



BUILDING A CUSTOMER EXPERIENCE FACTORY

How to deliver great, scalable and cost-efficient customer experiences in the digital age.

THIS PLAYBOOK WAS PRODUCED BY THE FOLLOWING BAIN & COMPANY PARTNERS:

Jens Engelhardt in Zurich (jens.engelhardt@bain.com)

Gerard du Toit in Boston (gerard.dutoit@bain.com)

Frédéric Debruyne in Brussels (frederic.debruyne@bain.com)

OVERVIEW:

THE CUSTOMER EXPERIENCE FACTORY DELIVERS DESIGN AND IMPLEMENTATION OF OUTSTANDING CUSTOMER EPISODES AT AN UNPRECEDENTED PACE

The Customer Experience Factory approach is the right approach for companies looking for:

- A step change in customer experience and cost efficiency, not just marginal improvements
- Solutions grounded in customer-centric design thinking and valid prototypes, rather than theoretical, internally focused concepts
- A systematic and repeatable approach to redesigning and implementing customer episodes that's agile and fast-paced, rather than rigid waterfall projects or agile chaos
- A way to enable the organization, ensure end-to-end ownership and empower cross-functional teams, rather than thinking and working in silos
- Tangible 80% solutions, fully ready for implementation, rather than theoretical 100% solutions that never get implemented
- Fast time to implementation and financial impact and high transformative momentum, rather than a congested implementation funnel

THE GOAL:

SIMPLE & DIGITAL CUSTOMER EPISODES

Customer experience leaders have a clear ambition for what purchase, usage and service episodes should feel like for customers in the digital age. As we explain in our Bain Brief on Simple & Digital transformation (“Running the Business through Your Customer’s Eyes”), these episodes should be:

- **Effortless**, enabling customers to, for example, identify themselves with a single ID across all channels, purchase or pay with one click in a mobile app, and choose among a variety of delivery or payment options
- **Personalized**, presenting customers with contextual recommendations and offers tailored to their individual needs

- **Delivered with a human touch**, providing automated but transparent and easy-to-understand status updates, and allowing customers to speak to a human agent whenever it really matters to them

Simplification of the business and digitalization of customer episodes are a means to an end: achieving superior customer experience (CEX) while radically reducing cost. In recent years, we have seen many companies try to improve their customer experience and economics by digitalizing customer interaction and operations—with limited success. They often struggle for three key reasons:

- They miss the customer orientation.
- They attempt to digitalize existing complexity.
- They lose momentum and consequence on the path to implementation.

These shortcomings become painfully clear for many companies as they start to build digital customer episodes. They lose focus and struggle with sequencing as massive concepts overwhelm the organization and congest the implementation funnel, due to lack of resources and poorly defined interdependencies. Many companies have difficulty making hard choices: Internal politics and cautiousness all too often interfere with the *right* answer, and leaders find it easier to add things to the list than to stop initiatives that no longer serve the end goal of delighting customers. Speed limits crop up frequently: Missing cross-functional collaboration leads to lengthy alignment processes, iterations of concepts and misunderstanding (e.g., between business and IT), all of which consume people’s time but do not improve the actual product of their work—the customer’s experience.

In fact, the most direct, customer-oriented way to improve experience and economics in the digital age is to design and manage customer episodes that have been profoundly reimaged. As we have explained, episode management reaches well beyond a focus on product features or touchpoints (“Running the Business through Your Customer’s Eyes”). In addition, we are strong believers that radical simplification is a prerequisite for successful digitalization.

- **Customers demand simple, intuitive solutions.** Short on time and patience, today’s customers will only use services if they are simple, easy to understand and quick. Modularization focuses companies on satisfying the customer’s most important need quickly before offering additional options and features.
- **Simplification and digitalization go hand in hand to deliver real investment synergies.** Digitalizing complexity is costly. Consider, for instance, how the number of interfaces increases exponentially with system complexity. Investing in simplification improves ROI by creating the right foundation and preventing repeated digitalization follow-up investments.
- **Radical simplification and modularization increase agility and strategic flexibility.** The big will not always beat the small, but the fast will beat the slow. Simplification is essential for established players to compete successfully against digital disrupters.
- **Simplification and digitalization reinforce each other on the path to full potential.** Digitalization addresses only the “how” (e.g., electronic vs. paper credit-check form?), while simplification addresses the “what” (e.g., is a credit check necessary?). Simplifying the “what” enables full potential and unlocks additional synergies—such as lower training effort and reduced employee attrition.

Customer experience leaders have a clear ambition for what purchase, usage and service episodes should feel like for customers in the digital age.

CREATING SIMPLE & DIGITAL CUSTOMER EPISODES: THE CUSTOMER EXPERIENCE FACTORY

To deliver outstanding customer experiences and economics, Bain helps companies deploy the Customer Experience Factory (see Figure 1). The basic idea is to break through organizational silos and form a strong, cross-functional team that works according to the latest agile values and principles, a key success factor of Net Promoter System® champions like Amazon, Netflix and Apple.

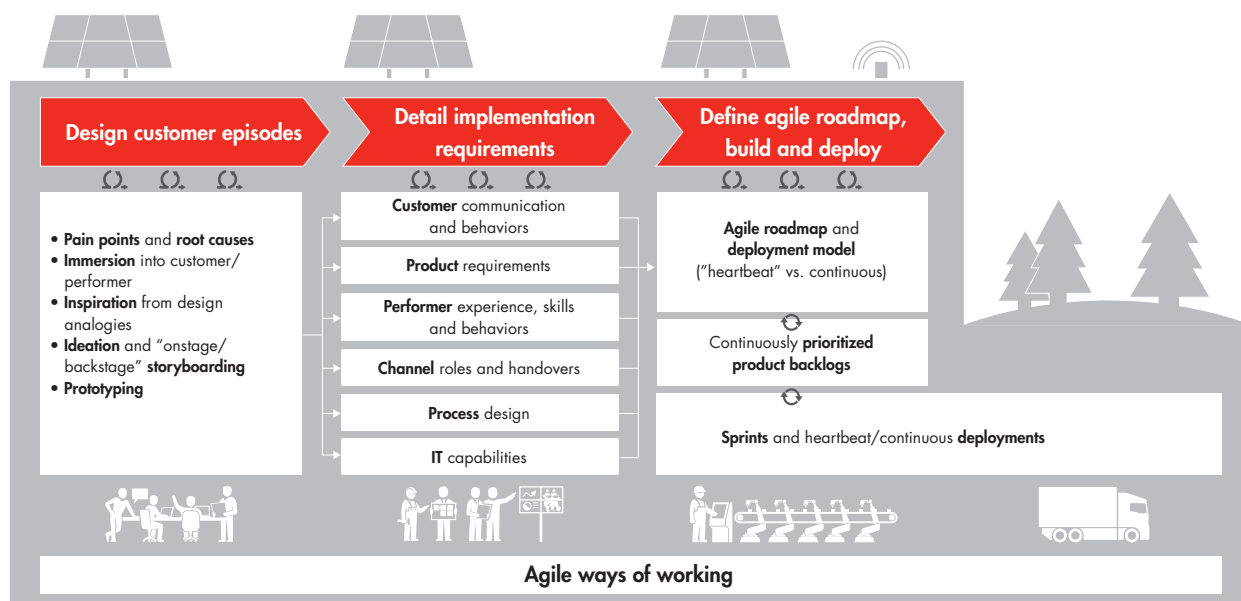
The impact of a fully operational Customer Experience Factory can be substantial. One European telco designed a new debt-collection episode from scratch. The sprint to finalize the design and detail the implementation requirements took six weeks. Within four months, dunning calls and bad debt dropped by half, and involuntary churn fell by 15%. For a leading bank, using the Customer Experience Factory to redesign its change-of-address episode quickly shifted more than half of those episodes to an efficient online platform, reducing the volume of work handled manually by the call center and back office by 80%.

The Customer Experience Factory is based on four principles:

1. **Customer-centricity** guides every step along the way. Grounded in design thinking, our approach puts end users at the heart of the process to develop solutions that truly satisfy their needs. Prototypes are developed and tested early to ensure acceptance and continuously improve the solution.

Figure 1

■ The Customer Experience Factory becomes a platform to transform the business



2. **Cross-functional collaboration** starts on Day One. The factory is staffed with internal experts who own key work streams, such as end-to-end customer processes and IT, and are permanently assigned. This not only ensures maximum alignment but also safeguards the feasibility of the new solution, which draws on all relevant functional expertise from the start. A production manager oversees the factory, identifying interdependencies and maintaining alignment, especially when several episodes are redesigned in parallel by separate teams.
3. **An agile, sprint-based approach** takes the team of cross-functional experts from design through implementation of a predefined customer episode. One team works on only one episode at a time, pushing it toward implementation in focused sprints before tackling the next episode. This approach prevents congestion in the implementation funnel and strengthens focus.
4. **Detailing implementation requirements** is a critical element of episode redesign. Focusing on one episode at a time, the team has sufficient bandwidth to think deep instead of broad and to solve more complicated issues. A dedicated episode-owner oversees the target episode from end to end and ensures that it isn't diluted in implementation.

The cross-functional team puts these principles into action by following three key steps:

Step 1: Looking through the customer lens to design superior episodes

It takes a solid and rich fact base to design great customer episodes, including:

- Data to effectively prioritize episodes with the highest potential to improve customer experience (e.g., those generating a large share of detractors) and to reduce costs (e.g., service episodes associated with high call volume)
- A comprehensive view of current pain points as perceived by customers and performers, the employees who manage and deliver customer episodes
- A deep understanding of the root causes behind those pain points

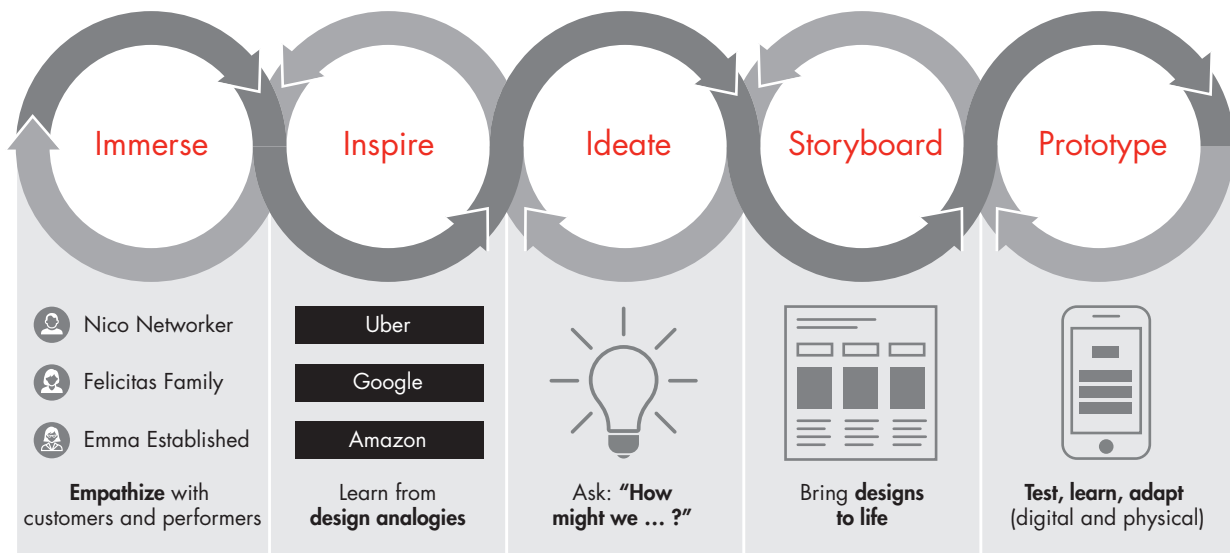
This type of fact base enables companies to direct energy and resources where they will have the most impact. In our experience, companies can address more than 70% of CEX issues and identify areas for potential cost reduction by focusing on four or five key customer episodes in their businesses.

After establishing the fact base, the team sets up in an unconstrained environment and aims for a solution that is 10 times (rather than 10%) better. Five critical stages guide the team through episode design, conducted in intense, agile design-sprints (*see Figure 2*).

Five critical stages guide the team through episode design, conducted in intense, agile design-sprints.

Figure 2

A state-of-the-art approach to developing disruptive ideas keeps the customer at the center



Source: Bain & Company

- **Immersion:** Empathize with customers and performers and really step into their shoes. For customers, this typically involves creating composite “personas” for existing customer segments and imagining them in relevant real-life situations. How would they feel and what would they want in a specific scenario?
 - One European telco did this very successfully by confronting the design team with artifacts from the real world that illustrated the customer situation at hand (e.g., call recordings of customers asking questions about their bills, coupled with hard copies of the actual bills).
- **Inspiration:** Best-practice examples and design analogies from leaders within and outside of the company’s own industry provide inspiration.
 - The Uber app inspired the team at one European telco as it looked for a way to show customers when a field service technician would arrive at their premises.
 - When thinking about how to best display services in a mobile app, a team at a European bank drew inspiration from a health insurance solution that combined contract data with other personal information.
- **Ideation:** This is where the creativity starts. Based on a deep understanding of customer needs and outside-in inspiration, each team member generates ideas. The team then votes on the most promising elements and designs the target picture together.

- **Storyboarding:** Telling a story around how the customer will experience the new episode brings ideas to life. A professional illustrator is brought in to capture the team’s thoughts in real time. The storyboards help to align the team behind one common vision and serve as a first simple prototype to collect feedback from outside the Customer Experience Factory team.
- **Prototyping:** At this stage, the primary goal is to test elements of the newly designed episode—with real customers—and to “fail and adapt” as early as possible before spending a lot of resources on implementation. It’s a principle that digital natives like Amazon have embedded in their cultures. A prototype can be anything from a hand-scribbled mock-up of a new bill layout to a clickable HTML5 dummy of a new mobile app.

Step 2: Getting ready for fast implementation

A key principle of the Customer Experience Factory is to push each episode to “implementation readiness.” Once the target picture is in place, the cross-functional team works in agile sprints to define all necessary implementation requirements. It’s important to note that the idea is *not* to have experts write hundreds of pages documenting requirements, but to use frequent alignment discussions between different functional areas (particularly business and IT) to focus on and document the essential. The end product is a pragmatic list of requirements, sufficiently detailed to be executed by performers and developers.

The setup of work streams in the factory follows a holistic approach: What needs to change, from the frontline agent to the back-end IT system, in order to realize the desired customer experience and economic gains? The key to success is to ask and answer the right questions about the work streams. Here are some examples.

- **Customer emotions, needs and behaviors:** How do we encourage and educate customers to behave in the desired way? How do we steer them to the right (digital) channel?
 - One telco proactively addresses customers who travel abroad with a push message through its mobile app, encouraging them to purchase a fixed-cost roaming option. At the same time, any roaming traffic incurred from using the operator’s mobile app is “white-listed” as free of charge. In this way, the telco has significantly reduced complaints about unexpected roaming charges while still increasing overall roaming revenues.
- **Product architecture and business rules:** Which changes in product architecture and business rules are necessary to enable the desired customer episodes?
 - One European telco decided to move all TV set-top box intelligence and data, including individual settings and customers’ recordings, to the cloud. This move significantly improved the “I need to solve a technical issue with my TV” episode, as customers could replace their faulty set-top boxes without having to reconfigure them and without losing their recordings.
- **Performer experience and behaviors:** How do we motivate and enable performers to behave in the desired way? Which capabilities are they currently lacking, and what training is required?

- A bank gave call center agents a broader mandate and provided targeted training that enabled them to solve certain customer queries directly in the system, significantly reducing processing time and increasing customer satisfaction.
- A European telco is building one common front-end service portal for agents and customers, which will make it much easier for agents to support customers using the online channel. In order to reduce service call volumes and improve service scores, the company incentivizes agents based on an average of Net Promoter Score® and the “share of customers educated to use online channels,” assessed with a simple question in the NPS® touchpoint survey.
- **Channel roles and handovers:** Which roles will different channels play in the future, and how do we ensure a consistent omnichannel experience?
 - To cut wait times to resolution, one telco offered customers who called the interactive voice response hotline an alternative option: receiving a text message with a deep link to the online support channel to resolve the issue instantly, rather than waiting to connect with an agent. Coupled with the promise to speak to an agent immediately via a special deep-dial number should the online channel not meet their needs, this program encouraged customers to solve simple issues like address changes online.
- **Process design:** How do back-end processes need to change in order to enable new episodes at the front end? What manual tasks can be automated to realize cost savings?
 - A retail bank redesigned its change-of-address process for a better customer experience and is now switching from highly labor-intensive manual back-office processing to an automated straight-through process for about 80% of all online address changes.
 - One European telco adapted the back-end processes in its online store to support a purchase process with 3 steps instead of 10. It embedded intelligent data verification routines very early in the process to maximize the share of orders running straight through without manual intervention, leading to significant CEX improvement in purchase episodes.
- **IT implications (front- and back-end) and digital capabilities:** What exactly do we need to build in IT, and what is the right (agile) way of building it?
 - A European telco created a new hybrid service app consisting of a dynamic, interactive HTML5 website and corresponding iOS and Android “wrapper” apps. This allowed the company to very flexibly adjust and update the app (e.g., rearranging the menu for the summer “roaming season”) according to its business needs, without going through the lengthy Apple and Google app store approval processes every time.

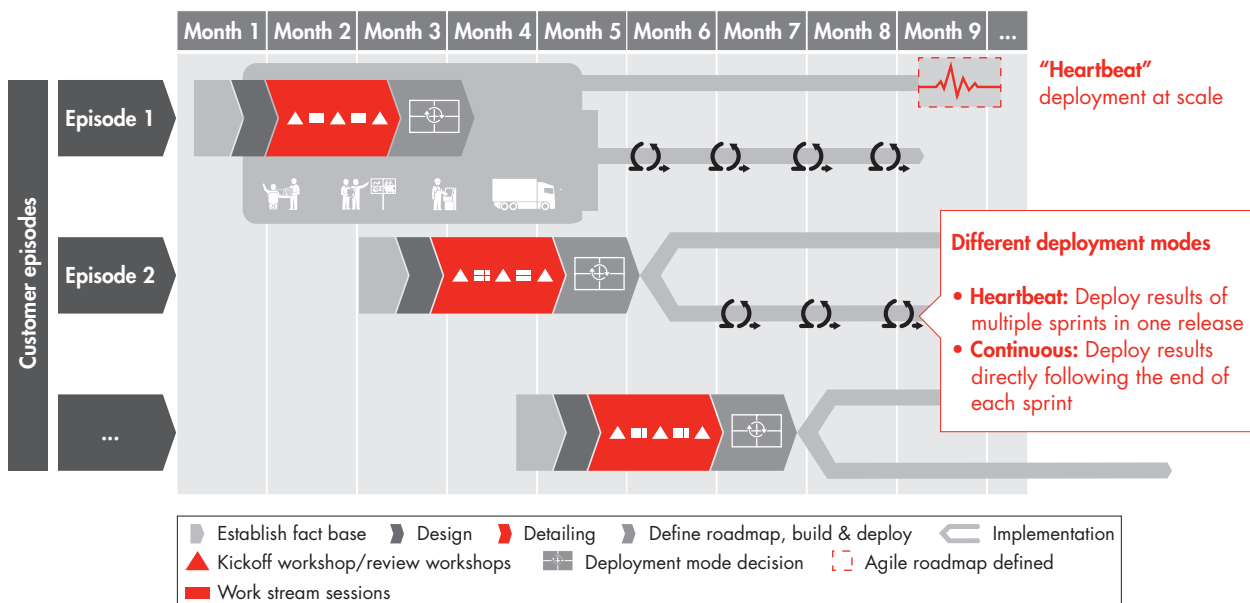
Step 3: Implementing customer episodes with the least time to impact

Ultimately, speed in detailing episode implementation requirements should lead to a much faster time to financial impact, thanks to the agile collaboration of the Customer Experience Factory team.

- Once the team has detailed and documented the key business and technical requirements of the redesigned customer episode, it assesses the required implementation effort and develops an implementation roadmap, differentiating between quick wins and medium-/longer-term measures, as well as identifying interdependencies.
- To manage interdependencies and ensure end-to-end consistency of changes going live to customers and performers within and across episodes, the production manager and episode-owners continuously review and refine the implementation roadmap, making use of deployment “heartbeats”—points at which changes with high interdependence are deployed at scale, with a tangible impact on customers and performers (see Figure 3).
- They also use these heartbeat moments to plan the implementation of cross-functional enablers required for multiple different episodes to go live—for instance, changes in the IT architecture.

Figure 3

A well-structured, agile process delivers customer episodes rapidly, from design to implementation



Source: Bain & Company

Companies that build a Customer Experience Factory along these lines quickly see the results: great customer experiences are both scalable and cost-efficient, and keep customers returning for more.

- To ensure that potential quick wins aren't held back, the Customer Experience Factory team is on the lookout for measures that can be tested and deployed quickly. For example, in the case of a retail bank, a short pilot proved that the 40% of callers who wanted to change their address could easily be steered to doing it themselves online if prompted by the call center agents. Based on these positive results, the bank instructed call center agents across the country to inform customers of the self-service option, significantly reducing call times and effectively steering customers to the online resources.
- On the IT side, many incumbents still work in waterfall architecture and processes, and are relatively early in the transition to agile IT organizations. To prevent falling back into the waterfall model after working agile during design and detailing, one bank is piloting a dedicated agile IT team responsible for implementing IT requirements for different customer episodes coming out of the Customer Experience Factory. This enables the bank to recognize interdependencies early, and allows for one dedicated agile developer team in an organization that remains mostly waterfall.

Companies that build a Customer Experience Factory along these lines quickly see the results: great customer experiences that are both scalable and cost-efficient, and keep customers returning for more. 🔄

Shared Ambition, True Results

Bain & Company is the management consulting firm that the world's business leaders come to when they want results.

Bain advises clients on strategy, operations, technology, organization, private equity and mergers and acquisitions. We develop practical, customized insights that clients act on and transfer skills that make change stick. Founded in 1973, Bain has 55 offices in 36 countries, and our deep expertise and client roster cross every industry and economic sector. Our clients have outperformed the stock market 4 to 1.

What sets us apart

We believe a consulting firm should be more than an adviser. So we put ourselves in our clients' shoes, selling outcomes, not projects. We align our incentives with our clients' by linking our fees to their results and collaborate to unlock the full potential of their business. Our Results Delivery® process builds our clients' capabilities, and our True North values mean we do the right thing for our clients, people and communities—always.



For more information, visit www.bain.com

AMSTERDAM • ATLANTA • BANGKOK • BEIJING • BENGALURU • BOSTON • BRUSSELS • BUENOS AIRES • CHICAGO • COPENHAGEN • DALLAS • DOHA • DUBAI
DÜSSELDORF • FRANKFURT • HELSINKI • HONG KONG • HOUSTON • ISTANBUL • JAKARTA • JOHANNESBURG • KUALA LUMPUR • KYIV • LAGOS • LONDON
LOS ANGELES • MADRID • MELBOURNE • MEXICO CITY • MILAN • MOSCOW • MUMBAI • MUNICH • NEW DELHI • NEW YORK • OSLO • PALO ALTO • PARIS
PERTH • RIO DE JANEIRO • RIYADH • ROME • SAN FRANCISCO • SANTIAGO • SÃO PAULO • SEOUL • SHANGHAI • SINGAPORE • STOCKHOLM • SYDNEY • TOKYO
TORONTO • WARSAW • WASHINGTON, D.C. • ZURICH