



WHITE PAPER

CUSTOMER JOURNEY OPTIMIZATION

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Introduction

Customer centricity is more than a passing trend. The empowerment that digitalization offers consumers has increased the demands upon businesses, and that demand will only continue to grow. Whereas previous decades saw customers only making use of organizations' physical locations, the same consumers now expect to be able to access their chosen businesses through a wide range of avenues – most of which center around digital. Even the mom and pop store down the road has a website! To add an extra layer of complexity, consumers not only demand access to these various channels but they expect a seamless, cross-channel experience.

At most companies, the CMO's dream is the COO's worst nightmare. Customer centricity and the associated digital initiatives have driven up operational costs and made it difficult to begin a conversation about bringing the two opposing forces into balance. To make matters worse, marketing and operations are historically not good at working with one another on the customer experience. Using data to understand customer journeys helps create a common language and single source of truth from which the two disciplines can operate. Analyzing and visualizing behavioral data and where it impacts processes will create a more sophisticated understanding of the customer's true needs than disconnected demographic and behavioral facts can.

In this whitepaper, you will learn more about an approach that helps bridge the gap by connecting fact-based customer journey analysis to operational efficiency. A case study will be used to illustrate not only how it has been done before – but also the impact that this approach can have on an organization.



Obstacles to Delivering an Optimized Customer Experience

The business world has been buzzing about customer journeys and customer centricity for years now without widespread results. There are certainly innovators across various industries that have drastically re-invented business operations in support of customer experience (consider Zappos, Amazon, Citizen M). Yet in spite of the broad interest in this topic, the average organization has only seen limited results from their customer experience initiatives.

To gain further insight into customer journey optimization, Mavim initiated research into our own customer base to understand the challenges they faced in optimizing customer experience and what led them to choose for Mavim. Here are the four primary roadblocks Mavim customers identified that impeded previous efforts to delivering a better customer experience.

Organizational Silos

Silos develop from an inside-out approach to value production. In essence, silos developed as an organizational design choice based upon what was most convenient for the organization. Yet, there is a clear problem here. Organizations don't exist for themselves – they exist for their customers. In many cases, silos were created as a means to help companies coordinate activities in order to create efficiency within the business unit.

It is more convenient for the organization that department x works together because they have overlapping roles and functions, but silos often stand in the way of an organization being able to harness the necessary knowledge and expertise across internal boundaries in a way that customers value. In essence, silos serve a purpose – but that purpose is not customer-centric. What is worse, the efficiency gained by working in silos is often counteracted by the lag time that is created when the baton is passed in between business units.¹

No Holistic Customer View

While many organizations understand the importance of customer and business intelligence, they fail to leverage it as a strategic asset. A wealth of information can be found in customer contact centers – both in CRM/case management systems as well as among the members customer-facing teams. However, most of this information is stored in separate databases that aren't shared across all silos. We've all been there – as a loyal customer, the last thing you want to do is repeat standard details and preferences that you know have been stored multiple times.

Siloed Data Analysis

CRM systems can be excellent tools to help provide a snapshot of the customer journey. It can indicate the general preferences and behavior of your customer, including what they are buying, when they are buying it, and when they choose to leave for a competitor. These systems can be extremely helpful for optimizing customer touchpoints. However, to be able to optimize the customer journey, organizations need to be able to take a holistic view to data analysis. For instance, a sales department could generate reports indicating high numbers for a new product launch. That seems to be great news for the organization until this information is connected to the service department – who are also seeing high numbers of customer contacts due to confusion about how to use the product.

Lots of Data, Lack of Context

The market demand for customer centricity fueled the proliferation of tools aimed to solve a discrete part of the need. These range from standard CRM packages to customer experience management software down to best of breed social listening tools.

Most organizations have more than enough tools to help them measure, map and report on what the customer is doing, thinking and feeling at any given moment. But what most organizations lack is context. If all it took was measuring every step the customer took, few organizations would still struggle to optimize the customer journey.

True customer journey management requires not only customer experience data, but a strong (visual) representation of how that experience can be squared with the organization's operating model. This will allow for better root cause analysis about how certain customer issues arose, but will also empower business leaders to make decisions that will drive serious business impact.



The Holistic Approach to Customer Journey Optimization

Organizations with the capability to harness customer journey optimization strategies understand the potential for significant cost savings and increased customer satisfaction that it can bring. However, capturing this value requires a new level of operations planning that must include more robust and effective processes and technology in the back office delivered through an integrated operating model. Industry analysts from Gartner and McKinsey have both recently come out with a bold statement that a Business Operating System (Gartner) or a Next Generation Operating Model (McKinsey) holds the key to success. Gartner has even gone so far as to predict that organizations who utilize a business operating system will turn the 70% failure

rate of transformation into a 70% success rate.²

McKinsey's Next Generation Operating Model, defined as "a new way of running the organization that combines digital technologies and operations capabilities in an integrated, well-sequenced way to achieve step-change improvements in revenue, customer experience, and cost"³ - shares some key features with Gartner's concept of a business operating system. According to Gartner, the simplest way to think about a business operating system is as a digital twin for an organization. In the physical world, the digital twin is a digital replica of the assets, processes, and systems that comprise a physical object.⁴ The digital twin creates a living simula-

2 Kerremans, "How a Business Operating System Can Guide CIOs to Digital Business Success", Gartner (October 2016)

3 Bollard, "The next generation operating model for the digital world", McKinsey&Company (March, 2017)

4 Velosa, "Innovation Insight for Digital Twins – Driving Better IoT-Fueled Decisions", Gartner (March, 2017)

"A digital twin of an organization (DTO) is a dynamic software model of any organization that relies on operational and/or other data to understand how an organization operationalizes its business model, connects with its current state, responds to changes, deploys resources and delivers expected customer value."

tion that updates and changes as its physical parts change. One of the current applications for digital twin of a physical thing comes from the industrial sector, which leverages digital twin in order to optimize the operation and maintenance of physical assets such as windmills in a wind farm. GE argues that this technology can boost one wind farm's energy production by as much as 20% and create \$100 million in extra value over the lifetime of the farm.⁵ However, Gartner has recently applied that idea to business, saying "A digital twin of an organization (DTO) is a dynamic software model of any organization that relies on operational and/or other data to understand how an organization operationalizes

its business model, connects with its current state, responds to changes, deploys resources and delivers expected customer value."⁶ The digital twin has many applications that range from enterprise performance and cost optimization to customer experience management, but all applications of the digital twin are intended to support organizations in their decision making processes. Creating a virtual copy of an organization is meant to help business leaders explore their options, engage in scenario planning, and minimize the risk of the organization's chosen path.

Due to the relative newness of the concept of Digital

5 Kellner, "Wind in the Cloud? How the Digital Wind Farm Will Make Wind Power 20 Percent More Efficient", GE Reports (September 2015)

6 Kerremans, "12 Powerful Use Cases for Creating a Digital Twin of Your Organization," Gartner (October 2017)

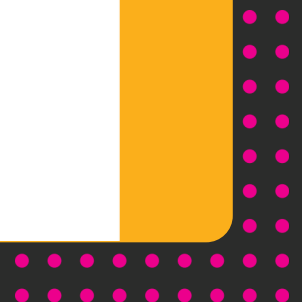
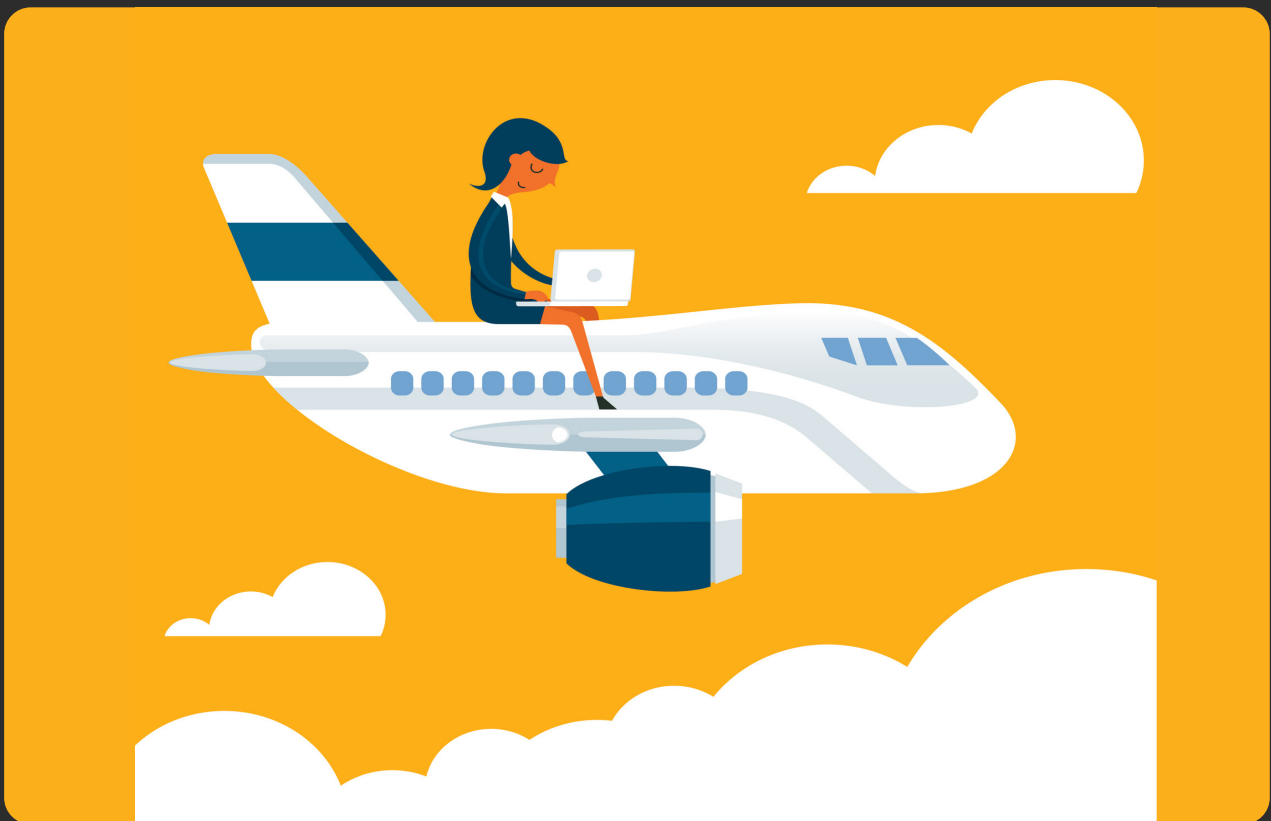
Twin of an Organization, it is difficult to predict the total impact (financial and otherwise) it could have. However, Gartner has done some research into which use cases produce greater impact than others. Currently, the highest impact can be realized with “Customer Experience Management”.

A digital twin helps with customer experience management by aligning the internal operations of an organization with external customer interactions. This alignment helps organizations to better understand their customer segmentation and the expectations per segment, and how that translates into KPIs, process performance, and opportunities for performance improvement.

Gartner suggests that this level of transparency “will allow organizations to put in place customer service guarantee levels.”⁷ It is precisely this need that drove a European insurance company to Mavim.

Creating an outside-in view of internal operations helped Mavim’s customer to better understand their customer journeys and how their business operations could be improved to support their customers’ expectations.

7 Kerremans, “12 Powerful Use Cases for Creating a Digital Twin of Your Organization,” Gartner, (October 2017).



Case Study: Customer Journey Optimization for a Large Insurance Provider

The Problem

A European, mid-market insurance company was struggling to compete in an increasingly digital, increasingly customer-centric marketplace. Like many of their competitors, they instituted a series of objectives and policies that they thought would improve the customer experience. These initiatives included:

- An online e-commerce capability to sell directly to customer's online instead of only through a broker channel
- Multi-channel client communication
- Guaranteed 24 hour response times to online inquires, claims processing and insurance applications

However, contrary to their expectations, their NPS score declined after the release of their new online services and multi-channel communication offerings. Customer surveys informed them that their customers were having an inconsistent experience across channels and locations. Additionally, their response reliability for web-inquiries, claims processing, and insurance applications was rated poorly across different countries.

To address the customer's needs, the insurance company designed the most "likely" customer journeys including various segmentations. However, they had no way to validate their designs and no capabilities to establish a fact-based analysis of customer behavior across their various digital channels. Additionally, because they didn't have a full picture of customer behavior across channels, they didn't know where they could best focus their customer journey optimization efforts.

The Use Case

To gain fact-based insight into customer behavior and the intersection with their own internal operations, this insurance company turned to Mavim. Together the following objectives were formulated and the project was scoped:

- Identify how customer journeys actually run vs how they were expected to run
- Identify and visualize actual customer behavior across channels
- Create and optimize a uniform cross-channel customer experience supported by optimal internal processes
- Find root causes behind the poorly (perceived) response reliability across different countries

The Business Results

Issue #1: Many broken journeys were identified where customers abandoned the online process before (after researching insurance products), or during the application process. Some of them converted to the customer contact center, but many did not come back. This was a clear indicator of revenue leakage.

- *Decision: Based on analysis of broken touchpoints, specific large bottlenecks on the website are being resolved, now offering the (previously missing) information people appeared to be missing.*

Issue #2: A large portion of the outbound client communication was still done through mass mailings when the strategy was to move communication to their online channels. Also, many customer journeys were routed through the customer contact center after searching for information online, instead of via the self-help portal, as intended.

- *Decision: A (series of) marketing campaign(s) was launched towards registration on the self-help portal, enabling direct and personalized communication with customers and steering the customers more towards the self-help functionality online and Customer Journey Optimization less to the customer contact center. Also, customer segments and*

personas were re-designed based on the actual customer journey data enabling them to offer this personalized communication and offer relevant personalized online offers instead of mass-mailings with general offers/info.

Issue #3: Peaks in online traffic were found after e-mail campaigns, but this did not lead to the expected increase in online applications. As it appeared the (offline) campaigns were not executed consistently online (the web-team was not aware of all campaigns), leading to customers abandoning the web channel as they did not find what they were looking for. There was no integrated marketing campaign calendar.

- *Decision: An integrated marketing calendar was created, shared and maintained centrally between involved departments enabling a uniform customer experience across channels, leading to a higher conversion (online sales) and less broken journeys due to unavailability of information.*

Issue #4: Multiple countries did indeed have issues with their response reliability, where response times could go up to an average of 8 days (instead of 24 hours). A number of bottlenecks were found in the process that were causing delays. Web-inquiries and online insurance applications were not picked up in time for processing. Also between several steps in the processing and approval process there were delays, as the process was still executed manually and was not supported by a workflow.

Additionally, there were issues (delays) with claims above threshold values. Claims where an additional approval was needed due to an exceeded threshold amount were delayed, as there was no automated workflow pushing the claim through the process. This was done though e-mails that were not always picked up in time and due to a lack of direct communication. There was also a connection between response reliability and response times from customers. In cases where the insurers response times were longer than 3-6 days, customers also were not in a hurry to reply and in several cases canceled their online insurance application.

- *Decision: Several workflow (process automation) tools were being investigated to automate the back-end processes as much as possible, aimed at increasing efficiency of the (claims processing and*

(online) insurance application) processes, shortening response times and increase response reliability.

Why Mavim?

Mavim helped the European insurance provider gain a level of transparency that was previous unavailable to them with the current knowledge and tooling in-house. Mavim provided them with:

1. the visualization of their operating model
2. the ability to measure and monitor the progress towards their pre-defined goals
3. the ability to discover hidden impediments along their way (process and customer journey bottlenecks).

These three components brought together in one platform helped the insurance company with the visualization, prioritization, and continuous monitoring of their customer experience management.

How to Optimize the Customer Journey in Eight Steps

The following methodology has been created as a handhold and general guideline for how to optimize the customer journey, based upon roughly 50+ similar implementations.

1. Linking customer needs & value drivers to internal activities and KPIs

To identify the customers behavior, the company has to understand how customer journeys actually run and what the customer value drivers are per touchpoint. When linking the customer needs and value drivers to the internal KPI's and processes, the optimal touchpoints are identified. This is done through:

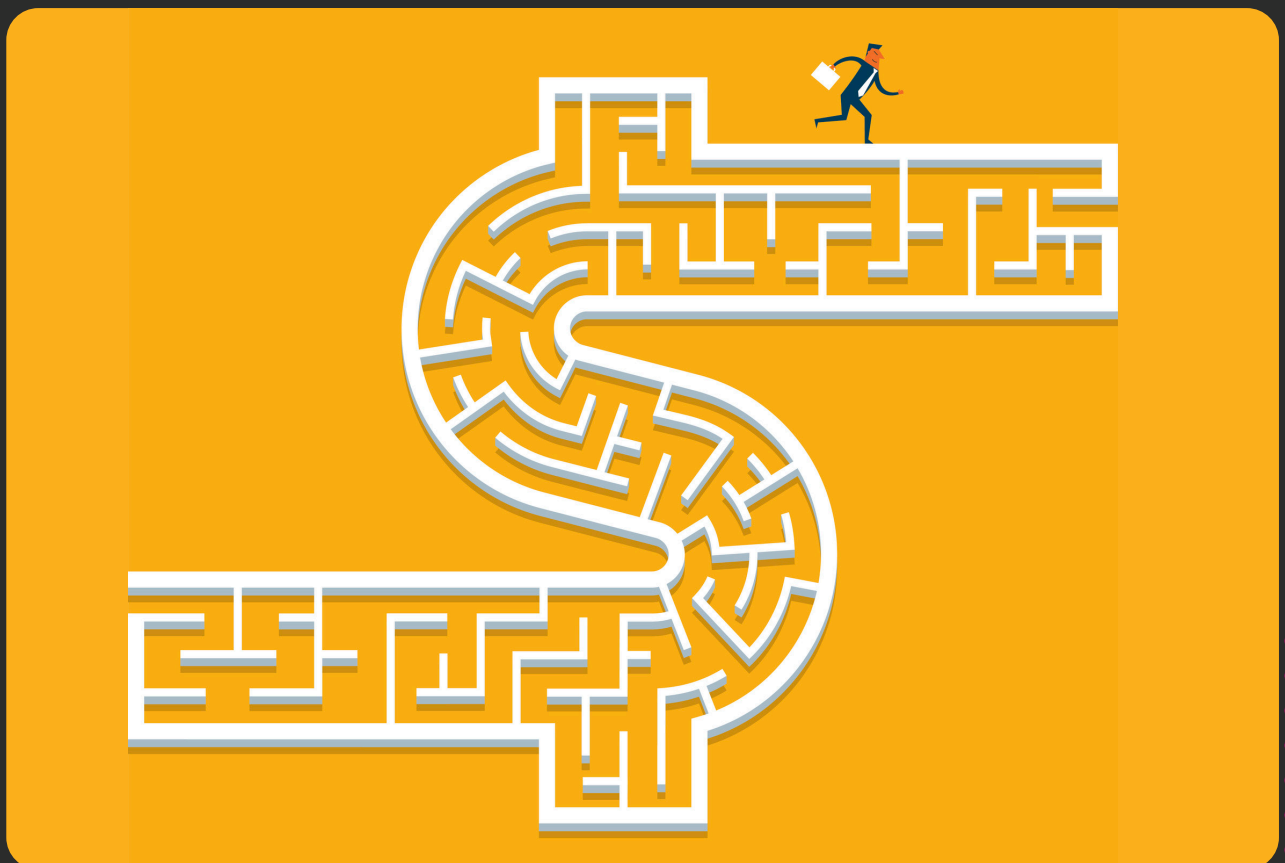
- Mapping of customer KPI's with operational KPIs.
- Identification of business processes behind the customer journey(s)

2. Technical construction and implementation

The unique combination of mapping customer channel touchpoints with back-end system processes, leads to fact based monitoring of customer segments through the actual customer journeys. This results in clear and supported insights in improvement potential around efficiency, effectiveness and compliance with the underlying root causes through the whole customer journey.

3. Identify Customer Behavior

Through Customer Journey analysis, the company can identify fact based how customers are actually "traveling" through the companies' channels and how they have interacted during their touchpoints within their journey. Combined with fact-based insights from underlying business processes, the company is able to continuously improve the customer journeys and reach the optimal balance between customer satisfaction and process efficiency.



4. Refine customer segments & enrich customer insights

- a. Verify the voice of the customer - Based on factual data, the existing customer segmentation will be reviewed and optimized where needed. Is the current set of personas complete and correct?
- b. Design target customer experience - Based on the customer segment analysis the experience model will be reviewed and optimized if needed. Is the current customer experience model complete and correct?

5. Replot current customer journeys and experiences based on factbased insights

Have customers actually followed the designed customer journeys? Where did they deviate? What does this mean and what should we change to facilitate them along the desired journey?

6. (Re)plot, reprioritize and ideate digital touchpoints

Optimizing customer experience is the ideal moment to shape new service offerings and to ideate upon new service opportunities that will help provide the desired experience. Assessing opportunities and new services / offerings requires the supporting digital capabilities to be in place

(are the needed technologies, people, processes and organizational aspects in place to provide the experience designed?). This is followed by digital capability mapping based upon customer journey steps (what underlying capability is required to support a customer on their journey?).

7. Map (digital) capabilities needed to deliver services & optimal experience

Prioritize channels and touchpoints for 'Customer First' success. What capabilities do you need to have in place to be able to deliver our ideal customer journey?

8. Continuous customer management & internal process monitoring

A quantified and prioritized improvement agenda should be the basis for your improvement roadmap. Continuous monitoring of customer journeys transforms process improvement efforts from "gut feel" to "fact based", resulting in less resistance and more control over value realization.



Recommendations: How to Get Started

Empower Cross-Organization Collaboration

Successful transformation doesn't come from an atomized, siloed approach. One-off initiatives in separate business units don't have the capacity to create enterprise wide impact. Rather than working in silos, consider working in cross-functional teams on processes that cut across the internal organization as a whole. McKinsey recommends setting up processes based upon the customer journey, as that is a natural example of an organizing principle that requires multi-disciplinary teams.⁸ In the above use case, results were made possible through the collaboration of a diverse group of individuals who were assigned to processes designed to deliver customer satisfaction. If re-organization is an impossible prospect, consider empowering the workforce with the necessary tools, skills and incentives to facilitate cross-organization collaboration.

Establish organization-wide performance management from the customer perspective

To really excel at customer experience management, there needs to be a shift in focus from purely operational KPI's to a focus on continuous improvement of customer processes and interactions. However, it is not enough to simply align external (customer-facing) and internal (operational) performance metrics; it is also critical to communicate that information broadly with the organization and to monitor and measure performance in real time. Ensuring that customer-facing groups have access to the same information and messaging plus the means to coordinate efforts across the organization equals a satisfied customer.

Digital platforms like Mavim offer organizations (and by extension - every individual within the organization) the opportunity and to become truly customer-centric by creating a new level of insight and visibility into customer behavior as it relates to internal operations.

Analyze data holistically and in context

Most organizations are proficient at collecting data and know a lot about their customers' behavior as a result. However, many of those same organizations fail to realize that analytics has limited power unless woven into the fabric of business processes and the greater operational context. Without this, the root-causes underlying trends are difficult to discover and the patterns that are discovered focus only upon a small part of the value chain. Analyzing data in context helps answer questions like "Why did our sales plummet last month" as opposed to just "What were our sales figures last month?" Identifying potential causality is key to empowering effective decision making.

Create One Single Source of Truth

Platform technology is necessary in order to support sustainable transformation and to assist with change management at scale. Customer centricity requires the amalgamation of customer touch-points in one database; without that knowledge, it is nearly impossible for an end-user to understand the customer's previously expressed preferences and usage, which results in suboptimal cross-sell/up-sell opportunities. A lack of a single source of truth hinders the ability to analyze and further leverage the data collected. Additionally, platform technology like Mavim helps the workforce understand where to find the information they need and the metrics they are being measured upon, which has proven extremely effective in bringing about the desired behavioral changes.



ABOUT THE COMPANY

For complex global organizations that are changing or re-inventing their operating models in order to become digital businesses and who want to transform into agile organizations prepared to adapt continually to a fast changing environment, Mavim provides software that enables major business transformation. Mavim offers a Microsoft-based platform that empowers the visualization, alignment, and prioritization of innovation initiatives with a company's strategic vision. By connecting and managing strategy, projects, personnel, processes, technology, risks, architecture, customers, and infrastructure in one platform, Mavim increases the success rate of major transformation.

Mavim supports the management and integration of the primary Business and IT Management themes that enable successful transformation. Mavim brings these critical disciplines together in one platform, which facilitates the elimination of silos and creates impact for the entire business.

Headquartered in Amsterdam, Mavim has a global customer base of a million end-users worldwide. Our extensive partner network spans 27 countries and includes such familiar names as Microsoft, EY, Infor, and Eclipse, a DXC Technology Company.



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