



CX BEYOND BS – TRANSFORMING BUSINESS PERFORMANCE

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The nature and quality of customers' experiences with any business are the primary drivers of organic growth. Despite this truth, there is a growing concern that the massive attention to and investment in Customer Experience (CX) over the past several years has not led to any significant increase in overall business performance. Forrester's CX Research Director, Harley Manning, recently observed, "Let's face it. 2018 was not a fabulous year for customer experience. On average, CX quality was flat, with Customer Experience Index (CX Index™) scores showing little movement for the third year in a row." This is simultaneously troubling and not surprising.

I've been at this for a while and I'd like to share my observations and recommendations. First, some background that will put my comments in perspective. My work on experience design began 35 years ago with research focused on the integration of design and cognitive science. As of this month, my design and consulting business, Customer Innovations, has been a practice for 25 years. In that time, we've worked on experience transformation efforts with more than 100 major organizations across virtually every industry and have contributed a total business impact of well over \$100 billion dollars.

This has included helping:

- financial services firms pivot from transactional stock brokerage experiences to fee-based wealth management experiences
- health insurance companies transform business-to-business experiences and launch direct-to-consumer experiences that have grown into industry leading lines of business
- health provider organizations shift from transactional care experiences to full-risk health experiences focused on caring for the whole person, not just the patient
- major business-to-business service providers transform their value and relationship management experiences

The practice started in the mid-90's as part of the consulting firm **CSC Index** that created both the concept for and the practice of **Business Reengineering**. Reengineering is a word several very creative colleagues made up to describe the holistic transformation of business models to achieve breakthrough results. The landmark 1993 book on the topic, **Reengineering the Corporation** by Michael Hammer and Jim Champy, is still considered one of the most influential business books in history. In it, Hammer and Champy described Reengineering as an alternative to **rearranging the deck chairs on the Titanic**.

This thinking is even more important today. IBM's global CEO has shown that close to 85% of executive leaders believe their current business model may require substantial changes over the coming years. Innosight, one of the premier strategic innovation consulting firms, has very astutely described the challenge facing many industries and organizations as one of Dual Transformation. A Dual Transformation is the process of balancing and integrating efforts to optimize today's business (working forward from the present) while at the same time creating tomorrow's new growth engine (working backward from the future) and creating capabilities and resource linkages between the two. The book **Dual Transformation: How to Reposition Today's Business While Creating the Future** by Scott Anthony, Clark Gilbert, and Mark Johnson is a must read.

My observation and greatest concern is that **the vast majority of CX strategy, activities, tools, and metrics are focused on B.S. (Better Sameness)**; Better Sameness creates incremental improvements working forward from the present -which is only one side of Innosight's Dual Transformation model. While this may create the comfortable illusion of progress, it does not generate the dual transformation required for businesses to remain competitive. It's just rearranging deck chairs. **The time has come to Reengineer CX**

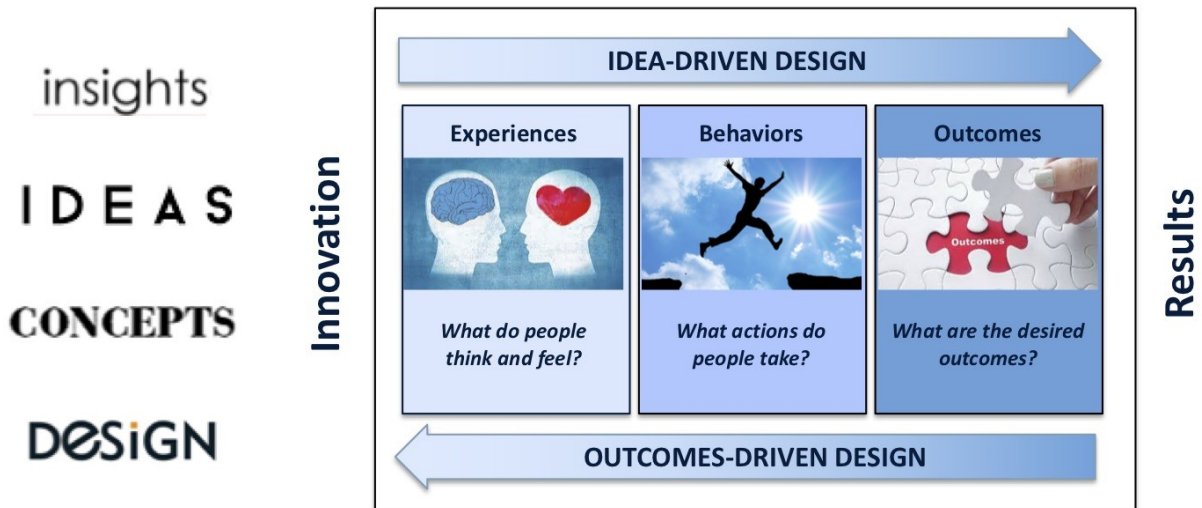
STARTING WITH WHY – AN OUTCOMES-DRIVEN APPROACH TO CX

There's a lot to be said about the WHAT and HOW of CX practice but, as Simon Sinek has taught us, we need to **Start with WHY**. When you strip away all the hand waving, customer experience has always been important. The experiences customers have are the primary driver of an organizations' ability to attract, engage, retain, and improve the profitability of customers.

The WHY of customer experience is all about driving substantial and measurable improvements in business performance (e.g., revenue, profit, etc.) by creating breakthroughs in value for customers. Customer satisfaction, NPS, marketing metrics, and service quality may be helpful intermediate goals but they are NOT the WHY. You can easily increase performance on these metrics and not grow revenue and profitability. On their own, focusing on these intermediate metrics runs the risk of just reinforcing B.S.

Over the course of our work, we've learned that first step must be to clarify and gain commitment to a future-focused **OUTCOMES MODEL**. This Outcomes model is **the critical tool** for ensuring any CX investment is focused on substantial and measurable results. It helps avoid spending resources on incremental enhancements that are **hacking at the leaves of the problem rather than striking at the root**. It also shifts the entire concept of measuring ROI. The business case and commitment are built in from the start; rather than coming up with an array of ideas and then figuring out what and how you can justify them (idea-driven rather than outcomes-driven design).

OUTCOMES-DRIVEN EXPERIENCE DESIGN WORKS FROM RIGHT TO LEFT



For example, one of our recent clients had made a major commitment to using NPS. Over the preceding years, their NPS scores were increasing while revenues and profitability were decreasing; an effect we've observed in many other situations. The problem was most acute in one of their most difficult divisions focused on small to medium sized business customers.

At the outset of our effect, we shifted focus by building alignment on an **OUTCOMES MODEL** that started with two **BUSINESS OUTCOMES**:

1. Grow annualized revenue for the underperforming division from \$650 million to \$1 billion over the next 30 months while improving gross margins by 15%
2. Identify and begin to translate elements of the experience design for that division to the other divisions (which, at the time, represented another \$2 billion in revenue)

Achieving these **BUSINESS OUTCOMES** were highly dependent on a small set of customer **BEHAVIORAL OUTCOMES** that were the next part of the **OUTCOMES MODEL**.

1. Increase the total number of customers that renew their annual contracts to 90%
2. Increase the number of renewing customers willing to agree to a price increase to 67%

In the majority of situations we've seen, business results are often highly dependent on a surprisingly small set of customer behaviors. Clarifying the connection between business and behavioral outcomes provides insight into the direction for transforming the experience.

While there are almost always dozens if not hundreds of ways you can improve the experience, the most effective investment is to sharply focus on creating experiences that influence the most valuable behaviors. This allows you to define **EXPERIENTIAL OUTCOMES**, which are the third and final component of the **OUTCOMES MODEL**.

In the case of this client, the transformation effort was focused on creating the most highly differentiated **Proactive Value Management** experience. The client branded this **Making Value Visible**. It involved engaging customers in a signature set of collaborative value planning, delivery,

and communications interactions supported by a new value planning and reporting tool. We also reorganized the customer relationship model to incorporate a differentiated new role: **Client Value Manager**. The responsibility of this role in working through the process was to clarify, create, communicate, and convince the customer of the business value they were getting.

The whole program was designed in a way that customers would perceive their experience as a **difference in kind** rather than a **difference in degree** compared to other experiences they'd had in this part of their business. The focus on achieving stretch outcomes enabled them to create a customer experience that shifted the basis of competition in their industry.

Over a 2 year period, we worked with this client to design, pilot, and rollout the new experience. The metrics used to track and ensure progress in this successful effort tied directly to answering questions posed by the **OUTCOMES MODEL**:

1. Are customers engaging with the specific experiences we defined in the **EXPERIENTIAL OUTCOMES**; not generic measures like satisfaction or NPS?
2. Are those experiences leading to a measurable change in the **BEHAVIORAL OUTCOMES**?
3. Are the changes in customer behavior leading to the performance improvement defined by the **BUSINESS OUTCOMES**?

MOVING FROM WHY TO WHAT AND HOW

I've written about the translation of WHY into WHAT and HOW in other posts and articles. Rather than reproduce them here, I'll just point you towards these other sources.

I have to warn you, some of what we've learned runs a bit counter to the current wave of activity in the CX field. The benefit of having done this for a while is that we've had the chance to try a lot of what works and doesn't work. If you have thoughts on the points made above or any of the materials referenced below, I'd really love to hear from you.

- **Customer Experience: Beyond Better Sameness.** This white paper describes an outcomes-driven approach to creating highly differentiated signature experiences. It also touches on the importance of integrating the design of employee experiences that enable the organization to deliver for customers.
- **Design for Behavior Overview.** As discussed above, the ability to achieve very significant improvements in business results is generally dependent on creating experiences that influence customer behavior. This white paper describes the approach and toolset we've developed and applied over the past several decades.
- **The Four Challenges of Successful Experience Transformation (Beyond B.S.).** This short article pays particular attention to the challenging but critical work to redefining customer-facing and enabling operating models and address leadership, cultural, and behavioral conditions for success.
- **A Customer Experience is NOT a Journey: Rescuing Experience Design from the Grips of Better Sameness.** Journeys are meaningful in people lives. However, with few exceptions, customers don't want to feel like they're on a journey with your business. The overwhelming

use of Journey Mapping is one of the reasons CX activity is caught in the trap of B.S. Sorry, I know this will ruffle some feathers.

- **Getting the Employee Experience Right: Creating Employee Experiences that Drive Business Growth.** This white paper was originally published in 2009, based on the first 15 years of work integrating customer and employee experience. There is, of course, a growing recognition of the importance of getting the employee experience right. Across some of our largest clients, the employee experience work has often represented 1/2 or more of the total effort.