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The New Science of Customer Agility

How Forward-Thinking Companies Align Around Customers

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Toward Customer Agility

It's common to hear companies make grand claims about their focus on customers; it's far less common for companies to achieve transformative, differential changes in the customer experience. Likely some companies don't mean what they say, but for most, it's simply been too hard to understand what's actually important to any given customer and then act responsively. Companies are caught flat footed.

The companies that do succeed in this difficult task use break-through thinking and new technologies to become "customer agile." The change requires a significant shift in thinking and practice, but offers a leap forward in competitive performance.

So what does it mean to become "customer agile?" And how does customer agility enable companies to finally achieve transformative customer outcomes? In this publication we explore three key takeaways about customer agility:

• Customer agility depends on developing a common viewpoint of customer performance that aligns the entire organization and enables collaboration across functions to solve complex, customer-subjective challenges, while maximizing automation to address simpler issues.

• It also engages predictive models of customer behavior that give teams a head start on mitigating risk in their customer bases, fixing problems before the cost of solutions become prohibitive.

• And, it turns out, customer agility offers significant opportunities to be more efficient with resources.

The Customer Agility Imperative

**Digital and customer experience
transformation will determine not just the winners,
but also the survivors of the coming decade.**

The accelerated, ongoing reshaping of business competition over the past year has reinforced a reality that many leaders were already acutely aware of: Digital and customer experience transformation will determine not just the winners, but also the survivors of the coming decade. While innovation in customer experience has been at a pace for 20 years now, accelerated by the adoption of Net Promoter Score methodologies, the most forward-thinking companies have come to recognize that a higher level of performance is both achievable and required. They are building new ways of doing business, new operating models best described as "customer agile."

"Customer agility" is based on a few core ideas. However, at its heart, it's is a realization that existing ways of organizing teams and the execution of the customer value chain aren't solving the really important problems that hinder growth and competitive advantage. For many organizations, getting the basics right has been, if not a "solved problem," then at least a problem that is under control. But the opportunities for competitive advantage aren't going to be solved without some innovation.

Customer agility offers a great way of thinking about the essential challenges companies face in delivering great customer experiences in today's business environment of today, dominated as it is by issues of digital transformation, talent management, and the struggle to find sources of competitive advantage. The final challenge is efficiency: Leaders live within a world of conflicting resource requirements and need to deliver more to their customers at a lower cost.
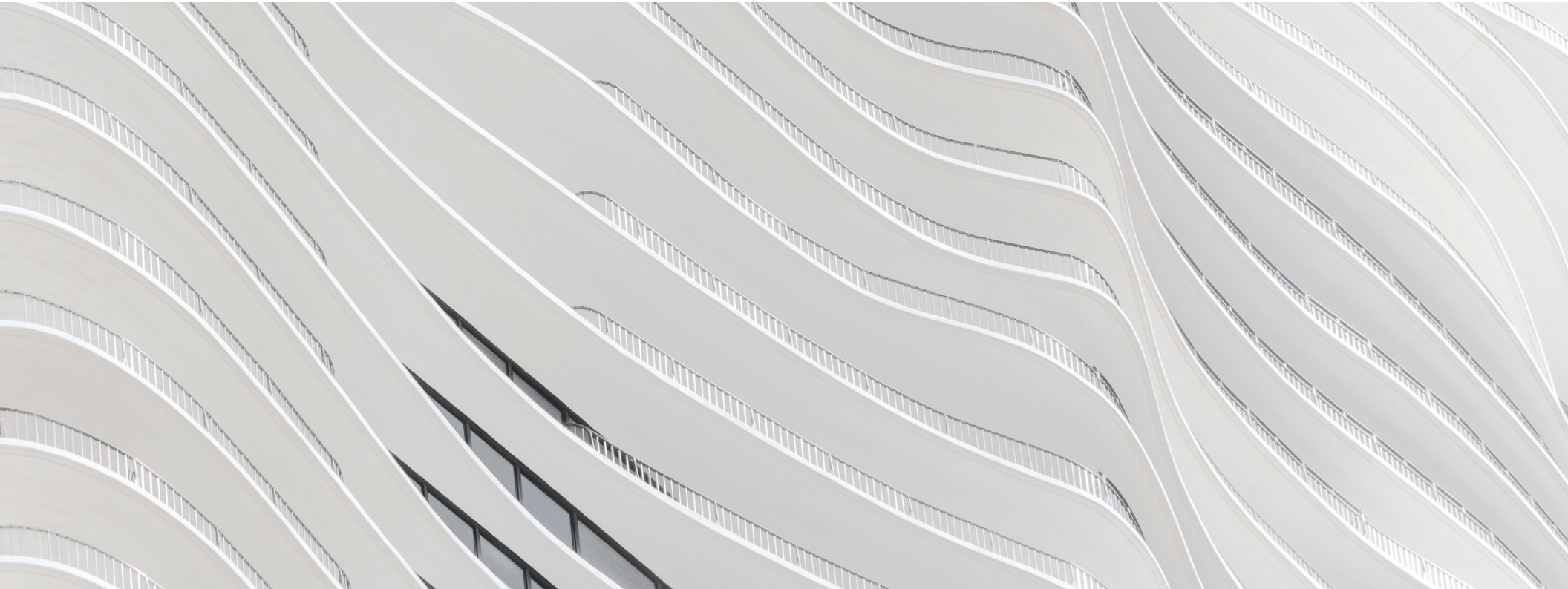
How Can Customer Agility Help?

When it comes to solving complex, cross-functional challenges, traditional functional improvement doesn't work very well.

Traditional functional organizational structure is all well and good if the goal is task efficiency, and the challenges lie entirely within each function. If the focus is on the sales team becoming better at moving deals though the pipeline, or technical support improving first time resolution, those challenges, while not trivial, are well understood.

But if you want your organization to solve more complex, cross-functional challenges that are exposed by understanding the customer viewpoint, then traditional functional improvement doesn't work very well. In fact, the skills and processes that favor that heavy functional emphasis may even hinder the ability of the organization to solve the customer-driven problems.

Complex problems like this are both important and challenging, precisely because their solutions are where competitive differentiation occurs, the last push from good enough to market leadership. The resulting differentiation is the basis for getting in that "winners circle" – the companies that dominate the profits in any given industry.

Organizational Attributes of Customer Agile Companies

Customer agility doesn't result from, or require, a specific organizational structure. Instead, it flows from attributes of organizational behavior. Customer agile organizations:

• Align teams using organized and predictive customer data

• Proactively manage customer risk and opportunities using forward-looking measures of customer health

• Enable teams to solve cross-functional, customer-centric problems while automating for efficient execution of more simple customer problems

• Deploy their people efficiently, using analytics to assign capacity

Avoiding a Functional Perspective

Strive to optimize operations from a customer perspective, not a functional perspective.

Great customer experience outcomes are a result of optimizing operations from a customer perspective, not a functional perspective. This often flies in the face of how companies organize today.

Imagine if your website looked like your organizational structure. You'd link to marketing materials, sales tools, implementation or onboarding steps, and details about the product or service provided by engineers or service delivery professionals. You'd have whole section explaining how the finance function works – exciting! From a customer viewpoint, it would make no sense, though back in the 1990s that was what many early websites actually looked like. The breakthrough move in 1995 to build a great ecommerce operation was figuring out how to create a web commerce process that optimized the tasks customers wanted to complete, rather than reflecting the organizational structure.

But in many ways, your organization is probably still working like an outdated web site from the early 1990s. Existing organizational structures codify themselves through measurement and data. They establish "local" metrics that exist to measure the function, designed entirely from that function's perspective. They calibrate performance based on just that function. For example, a logistics department might measure the length of time from the factory dock to the customer – a metric that the customer doesn't care about (they start the clock at order placement) – and set a goal that is based on "best practice" for logistics (or just historical performance). Neither the metric nor the goal makes any sense, but that's how the organization runs.

Creating a Calibrated, Customer-Aligned View of Performance

The use of "local" metrics and goals reliably results in a lack of internal alignment. It's easy to trace the path to misalignment through the practical considerations of company functions.

Consider a contract of long duration; multiple internal teams will interface with multiple contacts in the customer organization. It's neither efficient nor cost-effective to support continuous engagement from all functions, so teams rely on handoffs, effective internal communication, or perhaps cross-functional problem solving with contingency teams pulled together as needed.

Everyone intends to collaborate in service of customer success, but practically speaking, two key challenges interfere: The static nature of traditional organizational design and, importantly, the lack of a common view of customer performance. Each team may indeed be looking at data that suggests that their performance along the customer value chain is achieving or exceeding goals – think back to the local metrics teams measure. Taken from a customer perspective, however, the system is not getting the right results. Even if teams are aware of the challenges, the overall impact on the customer is hard to calibrate, resulting in either a constant state of alarm, which over time deadens the organizational response, or significant over-optimism.

The solution to this is the development of "single customer view" which aligns the organization through a common set of performance data, the "one scorecard to rule them all" if you like. This is often mis-implemented. Just sharing performance metrics for each element of the value chain can add to the confusion rather than clarifying, especially when each team creates its own metrics system, its own performance calibration and goals. Often customer metrics collected this way provide confusing and contradictory signals. For example, if data shows success at early life customer setup, but reveals significant issues with customer support, what does that combination mean?

The customer agile organization creates a single view that is calibrated based on the customer perspective.

The customer agile organization creates a single view that is calibrated based on the customer perspective. This is discussed more fully in another publication, but the key is that this scorecard needs to be selective in its use of metrics – with selection based on customer-relative impact and not internal viewpoints. Metrics must then be normalized, so teams across the value chain can understand the entire chain, not just their own elements, and then calibrated around customer-expected performance. Finally, and most importantly, metrics need to be linked clearly to a single overall measure of performance that brings data all together into a single clear sign; NPS performance is a good tool for doing this.

Why approach customer metrics this way? The overall status of the company serves as the north star guide for the entire team so that everyone can understand whether the customer is either in good health (a Promoter) or not. Then the calibrated metrics set clearly attributes the performance to the different elements of the value chain in a way the entire team understands.

Customer agile organizations use metrics that are:

- **Selective**, based on customer viewpoints
- **Normalized** to ensure contextual understanding
- **Calibrated** to customer expectations
- **Linked** to overall performance

Automate Functional Solutions

Customer agile companies solve functional problems through aggressive automation of customer frictional tasks.

It's worth a quick detour at this point. To allow teams to focus on solving the more complex, customer centric problems that run across the entire value chain, it's also critical to alleviate the burden on them from solving the more basic problems that exist at a functional level. Customer agile companies solve that problem through aggressive automation of customer frictional tasks.

Simple, repetitive customer interactions (usually the type that are best solved within functional teams) should be skewed to technology solutions, not organizational. This may seem obvious, but investing time and effort in people solutions for these kind of issues will result in expensive, bored employees who are working on things that customers would far rather self-serve online. This applies to many tasks that could be categorized as "friction" tasks – maintaining personal information, making basic changes to the services purchased. It's not possible to completely do away with people here, but it's not going to be the primary organizational challenge to address these issues like it has been in the past, as technology will largely displace human capital. Critically, customers prefer technology solutions to dealing with people, and it's cheaper at the margin – so it's a footrace here to effective automation.

Feeling the Need for Speed

Customer agile organizations constantly recalibrate the health of the customer using customer-subjective models, not their internal subjective view.

Customer agile companies focus on speed, or more precisely, the ability to anticipate customer challenges rather than respond to them.

Speed in business is a significant competitive weapon. In just about all forms of customer management, lack of speed can have serious consequences. In business-to-business models, contract duration is usually considered a buffer against financial risk; customers have higher switching costs and more aligned interest with you, the vendor. However, long duration contracts can also have the effect of creating long periods of poor information flow, or partial insights into customer health. The "surprises" that often emerge towards the end of the contract really shouldn't be surprises at all, because they reflect events that either occurred some time earlier, or the accumulation of events that have impacted the customers loyalty or willingness to repurchase. By the time you are fully aware of the extent of the problem – often triggered by contract renewal conversations – it's far too late to take cost-effective actions. Issues that might have been cheap or easy to address a year earlier are either expensive or impossible.

Traditional CX approaches using low frequency surveys don't really help much here. Survey data is always incomplete because response rates are always partial. In addition, survey data is refreshed too infrequently to provide an early warning system or even a current view of the customer health. Given these shortfalls, it's easy –and accurate – for customer-facing teams to dismiss survey data as unrepresentative of the true state of the customer.

But relying on the assessments of customer-facing teams is also inaccurate. Consider success or account managers, who exist in a highly subjective, narrowly connected view of the customer. It's not that they are inherently wrong, it's more that they lack the broad perspective the customer has on the performance of the vendor and tend to over-rely on their personal interactions, which are often with the wrong people at the account. Basically, they are unreliable witnesses to customer performance even to the extent of creating unnecessary panic or unfounded optimism.

By contrast, the customer agile organization uses the data in predictive models of customer behavior as a counterpoint to the assessment of staff. They constantly recalibrate the health of the customer using customer-subjective models, not their internal subjective view. They don't pitch these models against their own internal team's perspective, they see them as complimentary; arming their organizations with a data driven perspective that creates better decisions and challenges preconceived notions about the customer. People plus machines make better decisions.

A Proactive "Fire Fighting" Model

Proactive customer management techniques continue to bedevil most organizations.

Customer agility can directly address issues of efficiency as well as effectivity. That's critical for solving one of the most challenging cost-performance issues facing organizations: The allocation of staff to proactive, rather than reactive, models for supporting customers and their success.

One of the most challenging cost performance issues facing organizations is the allocation of staff to supporting customers in proactive models.

Reactive models, such as technical support, have been well understood for a long time. Companies have staffing models that are responsive to volumes, and the past two decades have seen extensive investment in processes and technologies to drive efficiency. But reactive models tend to be a "cost of failure," so at the same time, it's been an imperative to find upstream solutions to problems that create expensive downstream inbound customer contacts. Product improvements have helped, as has call avoidance, with the obvious example being heavier reliance on self-service capabilities, which customers prefer. While improvement is always possible, overall, companies have successfully tackled the challenges of reactive customer management approaches.

But that's not true for proactive customer management techniques, which continue to bedevil most organizations. We'll take the example of customer success management, which has gained traction in the last few years among businesses with recurring revenue streams as a technique to proactively drive retention. The approach started in the SaaS industry as an effort to drive more usage of the product, which was (correctly) identified as a driver of retention, but has morphed in many enterprises to a "catch all" effort to drive retention through proactive account management.

The problem is, proactive success management is often a clumsy and expensive process. That's because many companies simply allocate staff using account value, or assign a numerical quantity of accounts, without much thought to the needs of those customers. The approach expensive and inefficient; proactive management of customers who have no need of such interventions, especially with highly trained staff, is a waste of resource. It's even difficult to measure the impact of such organizations. And this is a hard-to-automate problem; unlike reactive customer contacts, the root cause of the customer event is hard to trace and often completely missed by the team.

The customer agile organization seeks flexibility and efficiency, so it looks to better organize proactive customer management, using technology to identify risk and assigning appropriate resource to mitigate the risk. In contrast to blanket assignment of staff, it uses a "fire fighting" model in which teams are held in reserve to be used as needed, and smart algorithms dispatch them to areas where it is likely that a fire will break out.

This efficient fire fighting approach requires robust predictive models. Fortunately, drivers for customer risk are decodable and can form the basis of prediction, as discussed more extensively in another publication. And a smart allocation of resource doesn't just increase efficiency, it can be more effective, because the resource knows why they are allocated to a customer issue, and has the specific skills to solve the problem. More episodic deployment nominally reduces continuity of service, but customers value continuity only insofar as it prevents the delay associated with employee learning curves. Of course there's value to a relationship, but customers ultimately seek effective solutions to their problems above all else, and vendors who can assist them in achieving their business objectives.

The customer agile organization seeks flexibility and efficiency, using technology to identify customer risk.

Your Transition to Customer Agility of NPS

Organizations seeking to become customer agile must undertake transformative a shift in thinking, and simultaneously introduce enabling technological capabilities.

Recall that customer agile organizations fundamentally seek to deliver more efficient, higher levels of customer experience through these approaches:

- They align teams around a common, customer-subjective data view that creates a single performance metric (usually NPS), but is correctly attributable to all the operational performance elements of the business

- They focus automation on "frictional tasks" to reduce the burden on those same teams

- They use predictive models of customer behavior to provide early warning of customer risk and enable teams to mitigate that risk before it becomes out of control

- They use the same predictive models to better allocate resource, resulting in more efficient use of people across the value chain.

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