Winning by Understanding the Full Customer Experience

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CATEGORIES: **INDUSTRIAL PRODUCTS & PROCESSES**

Overview

The old adage "What gets measured gets done" is fine as far as it goes. But what if what you're measuring doesn't provide the full picture? That is often the case when industrial companies think about the customer experience: they typically focus too narrowly on the core performance of their products and services. For example, they may measure their customers' experience in terms of defect rates per thousand units of output or average lead-time from order to delivery. Although these are useful things to track, they tell far from the whole story. All too often, industrial companies pay little attention to other elements of the customer experience, such as the process of becoming a customer or the way problems are resolved—not to mention the ongoing sales relationship.

This is a pity, because companies that focus on measuring only core product-related elements, rather than the full range of the customer experience, can end up losing customers without understanding why. Moreover, such companies are missing out on some powerful opportunities to create value and cement their customers' loyalty.

The Cost of Neglect

Failing to focus on the full customer experience gets increasingly costly as products mature. As significant distinctions among products fade away, customers place increasing emphasis not only on price but also on their total experience of the product. So businesses need to understand that experience. What's more, identifying all the elements that make up the customer's experience is not enough. You also need to know the relative importance of those elements—and how they collectively drive the purchase decision. To achieve this level of knowledge, companies need to follow a rigorous process that reveals what truly matters to their customers. And then they need to translate that knowledge into a set of internal metrics they can use to track their performance repeatedly over time.

Consider the problem of a large industrial-goods company that we worked with. The company believed deeply in the importance of the customer experience and was committed to producing high-quality goods. Nonetheless, management found that although the company was improving across the board on its traditional quality measures, its overall customer satisfaction measurement was stagnant and it was losing market share. At bottom, what the company was measuring wasn't revealing the full picture.

The company then applied a systematic process that allowed it to understand the full range of elements that define its customers' experience, to assess the relative importance of those elements, and to implement an ongoing tracking procedure. The process involves four steps:

- Understanding the full customer life cycle
- Uncovering customers' minimal expectations
- Identifying opportunities and risks
- Creating a customer experience scorecard

This process allowed the company to focus on what really matters to its customers, to understand how well it was doing, and to make targeted investments to improve those elements of the customer experience that promised to drive a gain in share.

Understanding the Full Customer Life Cycle

The first step is to develop a customer life-cycle map. This map lays out every interaction between the company and the customer from the moment the potential customer first learns about a product through the maintenance of an ongoing relationship. (See Exhibit 1.) You can create a map of this kind, with cascading levels of detail, by holding a series of internal conversations and conversations with customers. The map then serves as a foundation for defining what matters most in your customers' experience.

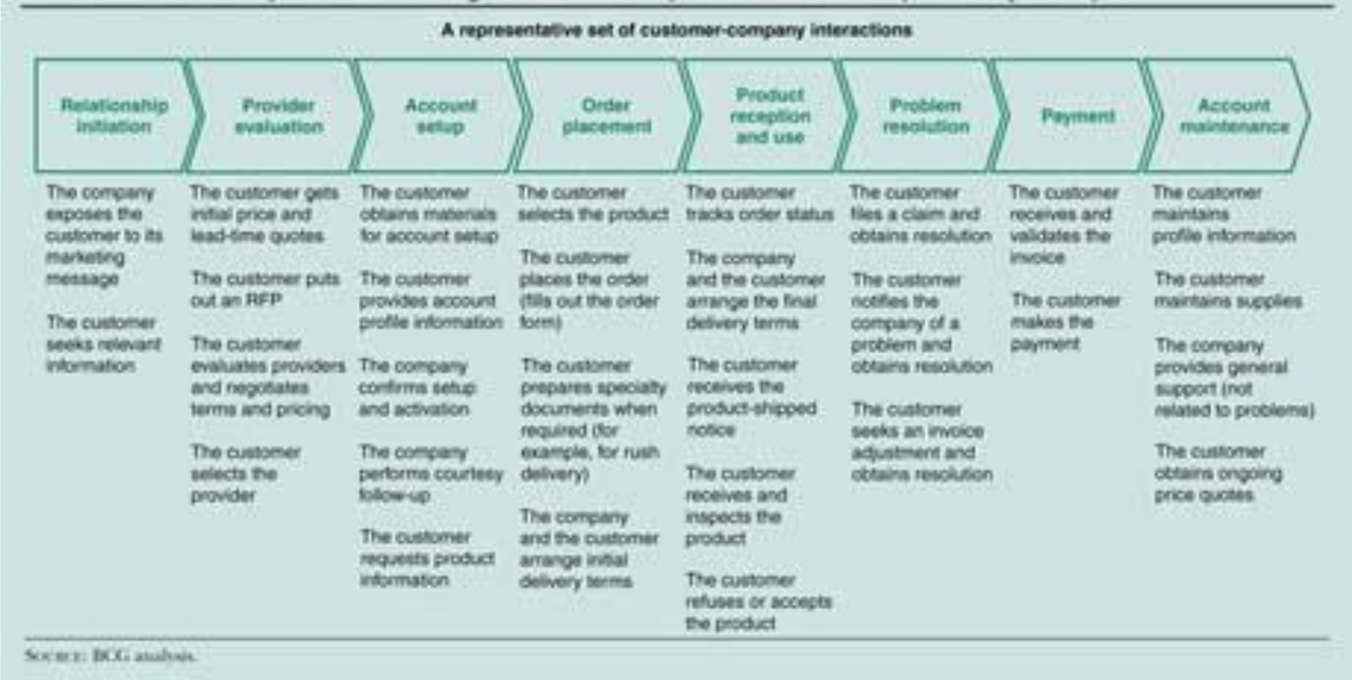


Exhibit 1. The First Step in Understanding a Customer's Experience Is to Develop a Life Cycle Map

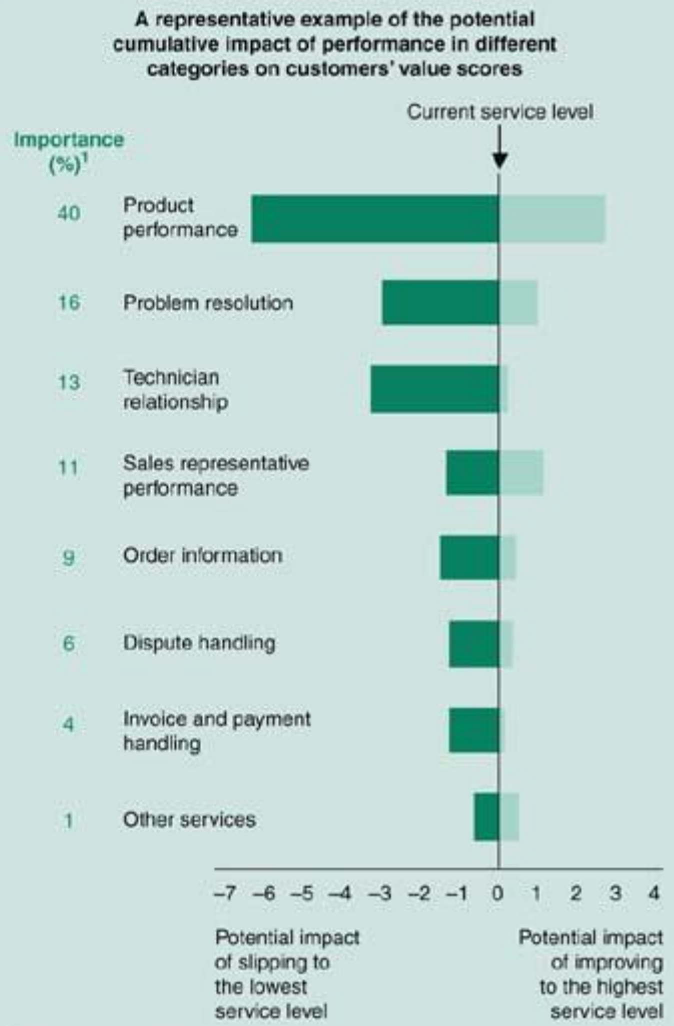
Next, pare down the customer map into a short list of the most critical interactions and product and service characteristics. You can base this list on the conversations with customers conducted earlier. Using this approach, the industrial goods company mentioned above discovered that while product performance made it onto the short list, so did several "softer" elements of the customer experience, such as the ease of making invoice corrections and resolving problems. Customers were clear that although these performance categories might not be as critical as core considerations such as product reliability, they were important enough to influence the purchase decision.

The short list of critical interactions and product characteristics can generate much insight, but it is not robust enough to serve as a basis for action. For that, the company needs to know the relative importance of those critical factors, as well as the value to the customer of different levels of performance. For example, it's essential to understand both the importance of problem resolution relative to other key elements of the customer experience and the differential value of having a problem solved in an hour, a day, or a week.

To get to this deeper level of understanding, we employed a detailed conjoint process that forced customers to make choices among different product configurations offering different levels of performance for each of the most critical elements of their experience. Customers were asked to trade off high performance on one aspect of their experience for average performance on another aspect. For example, they were asked whether they would rather have a product with a two-week lead-time and an invoice error rate of 10 percent or a product with a four-week lead-time and an invoice error rate of 1 percent. This process revealed not only the value that customers place on every type of interaction with the company but also—and most important—the relative value that they place on high, average, and low levels of performance for each one.

The process also revealed that the industrial goods company had been mistaken in its belief that 70 percent of what matters to its customers is the product's core performance. In fact, we discovered that only 40 percent of customers' most critical experiences were tied to the core product, whereas 60 percent were related to softer considerations. This revelation proved crucial to understanding why the company was losing market share even though its customers' ratings of product quality were improving.

Exhibit 2. Companies Can Measure the Potential Impact of Their Improving or Deteriorating Performance



SOURCE: BCG analysis.

NOTE: Scores are based on conjoint analysis with the customers of one industrial-goods company.

[1] These numbers represent the percentage of customers' most critical experiences related to the indicated performance category.

Uncovering Customers' Minimal Expectations

The second step in the process is to understand your customers' perceptions of your current performance, their perceptions of your competitors' performance, and their minimal expectations. You can glean this information from the conjoint analysis conducted in the previous step. By analyzing this information for each critical element of the customer experience, you can calculate the percentage of customers whose expectations you are exceeding and the percentage whose expectations you are failing to meet. This analysis also illuminates key differences between your performance and that of your competitors.

For the industrial goods company, this step revealed that it was meeting or exceeding the average customer's minimal expectations on all but one element. Although this finding was comforting, the data also showed that in a few performance categories there were large numbers of customers (albeit not the majority) for whom the company was not meeting minimal expectations. By using a cluster analysis technique, we were able to determine common areas of dissatisfaction across this hidden segment of customers and generate ideas for addressing them.

Identifying Opportunities and Risks

The third step is to combine three insights: the value your customers place on different levels of performance for each element of their experience, their minimal expectations, and their current perception of your performance. Bringing these insights together allows you to determine where you have the most to gain by improving performance—and where you face the greatest risk from a slippage in performance.

This assessment of opportunity and risk proved extremely valuable for the company we worked with. Before undertaking the assessment, management had expected that it would identify a few categories of performance improvement that the company could focus on in order to truly differentiate itself and gain share. However, it turned out that the risks the company faced if its performance deteriorated in some categories far outweighed the potential opportunities presented by efforts to improve performance in others. (See Exhibit 2.)

This finding was consistent with the earlier realization that for most customers the company was already performing quite well and frequently exceeding expectations. The company's focus on the customer experience shifted from asking, How do we go further? to asking, How do we not slip? and How do we at least meet the minimal expectations of all our customers? This shift had clear implications for strategic and operational priorities.

Creating a Customer Experience Scorecard

The final step in the process is translating what customers care about into a composite scorecard that can track actual performance over time. Creating such a scorecard entails making two sets of decisions: how much weight to give the various elements of the customer experience and, more important, which elements to measure.

The weight of each element reflects its relative importance to customers, the potential it offers for both gain and risk, and management's judgment about where best to focus the organization. Management's judgment is essential here. Clearly, you don't want to place too much emphasis on elements that are difficult to influence or control.

Determining which elements to measure is critical. A key value of this overall process is that it identifies internal metrics—as opposed to external perceptions—that can be easily tracked in terms of defined service levels and that link directly to the customer's experience. These internal metrics form the basis of a closed-loop system that provides timely feedback while also supporting sound investment decisions to improve performance. Typically, your list of measures will include a mix of directly observable elements and others that cannot be so easily measured, such as hassle-free problem resolution. For the latter category, the key is to find a proxy that correlates with customers' actual experience. For example, you might consider measuring the average number of transfers at your service center, the average length of time from opening to closing customer problems, the average number of customer problems that are resolved immediately, or the number of customer problems reopened.

Questions for Management

To understand whether digging deeper into your customers' full experience might create value for your company, consider these questions:

- Do you use internal metrics that define quality and link directly to your customers' experience?
- Do you have a clear sense of the end-to-end life cycle of your customers' interactions with your company and of each touch point between them?
- Do you know the relative importance that your customers place on those interactions?
- For the most critical interactions, do you know with certainty how important good, better, and great performance is to your customers?
- Do you have a strong sense of your customers' minimal expectations for those critical interactions?
- Do you know how well you're performing relative to your customers' minimal expectations?
- Do you have a good handle on the potential opportunities created by an improvement or the potential risks created by a deterioration in various aspects of your performance?
- Do you have an effective measure or proxy measure for calibrating how well you are meeting customers' expectations?

If you can't answer yes to most of these questions, it may be time for you to revisit your customers' experience of your company to discover what truly matters to them—and how much.

Your customers' experience of your company and your products shouldn't be a mystery. Discovering what really matters to them just requires following the right process. The disciplined, impartial approach outlined here can transform your understanding of your customers' experience from a set of general, possibly flawed beliefs into a set of clear, specific insights that are well grounded in reality.

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