

Article

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# Are you really listening to what your customers are saying?

By Harald Fanderl, Kevin Neher, and Alfonso Pulido

Too many companies squander the treasure that is customer feedback. The solution is systematically measuring the customer's voice and integrating it into a culture of continuous feedback.

**C**ustomer-experience metrics have proliferated over the past decade, and chances are that your business relies heavily on one or more of them. But many companies struggle with metrics. For some, the problem is a disconnect between the metric and business performance; for others, it's a loss of confidence among frontline workers when the metrics don't seem to explain big swings in customer satisfaction. Further, in some companies, there is confusion about whether transactional or relational measures matter more, and, in others, a simple lack of results from too much focus on one top-line metric.

Complicating the problem, many companies struggle with collecting, analyzing, and acting on feedback. Many B2B companies, for instance, gather customer feedback only through sales channels, missing important insights from users and influencers. Finally, many companies don't have the culture to loop customer feedback through the front line to improve behavior or connect it to innovation.

Taken together, these complications leave many companies tone-deaf to the voice of the customer and represent a formidable barrier to building the foundation of a successful customer-centric strategy. Happily, our experience shows that it matters less which top-line metric a business relies on; almost any one will do. Rather, what matters is how the business inserts the metric into a systematic capability to collect, analyze, and act on feedback in an effective and

complete measurement system of the customer journey. Building that system can take time, but gains to a customer-centric culture and the bottom line can accrue quickly.

## **Journey-centric customer-experience measurement**

Consider the experience of one international utility that aimed to break up its metrics logjam and build a truly customer-oriented culture. While its approach started with a top-line metric, it shifted past practice by putting a central focus on key customer journeys as the bedrock of its system. First, the company moved beyond measuring touchpoints and homed in on customer-journey feedback. A journey such as “I join” for new customers incorporates several touchpoints (for example, making initial contact, signing a contract, and receiving a first bill). The shift in focus gave the utility for the first time an end-to-end view, in real time, of how customers joined. This helped the company act on client feedback such as “my gas meter is not registered properly” or “I do not understand my direct-debit reassessment” within a few hours by calling the customer, fixing the problem, and in this way turning negative customer feedback into promotion.

Second, a new platform for operational feedback automated surveys, analysis, and role-based reporting that created a hardwired backbone for a customer-centric culture. For the first time, not only did the marketing department have customer insights, but so did a large number of employees—for example, those in all call centers. Moreover, the same system was applied across countries, enabling best-practice exchanges on multiple levels of the organization. Finally, the utility put the new insights to work with a continuous-improvement mindset that directly encouraged frontline workers to close the loop with customers. This also forced actions onto meeting agendas and performance-management systems across the company. Although the system was only recently implemented, the utility has seen real payoffs in better customer experiences, more loyalty, and lower costs. Following full implementation, company

executives expect about \$50 million in improvement in earnings before interest, taxes, depreciation, and amortization from revenue gains and other cost reductions.

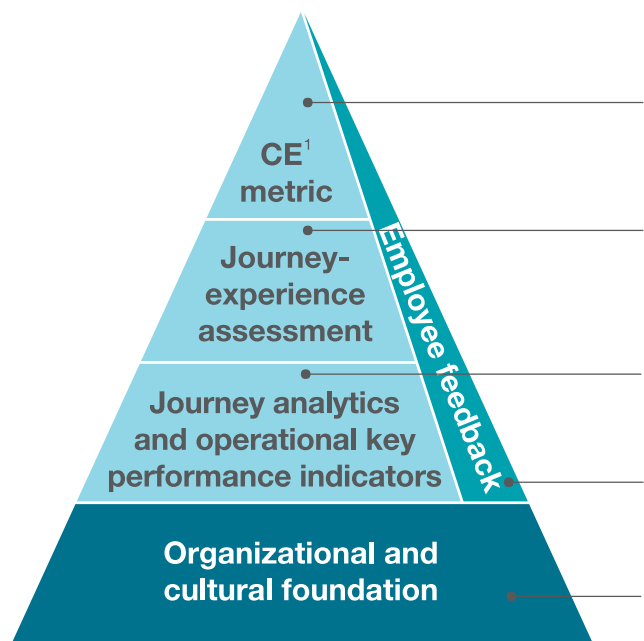
In our experience, three core elements are critical for transforming a middling approach to customer-experience measurement into a value-creating system.

*Journey-centric feedback.* The heart of journey-centric measurement is the organizing principle of measuring customer experience at the journey level, as opposed to looking only at transactional touchpoints or overall satisfaction (exhibit). Our research finds that customer journeys are significantly better correlated with business outcomes, such as churn, than are touchpoints (see [“From touchpoints to journeys: Seeing the world as customers do”](#)). Obtaining feedback about customer journeys—say, for the overall purchase journey, not just a point of sale, or for the issue-resolution journey, rather than just a customer-care interaction—becomes foundational (though it is possible to retain a top-line metric that combines the journey scores for ease of reporting and overall progress).

## Exhibit

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

## Customer-experience-measurement pyramid



## Principles

Top-line CE metric **linked to business outcomes**

**Journeys**, not touchpoints, at the core; aim is to understand performance on each journey

Regular, **objective metrics** serve as leading indicators building to each journey

Employees leveraged to assess customers' experience and identify **operational improvements**

Supported by **change-management capabilities and customer-centric culture**

<sup>1</sup>Customer experience.

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One important advantage of measuring journeys over touchpoints is the ease of tying operational key performance indicators (KPIs) to the system. For example, from a customer perspective, one of the most important KPIs that data show matter in an issue-resolution journey is the time from issue to resolution. This KPI links closely with the journey that might start from the first moment the customer or company identifies a problem and then moves all the way through resolution, so it can be linked to a customer's satisfaction with that journey. If the company is looking only at a touchpoint—say, a call interaction—then the total elapsed time until resolution never will appear as an element that drives customer satisfaction, nor will it become a focus for improvement.

In addition to tying operational KPIs to journey feedback, another essential effort is building organizational and cultural elements into the foundation of a measurement system. These elements include clear and broad transparency of customer-experience measures and feedback, as well as employee feedback. Best practice is to think of employees' journeys in the same way as customer journeys and to create a parallel path for collecting, analyzing, and acting on their feedback. In our experience, better employee experience and engagement translate to better customer-experience performance, and employees are crucial actors in helping to convey what the customer is really experiencing.

*Hardwired backbone.* Just as companies invest in enterprise-resource-planning systems to collect, measure, and report finances, so investment in technology is necessary to support a superior customer-experience-measurement system. Numerous vendors provide a variety of functionalities and price points for these platforms to integrate the customer-experience-measurement strategy into day-to-day work routines. Hotel companies generally led the way more than a decade ago on seeing the value of hardwiring ways to capture customer experiences, but today businesses as varied as Apple stores and Mercedes-Benz dealerships see these platforms as more than mere survey infrastructure. Rather, these companies regard them as a true method to translate data into operations and as essential to achieving impact.

These systems make important contributions to creating value. First, they make it possible to tap many more customer voices beyond the individuals with whom the business interacts the most. Moreover, they provide an analysis engine that can incorporate all kinds of data: survey results, social-media posts, and linking operational data. Finally, they enable action-based reporting. In other words, not only does the user gain transparency into results, but also the system offers recommendations for specific responses when certain issues are flagged. Companies hardwiring a backbone for customer feedback typically see their net promoter score jump 10 to 25 points in the first year.

*Continuous-improvement mind-set.* Change is difficult. Organizational inertia is hard to overcome, even for companies with a strong customer orientation. In our experience, there are two areas where establishing a continuous-improvement regimen matters most in achieving a superior customer-centric mind-set. The

first is at the front line, with employees closing the loop with customers on direct feedback, then using that insight to change the way the process is designed or executed. When this does not occur, the cause is sometimes a failure of performance management around customer-experience improvement, but often it involves a “muscle” that hasn’t been trained and role modeled.

Implementing this change is largely about influencing human behavior. Our research has consistently shown that effecting this type of change requires real behavioral role modeling. This must come from leaders and supervisors, new rewards and consequences, improved training in how to act, and a strong conviction and understanding among employees about why the change is important for the customer, for themselves, and for the company.

The second important area of impact is making feedback part of an approach to continuous improvement in service design. Product companies long have known that rapid iteration using customer insights is the way to get to a winning product, but service companies have rarely invested the same way in service design. For designers and engineers in marketing or research and development, it is necessary to create a pipeline of feedback and actions, rather than merely reporting metrics, so the customer’s voice is always present.

## **Getting started and lessons learned**

This kind of transformation can take time—often 18 to 24 months to fully realize the bottom-line gains—but the benefits to a company’s culture can begin accruing quickly as the system is put in place. One particular value of journey-centric measurement is that it does not require going all in at the beginning across the customer life cycle. Businesses can build the complete system, end to end, in one journey at a time and then roll out more broadly as they build momentum or free up resources.

Whatever starting point management chooses, there are common pitfalls. Lessons learned from these can help ensure that establishing a journey-centric customer-experience-measurement system gets off to a strong start:

- *Think systematically.* Metrics are simply data points. Think of each as a medical test, such as an X-ray or CAT scan, that serves as one input in making an informed diagnosis. In business, as in health, the goal isn't to focus on the test but to figure out how to heal whatever has gone wrong throughout the entire system. It may seem intuitive, but it bears repeating that securing a number is not enough. Businesses must be ready to take that feedback and use it for change.
- *Don't fret about the metric.* Businesses often agonize over whether they have the right metric. But our research shows that whether a company is using a net promoter score, customer-satisfaction score, customer-effort score, or another popular metric of the day, it matters less which score customer-experience managers choose than what they do with it. No one metric is the best for all businesses or customer journeys, and best-in-class operators generally choose the metric that is most predictive of their desired business outcome, which can vary by industry.
- *Show me the money.* Getting the most out of any metric requires linking that measurement to financial value. That linkage helps business leaders set priorities on the changes that will deliver the greatest bottom-line impact and stimulate conviction at all levels of the organization. It's of little use to choose a typical net-promoter-score scale (say, 0–6, 7–8, 9–10) if moving customers from 7 to 9 doesn't actually deliver any improvement in financial metrics such as likelihood to churn. In tying action to metrics, businesses must establish clear and well-understood break points (see [“Linking the customer experience to value”](#)).
- *Close the loop.* Metrics reflect the state of business at a particular point in time. Actually improving customer experience requires closing the loop with customers to fix individual concerns and to celebrate frontline successes. It also requires closing the loop on core issues by applying the feedback to the journey level, analyzing the KPIs, and rewiring the organization to fix the root causes of any problems.

- *Listen to the front line.* Leading customer-experience companies systematically improve operations by incorporating employee feedback on perceived customer experience and problem areas. This requires a shift in thinking that goes beyond conducting focus groups or meetings between senior management and frontline workers. It requires applying to employees the same operational-feedback platforms used for listening to customers. Although employees and customers point out similar problems, employees uncover root causes, while customers only report on symptoms.
  - *Focus on alignment.* Successfully establishing a new measurement system in the context of a broader customer-experience transformation depends on cross-functional alignment (see “[Designing and starting up a customer-experience transformation](#)”). Marketing, operations, IT, and even human resources in some cases are essential to have at the table, jointly committed to the company’s customer-experience vision.
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Customer-experience metrics are everywhere, but relying on them isn’t the same as truly hearing the voice of the customer. Rather, investing in an effective and complete system to measure the experience of the customer journey is the way to reap the rewards of customer feedback.

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