Rethinking Your Business from the Outside In

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If you read the pages of the *Wall Street Journal*, you would come to believe that business is about big deals—about multi-billion dollar acquisitions, massive pay packages for executives, macro-economic forces, stuff like that.

In fact, the secret of success is in the little things. It is in billions of small decisions.

A woman walks into a drugstore, cannot find the antacid she’s looking for, walks out.

A man calls his cable operator to report an outage, waits on hold, gets inaccurate information delivered by a surly customer service representative, and switches to a competitor. The cable operator loses years of revenue from this man.

A veteran who moves his family twice a year finds a financial services company so caring, he and his fellow customers would never leave it. He and his fellow veterans give it the highest service ratings of any company, anywhere.
These are the elements of customer experience. Customer experience is, quite simply, how your customers perceive their interaction with your company. It’s not just customer service—it’s every interaction, from the point at which they discover you to the moment of purchase to each of the touchpoints in the ongoing relationship. Customer experience makes all the difference in the success of any business in a competitive industry.

Spend a few moments with this essay, and we’ll show you three things.

First, customer experience is central. We’ll demonstrate that it’s the best predictor of business success.

Second, customer experience is hard, because it’s not just about your front-line, customer-facing employees. Its roots go deep into every process and product in your company and the whole ecosystem that delivers value to customers.

Third, delivering a great customer experience requires discipline—or more accurately, six disciplines that cut across every element of how your company operates. Master those disciplines and you will master customer experience, and the business benefits will follow.
Proof that Customer Experience Is Central to Business Success

Let’s start with the value of all the little things that make up customer experience. And let’s start with Sprint.

Sprint is the third largest wireless operator in the US. Wireless is dominated by scale. This means that Sprint has a tough job, because its big competitors—AT&T and Verizon—can build bigger networks, make bigger investments, and advertise more.

But when Dan Hesse took over as CEO of Sprint in 2007, the company was facing challenges that went far deeper than size and scale. The company was bleeding red ink and, more crucially, losing customers faster than its major competitors. Its customer satisfaction scores lagged.

Here’s how this played out. Unhappy customers were calling the call centers. This created a big problem, because there were so many calls that Sprint had to contract with outsourced call center companies to handle the load. That was expensive. Worse yet, in an attempt to placate these customers many agents had to hand out credits—typically fifty dollars per customer. Not as bad as losing a customer, but also quite expensive.
The financially deadly combination of fleeing customers and rising costs led Dan to decide on three priorities when he took over: improve customer experience, strengthen the brand, and generate cash—in that order. As he explains “I always put customer experience first . . . [because] it comes down to customers—attracting and retaining customers is how we generate cash.”

But customer experience problems are always thorny and difficult. Here’s how Dan took on this one.

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He realized that the call centers weren’t just the epicenter of the problem, they were the source of the solution. Each call was tagged with a reason code such as “dropped call” or “couldn’t understand bill.” These reason codes pointed to the true source of the problem.

Dan’s customer experience team used these codes to identify the biggest drivers of customer problems. Then Dan tasked the responsible department—typically not customer service—to resolve the underlying issues. Too many dropped calls in Topeka? Improve the network there.
Billing confusion? Reduce the complexity of the calling plans, replacing them with “simply everything plans” that were far easier to understand and to sell.

This methodical approach to rooting out and solving customer experience problems steadily fixed the issues at Sprint. Calls to the call centers receded. Sprint closed down the third-party call center contracts and stopped giving out so many fifty-dollar credits. Customer satisfaction scores rose.

By 2012, Sprint came in first among wireless carriers in the American Customer Satisfaction Index. And the cost savings from reductions in customer service added up to $1.7 billion per year. While challenges remain ahead, the company was competitive once again.

This is not an isolated case. In industry after industry, we see financial results lining up with the best customer experience. In fact, we can prove it pays off.

Our company, Forrester Research, conducts a comprehensive consumer survey every year. We compile the results into the Customer Experience Index (CXi), allowing us to rate major brands people use on the three elements of customer experience—consumers rate each company on how well it meets their needs, how easy is it to deal with, and how enjoyable it is to interact with. The top company across all industries is USAA, a large financial services company focused on the military. The worst scores are from health insurers.
Tellingly, in 2012, only 3% of companies got an excellent rating in the CXi, while 33% scored Poor or Very Poor. There is a lot of room for improvement.

But business people don’t want platitudes about customers, they want results. So chew on this. Jon Picoult, who runs the customer experience consulting firm Watermark Consulting, analyzed the CXi scores over a five-year period starting in 2007. He created a mock portfolio of customer experience leaders by investing equally in the top ten publicly traded companies in the CXi every year. He also created a laggard portfolio with the bottom ten. He refreshed this portfolio once a year based on the annual CXi scores.

The results couldn’t be clearer.

CXi leader portfolio: up 22.5%

S&P 500 index: down 1.3%.

CXi laggard portfolio: down 46.3%

Still think customer experience is a “nice to have?” Your shareholders may disagree.
The Customer Experience Ecosystem

If customer experience is central to business success, why are so many companies so poor at it? No serious business person sets out to deliver a poor experience to her customers. All companies say they love their customers. So why can’t they show it? The reason is that the roots of experience problems lie deep within companies, policies, partnerships, and processes. Finding them is hard. Fixing them is harder.

Take Charter Communications, for example. Charter is the fourth largest cable operator in the U.S. John Birrer is SVP of customer experience there. Finding and fixing customer experience problems is his job.

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One problem John found and fixed came from Charter’s bills. “Our customers call us about twice a quarter,” he told us. “We did an analysis, and the number-one call driver was our bill.” Charter had switched the bill printing from color to black-and-white to save money, but the resulting bill was harder to read and understand, causing more calls.

Examining the bill, John found that it included a full page of tiny type for legal disclaimers. “How does that make you look to customers?” he asked. “Do you trust a company that gives you a full page of six-point font?” So John set out to get rid of the disclaimers. He wanted to kill one of the “little things” that were interfering with the ideal customer experience.

Naturally, he started with the billing team. They told him legal was responsible. Then he sat down with billing and legal and asked them why the disclaimers were there.

Forced to actually examine the disclaimers, the legal team realized that many of them were no longer needed and some addressed situations that no longer applied. A full page of legal type shrunk to an inch and half.

Charter then restored the color printing, fully funded—with money left over—by the savings from cutting the extra page of disclaimers.
Was the problem that legal wasn’t paying attention? That billing wouldn’t budget enough? That customer service didn’t care about customers? No! Everyone had been doing their jobs. Everyone actually did care about customers. Caring is not enough, because an entire ecosystem of people, departments, and relationships deliver elements of the experience. Only by tracing down the whole ecosystem of causes could John Birrer and his colleagues at Charter find and then fix the problem with the bills.

One way to get at what’s going on in the ecosystem is with journey mapping. Start with a customer journey, such as ordering a product, taking it out of the box, and using it. Find where the problems are—the ones the customer sees. Find what causes those problems. Find what causes those causes. And delve into what motivates the people and relationships involved. Look below the line of what’s visible to the customer into parts of the ecosystem—like legal—that are invisible to the customer. Only then can you get to work on fixing the whole system. (And, by the way, this method helps everyone see what’s going on, which greatly reduces the finger-pointing mess that often results from a less comprehensive, fix-one-bit-at-a-time approach.)
Treating Customer Experience as a Business Discipline

We’ve shown how customer experience drives business success, and we’ve explained how its causes are often deep within an ecosystem of interrelated departments and partnerships. How can you *systematically* improve that experience?

You need to elevate customer experience to the level of a business discipline. Companies already embrace business disciplines like finance and regulatory compliance. Why? Because if you’re not disciplined about financial reporting or regulations, you can’t run a company properly. Sure, these disciplines can sometimes be a pain to deal with, but the alternative is far worse.

Similarly, unless you treat customer experience as a business discipline, you’ll commit malpractice on your customers. You owe it, not just to your customers, but to your employees and your shareholders. It ought to be as essential to your business as finance.

We’ve actually identified six disciplines that feed the overarching discipline of customer experience. Master these six disciplines and you master customer experience. They are: strategy, customer understanding, design, measurement, governance, and culture. Let’s take them one by one.
Strategy. Your customer experience strategy determines what your plan for customer experiences will be. It’s not just about “great experiences.” The experience at an Apple Store, for example, focuses on high touch service and beautifully designed products at a premium price. At Costco, there are huge piles of products everywhere, difficult to navigate, but at great prices. Apple’s experience is right for Apple; Costco’s is right for Costco.

To get an idea of how customer experience strategy gets everyone moving toward the same goal, take a look at Holiday Inn. In an attempt to get travelers to feel more welcome (and spend more money) with the hotel chain, Holiday Inn decided to focus on serving “everyday heroes”—mid-scale business and leisure travelers who are self-sufficient, unpretentious, and sociable. This strategy drove changes in the way the Holiday Inn lobbies and restaurants were laid out and how the guests were treated. Interior designers did up the lobbies in matte ceramic tile and cotton rather than pretentious black marble and velvet. They put Macs in the business centers for stylistic reasons, but put the Windows operating system on them because that’s what their customers are used to. And they added perpendicular peninsulas to the bar to act as magnets for groups to gather around and socialize.

These are tiny elements of tiny experiences. But together, they make the Holiday Inn guests feel productive and comfortable, which is the experience the hotel chain was seeking.
Customer understanding. To deliver a great experience, companies need to understand their customers. This kind of research must go a lot further than surveys. Until you really know what your customers are experiencing (and feeling), you can’t improve it.

Here’s a great example. Conor Brady, chief creative officer at the interactive agency Organic, got hired to help an upscale chain of fitness centers to improve its experience with interactive tools and apps. To understand customers better, agency team members actually went to the gym and tried it out. One evening, they were startled to see a long line of about thirty people start to form along the wall next to one of the studios. These people were dressed to exercise and yet were waiting in line, nearly motionless. Why?

A few interactions with the members revealed that they were waiting for a class—and that furthermore, certain spots in the class were more desirable than others. “Some wanted to be near the instructor to show off or see what was going on, while others wanted to hide in the back,” Conor recalls. Some of these members were actually willing to wait half an hour to make sure they got their spot.

This was the insight Organic needed. They built online and mobile functionality that allowed members to reserve a specific spot in the class. Now people who came to exercise could spend their extra half hour exercising—or relaxing—rather than standing in line. But without this sort
of systematic effort applied to customer understanding, Organic could never have developed the insight that led to this improvement.

**Design.** Customer experience design mystifies some people. How can you design an experience? Experience design is not just about physical spaces or products, but about how people use them.

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The Mayo Clinic found this out when Dr. William Mundell, an internist there, took on the job of configuring his division’s outpatient facilities in a new building. Any of us who has gone to a doctor knows what exam rooms look like—they’re small and cramped and dominated by the equipment for examinations—the sink, the blood pressure cuffs and the bed you lie down on. But these days, much of medicine consists of conversations between patient and physician, and looking together at pictures on a computer screen. Was there a better way to design the space? Mayo’s innovation team realized the key lay in creating separate exam and consultation spaces. But there was simply not enough floor space for twice as many rooms. Suddenly, inspiration
struck from the least likely of places: the *Brady Bunch* bathroom. The 1970s TV show featured a single bathroom with doors connecting to two bedrooms. Could a single exam room similarly serve two consultation rooms?

Proving out this concept was harder than it looked. William and his team had to prove that the proposed design would preserve patient confidentiality and function efficiently. So they built one in an unused corridor and tried it out. Only then did Mayo doctors and employees find what would work best—like brightly lighting the exam room and making it warmer. Physicians could type up notes or consult with family in one room as patients changed clothes in another.

With the design prototyped and proven, the Clinic could go forward with the expensive process of creating the new building’s layout, confident that the design, not just of the space, but of the way the staff and patients *interacted* in that space, would create the best possible experience.

**Measurement.** If you can’t measure it, you can’t manage it. Those words apply to customer experience as they do to every other business discipline.

When it comes to customer experience, the discipline of measurement has three elements. You can measure perception—how people feel—with surveys and similar tools. You can measure activity with tools like call logs, billing systems, and CRM systems. And you can measure out-
comes—intended behaviors—with tools like Net Promoter Score. You need all three to get an accurate picture.

Take the example of JetBlue, the airline on a mission to “bring humanity back to travel.” They survey passengers about their flight experience to acquire perception metrics. They attach data about what actually happened—the cost of the ticket, any flight delays—to the results. And in the same survey, they ask whether the passenger would recommend them so they can tie perceptions to results.

These findings feed a process that the business uses to set priorities and guide day-to-day employee behavior. According to Bonny Simi, the JetBlue executive who created the measurement program, “Sharing positive customer feedback directly with the crewmembers is a fantastic motivator, and a far better way of reinforcing the JetBlue experience than a supervisor providing negative feedback.

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Governance. To embed customer experience improvements in business, you need more than data and desire. You need rules and accountability. This is the discipline of governance.

For example, Barclaycard US, one of the ten largest issuers of bank cards in America, rolled out an initiative intended to ensure customer experience gets the appropriate degree of attention. It’s called Level 0. The company has identified nine high-level processes that make up the customer’s journey, such as acquiring the customer, servicing her issues, or collecting on delinquent accounts. The key governance feature is that one senior executive has accountability for each level 0 process.

For example, Paul Wilmore, Barclaycard’s senior director of consumer markets, owns the process of acquiring new accounts. He knows exactly what happens—or is supposed to happen—when someone applies for a card by calling the company, filling out a form online, or sending it in by mail. And he also knows what happens with approvals and completing the process of acquiring the customer.

Paul doesn’t have control over every element of this process. As in most process-heavy service companies, things aren’t so neat. But if any element of the process changes—say there’s a new way to apply, a new marketing program, or a new means of generating approvals and rejections—he gets to see it and assess how it will impact customer experience. When things go wrong,
competing departments in scenarios like this often get into finger pointing about who is at fault. Paul can then step in and force a solution, since he has ultimate accountability for this process.

Replicate this across all the Level 0 owners in the company and customer experience cannot only be protected, but it can be improved because of the accountability these owners bring to a complex company. “It’s been a breakthrough,” Paul says. “It’s enabled us to come together as a team to make sure we provide a better customer experience.”

**Culture.** Without culture, none of the other disciplines can succeed. Only if you hire the right people and maintain the right attitudes throughout the company does executing on the other disciplines become possible.

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Culture gets those nitty-gritty interactions right. At Safelite Autoglass, for example, it’s culture that creates consistency in windshield repairs across shops in widely scattered geographies—a must for maintaining the company’s brand.

Tom Feeney, the company’s president and CEO, helped spread that culture by pitting market against market on Net Promoter Score and other measures. Each quarter, the company rewards the top-performing market with a celebratory dinner and chance to socialize with the company’s top executives. One general manager in Idaho, with a breakout Net Promoter score of 94 percent, takes it personally if a customer becomes a detractor. When a team in Orlando started posting high scores, executives traveled there with a film crew and created a video about how they delivered great service—it’s actually up on YouTube. Safelite also provides financial incentives to prove how much it values great customer experiences. In the five years since Safelite began this program, sales have doubled.
What Will You Do About the Customer Experience at Your Company?

Meeting with executives from financial, telecom, b2b, consumer services, and healthcare companies, we are continually struck with the complexity of delivering a great experience, but also by how much it’s worth. Mastering all six disciplines requires constant and systematic attention. The results of what are often millions of interactions across thousands of customers make up the totality of what makes a company successful. Only by treating the delivery of these interactions as a business discipline can a company reap the benefits of a focus on customer experience.

*After all, Aren’t your customers worth it?*
INFO

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