Regular, objective metrics serve as leading indicators building to each journey
- Employee feedback — Employees leveraged to assess customers' experience and identify operational improvements
- Organizational and cultural foundation — Supported by change-management capabilities and customer-centric culture

[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. ■

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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.

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.

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 mind-set: 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
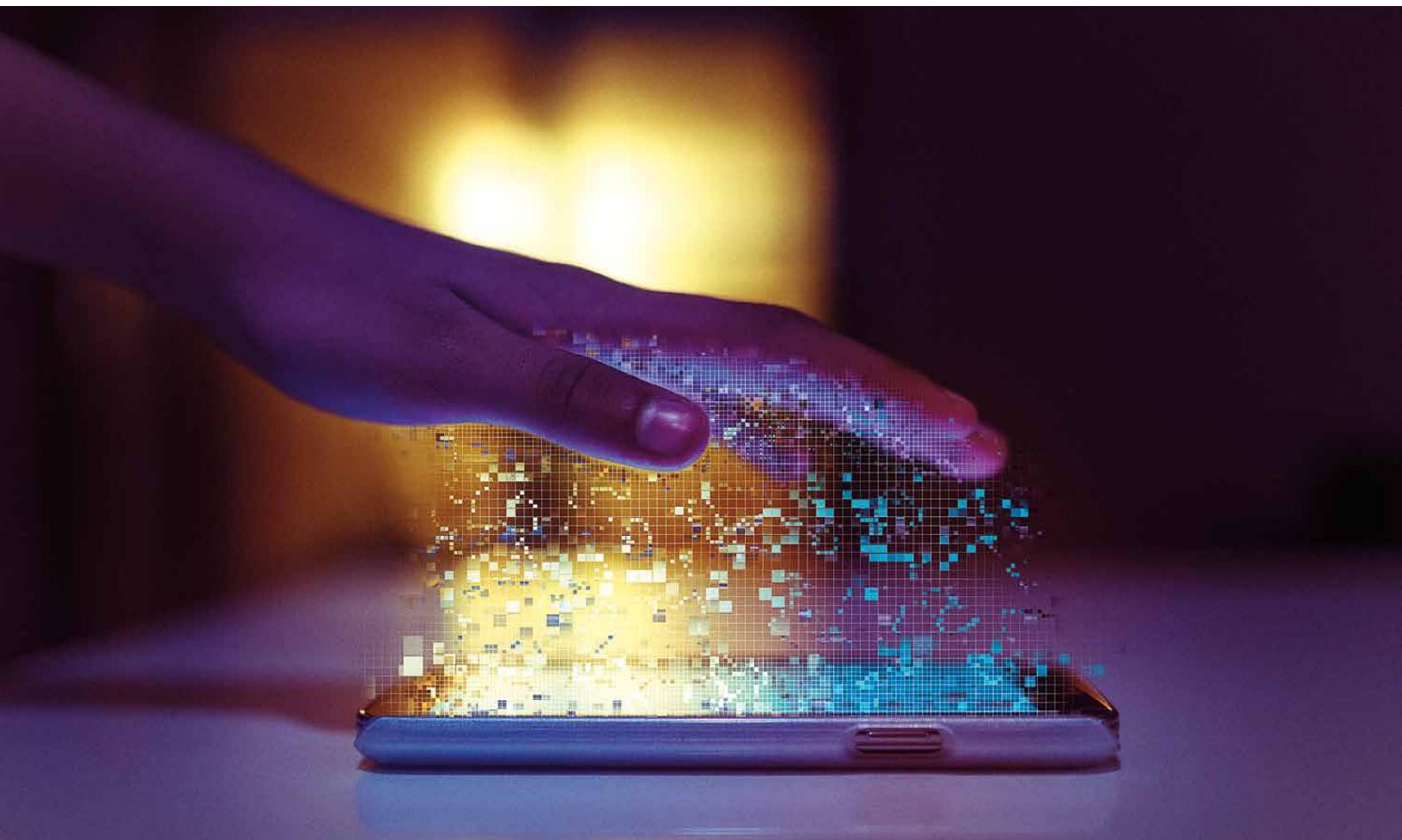
Improving customer experience delivers real benefits to companies that successfully execute customer-centric strategies. Across sectors, satisfied customers spend more, exhibit deeper loyalty to companies, and create conditions that allow companies to have lower costs and higher levels of employee engagement (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-business[1] 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. ■

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[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.

Growth	**Annual premium growth,** 2010–14, %		**Costs**	**Average expense ratio,** 2010–14, %
Customer-experience leaders[1]	6		Customer-experience leaders	24
Customer-experience laggards	3		Customer-experience laggards	26

Employee satisfaction

Benefits

- Increase in customer loyalty (80% more likely to retain customers)
- Higher success rate for cross-selling activity
- Benefit from positive referrals

- Increase in once-and-done processes/solutions
- Reduction in call-center volume through better customer guidance
- Less marketing spend necessary to drive growth

[1]"Leaders" 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.

Understanding impact of customer needs and behaviors from operational driver to financial result

Insights

Inspiration
Developing customer-centric business model

Improvement

Reinventing end-to-end journeys through digital

Institutionalization

Making change sustainable across organization

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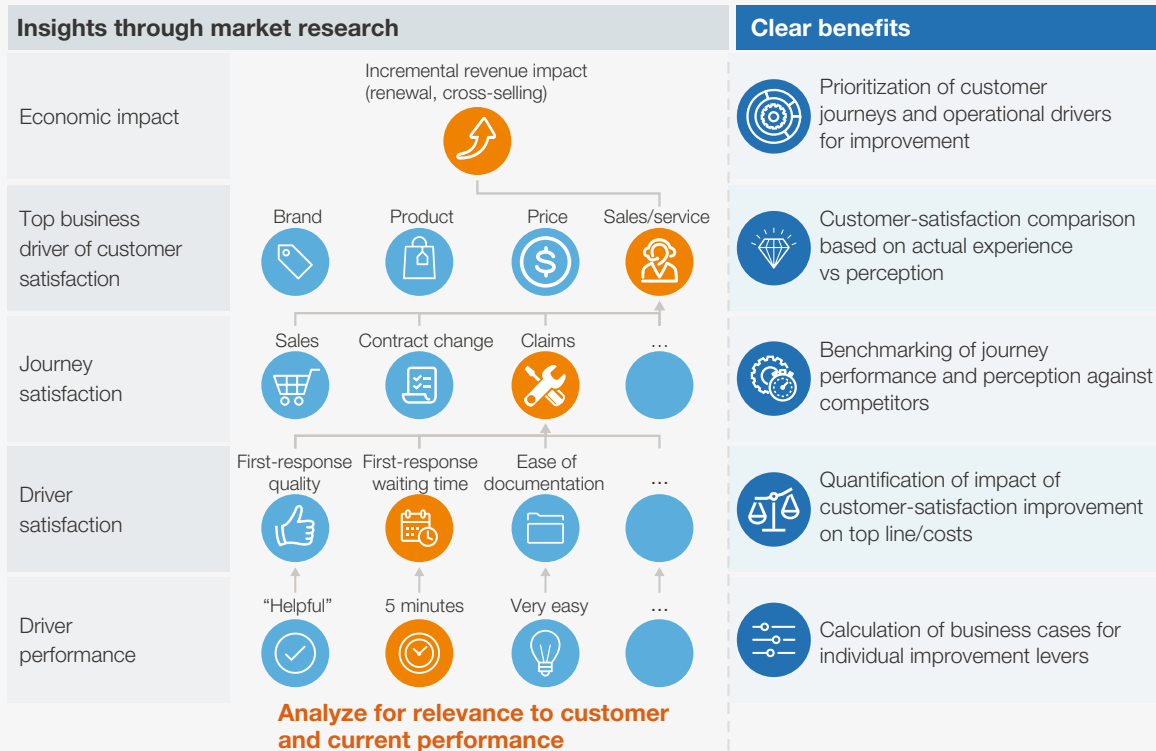
Customer-satisfaction scores need to be linked to operational metrics and economic value to highlight how to address customer needs.

Exhibit 3   An end-to-end economic model generates insights and guides the improvement process.

Insights through market research	Clear benefits

Economic impact — Incremental revenue impact (renewal, cross-selling) → Prioritization of customer journeys and operational drivers for improvement

Top business driver of customer satisfaction — Brand, Product, Price, Sales/service → Customer-satisfaction comparison based on actual experience vs perception

Journey satisfaction — Sales, Contract change, Claims, … → Benchmarking of journey performance and perception against competitors

Driver satisfaction — First-response quality, First-response waiting time, Ease of documentation, … → Quantification of impact of customer-satisfaction improvement on top line/costs

Driver performance — "Helpful", 5 minutes, Very easy, … → Calculation of business cases for individual improvement levers

Analyze for relevance to customer and current performance

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.
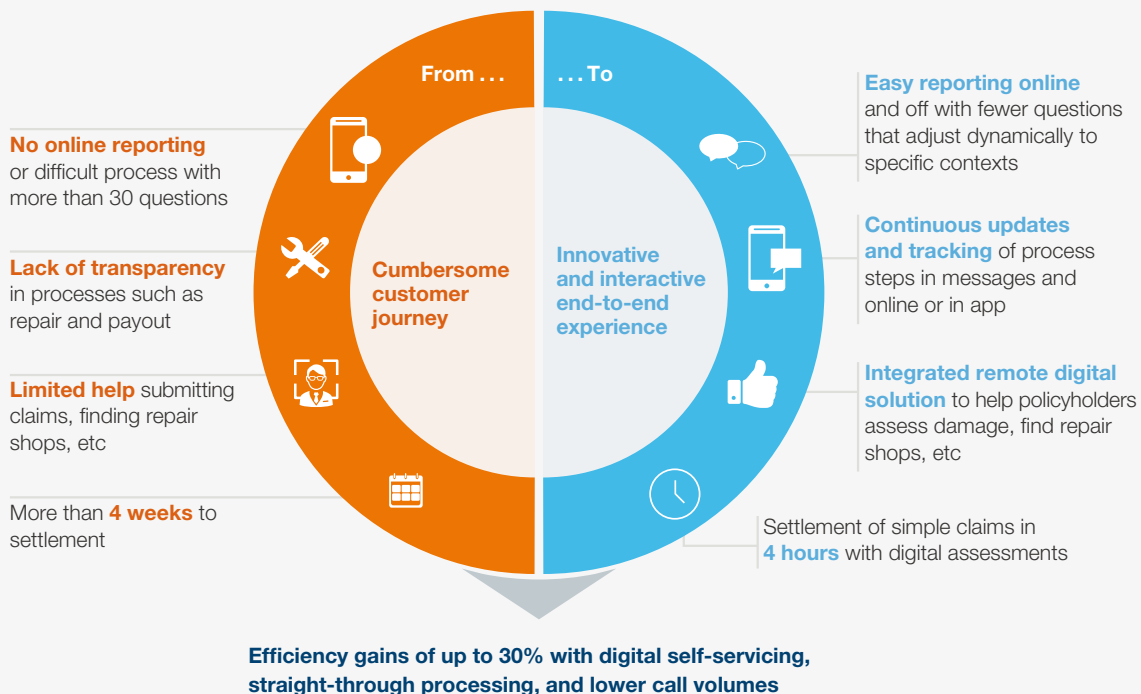
For example, a large carrier aiming to redesign its auto-claims processes set out to reduce call-center waiting time. However, using a consistent journey methodology and insights from measurement, they found that waiting time was not a major pain point for the customer. Changing call-center routing to 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.**

From . . .

. . . To

No online reporting
or difficult process with
more than 30 questions

Lack of transparency
in processes such as
repair and payout

Limited help submitting
claims, finding repair
shops, etc

More than **4 weeks** to
settlement

**Cumbersome
customer
journey**

**Innovative
and interactive
end-to-end
experience**

Easy reporting online
and off with fewer questions
that adjust dynamically to
specific contexts

**Continuous updates
and tracking** of process
steps in messages and
online or in app

**Integrated remote digital
solution** to help policyholders
assess damage, find repair
shops, etc

Settlement of simple claims in
4 hours with digital assessments

**Efficiency gains of up to 30% with digital self-servicing,
straight-through processing, and lower call volumes**

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." ■

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. ∎

Harald Fanderl is a partner in McKinsey's Munich office.

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-intense 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).
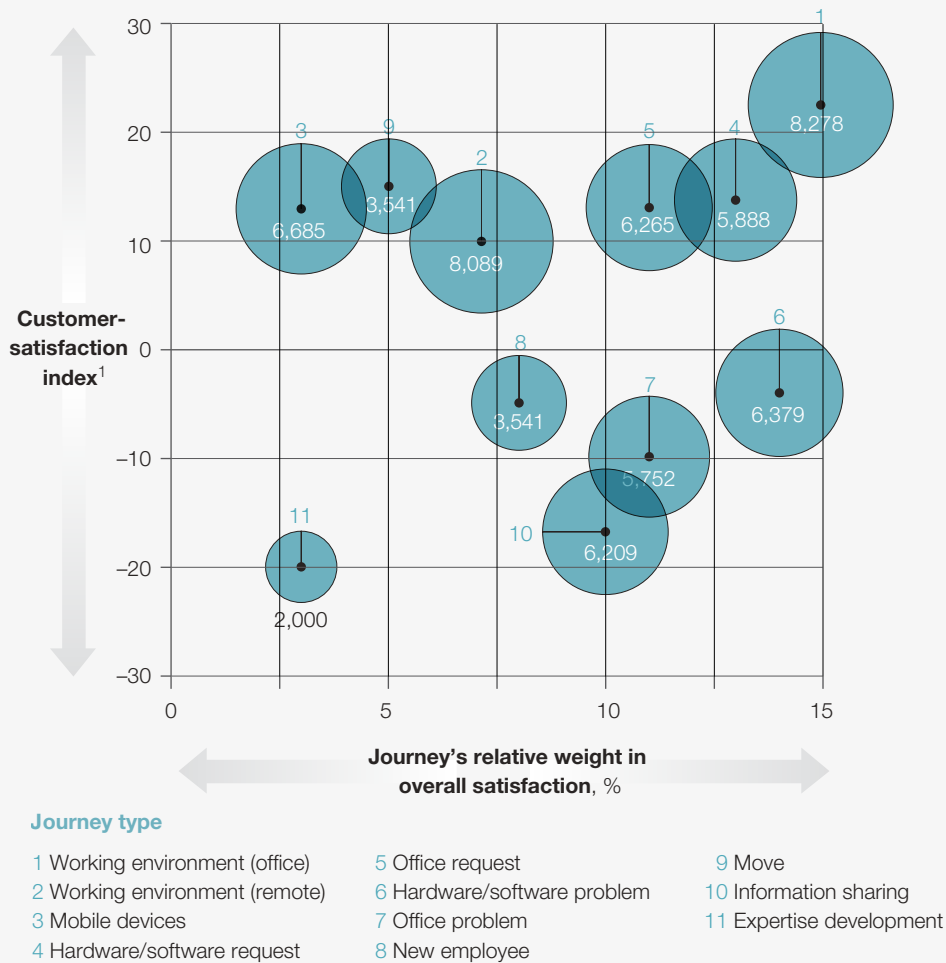
A European insurance company, for example, took more than a year to develop a comprehensive employee portal that aggregated all links to internal requests and information about support functions. The IT team led the effort but didn't analyze the needs of internal customers, test features with the user 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

Journey type

1 Working environment (office)
2 Working environment (remote)
3 Mobile devices
4 Hardware/software request

5 Office request
6 Hardware/software problem
7 Office problem
8 New employee

9 Move
10 Information sharing
11 Expertise development

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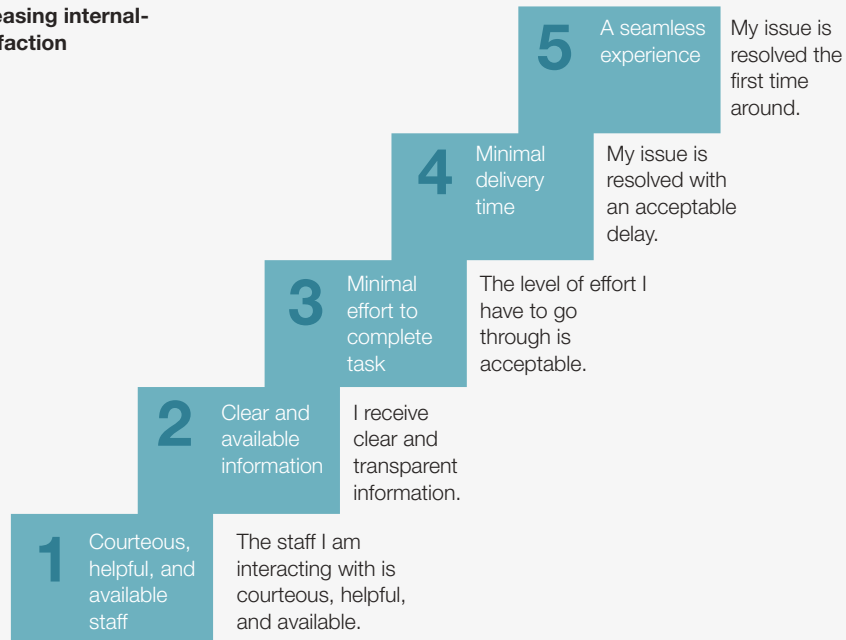
Besides the traditional key success factors encountered in customer-centric transformations generally, our experience running internal-customer-centric transformations has highlighted factors specific to them:

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

5	A seamless experience	My issue is resolved the first time around.
4	Minimal delivery time	My issue is resolved with an acceptable delay.
3	Minimal effort to complete task	The level of effort I have to go through is acceptable.
2	Clear and available information	I receive clear and transparent information.
1	Courteous, helpful, and available staff	The staff I am interacting with is courteous, helpful, and available.

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 inter-mediary 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