

Competing on Customer Journeys

You have to create new value at every step.

by David C. Edelman and Marc Singer

The explosion of digital technologies over the past decade has created “empowered” consumers so expert in their use of tools and information that they can call the shots, hunting down what they want when they want it and getting it delivered to their doorsteps at a rock-bottom price.

In response, retailers and service providers have scrambled to develop big data and analytics capabilities in order to understand their customers and wrest back control. For much of this time, companies have been reacting to customers, trying to anticipate their next moves and position themselves in shoppers’ paths as they navigate the decision journey from consideration to purchase.

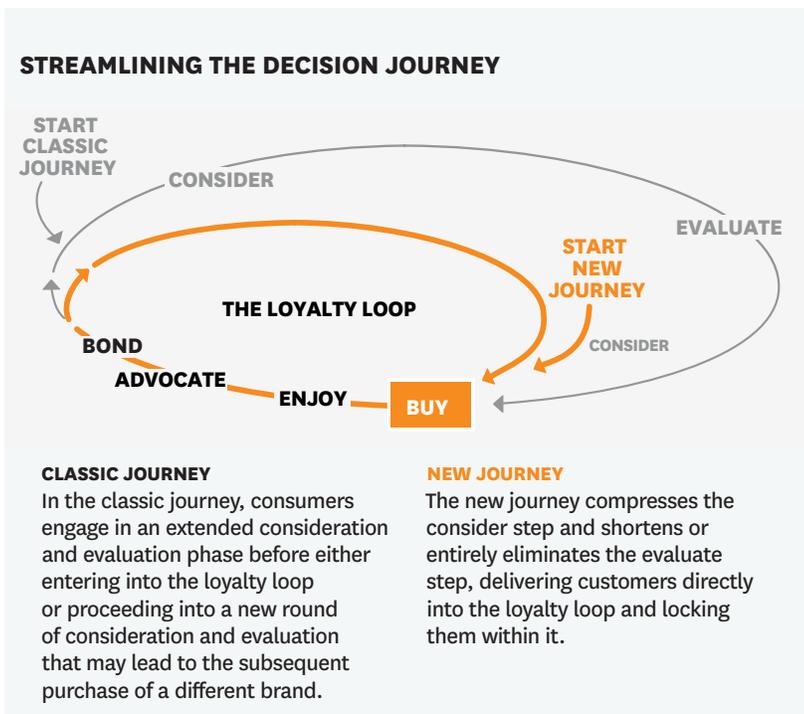
Now, leveraging emerging technologies, processes, and organizational structures, companies are restoring the balance of power and creating new value for brands and buyers alike. Central to this shift is a fresh way of thinking: Rather than merely reacting to the journeys that consumers themselves devise, companies are shaping their paths, leading rather than following. Marketers are increasingly managing journeys as they would any product. Journeys

are thus becoming central to the customer’s experience of a brand—and as important as the products themselves in providing competitive advantage.

Consider how one company, Oakland-based Sungevity, competes on its ability to shape the journey. At first glance, Sungevity looks like a typical residential solar panel provider. But closer inspection reveals that the company’s business is to manage the end-to-end process of sales and custom installation, coordinating the work of an ecosystem of companies that supply, finance, install, and service the panels. Sungevity’s “product” is a seamless, personalized digital customer journey, based on innovative management of data about the solar potential of each home or business. Sungevity makes the journey so compelling that once customers encounter it, many never even consider competitors.

One of us (David) experienced the Sungevity journey firsthand. The process began when he received a mailing with the message “Open this to find out how much the Edelman family can save on energy costs with solar panels.” The letter within contained a unique URL that led to a Google Earth image of David’s house with solar panels superimposed on the roof. The next click led to a page with custom calculations of energy savings, developed from Sungevity’s estimates of the family’s energy use, the roof angle, the presence of nearby trees, and the energy-generation potential of the 23 panels the company expected the roof to hold.

Another click connected David through his desktop to a live sales rep looking at the same pages David was. The rep expertly answered his questions and instantly sent him links to videos that explained the installation process and the economics of leasing versus buying. Two days later, Sungevity e-mailed David with the names and numbers of nearby homeowners who used its system and had agreed to serve as references. After checking these references, David returned to Sungevity’s site, where a single click



Idea in Brief

THE PROBLEM

Digital tools have put shoppers in the driver's seat, allowing them to easily research and compare products, place orders, and get doorstep delivery of their items. Sellers have largely been reactive, scrambling to position themselves where customers will find them.

THE SOLUTION

Companies can use new technologies, processes, and organizational structures to proactively lead rather than follow customers on their digital journeys. By making the journey a compelling, customized, and open-ended experience, firms can woo buyers, earn their loyalty, and gain a competitive advantage.

THE STRATEGY

Superior journeys feature automation, personalization, context-based interaction, and ongoing innovation. To achieve all this, companies need to treat journeys like products, built and supported by a cross-functional team that's led by a manager responsible for the journey's business performance.

connected him to a rep who knew precisely where he was on the journey and had a tailored lease ready for him. The rep e-mailed it and walked David through it, and then David e-signed. When he next visited the website, the landing page had changed to track the progress of the permitting and installation, with fresh alerts arriving as the process proceeded. Now, as a Sungevity customer, David receives regular reports on his panels' energy generation and the resulting savings, along with tips on ways to conserve energy, based on his household's characteristics.

Starting with its initial outreach and continuing to the installation and ongoing management of David's panels, Sungevity customized and automated each step of the journey, making it so simple—and so compelling—for him to move from one step to the next that he never actively considered alternative providers. In essence, the company reconfigured the classic model of the consumer decision journey, immediately paring the consideration set to one brand, streamlining the evaluation phase, and delivering David directly into a “loyalty loop,” where he remains in a monogamous and open-ended engagement with the firm (see the exhibit “Streamlining the Decision Journey”). Sungevity's journey strategy is working. Sales have doubled in the past year to more than \$65 million, exceeding growth targets and making Sungevity the fastest-growing player in the residential solar business.

Getting Proactive

McKinsey's marketing and sales practice has spent more than six years studying consumers' decision journeys. The term (as explained in “Branding in the Digital Age,” HBR, December 2010) broadly describes **how people move from initially considering a product or service to purchasing it and then bonding with the brand**. More narrowly, the term

can refer to the sequence of interactions consumers have before they achieve a certain aim—for instance, transferring cable service to a new address, or even discovering and buying the right mascara. Many firms have become competent at understanding the journeys their customers take and optimizing their experience with individual touchpoints along the way. The more sophisticated companies have redesigned their operations and organizations to support integrated journeys (see “The Truth About Customer Experience,” HBR, September 2013). Still, firms have largely been reactive, improving the efficiency of **existing journeys or identifying and fixing pain points in them**.

We're now seeing a significant shift in strategy, from primarily reactive to aggressively proactive. Across retail, banking, travel, home services, and other industries, **companies are designing and refining journeys to attract shoppers and keep them, creating customized experiences so finely tuned that once consumers get on the path, they are irresistibly and permanently engaged**. Unlike the coercive strategies companies used a decade ago to lock in customers (think cellular service contracts), cutting-edge journeys succeed because they create new value for customers: **Customers stay because they benefit from the journey itself**.

Through our experience advising more than 50 companies on journey architecture, infrastructure, and organizational design; our deep engagement with dozens of chief digital officers and more than 100 digital-business leaders worldwide; and our research involving more than 200 companies on best practices for building digital capabilities, we have seen this shift unfold. And although it is still early, we believe that an ability to shape customer journeys will become a decisive source of competitive advantage.

Four Key Capabilities

Companies building the most effective journeys master four interconnected capabilities: automation, proactive personalization, contextual interaction, and journey innovation. Each of these makes journeys “stickier”—more likely to draw in and permanently capture customers. And although the capabilities all rely on sophisticated IT (see the sidebar “New Journey Technologies”), they depend equally on creative design thinking and novel managerial approaches, as we’ll explore later.

Automation. Automation involves the digitization and streamlining of steps in the journey that were formerly done manually. Consider the analog process of depositing a check, which used to require a trip to the bank or ATM. With digital automation, you simply photograph the check with your smartphone and deposit it via an app. Similarly, researching, buying, and arranging delivery of, say, a new TV can now be a one-stop digital process. By allowing consumers to execute formerly complex journey processes quickly and easily, automation creates the essential foundation for sticky journeys. This may seem self-evident, but companies have only recently started to build robust automation platforms expressly designed to enhance journeys. And consumers can readily see who does it well. Superior automation, while highly technical, is something of an art, turning complex back-end operations

into simple, engaging, increasingly app-based front-end experiences.

Consider how Sonos, the intelligent connected music system, automates setup. The process used to involve threading wires throughout the house, hooking up speakers to a computer, and creating separate online accounts with music providers. Sonos streamlines setup with wireless speakers (just press a button to connect them) and an app that adds music-streaming sources with a few taps and allows users to select music, control volume, and choose what plays in which room—all from a mobile device.

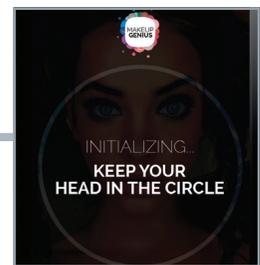
Proactive personalization. Building on the automation capability, companies should take information gleaned either from past interactions with a customer or from existing sources and use it to instantaneously customize the shopper’s experience. Amazon’s recommendation engine and intelligent reordering algorithm (it knows what printer ink you need) are familiar examples. But remembering customer preferences is only the beginning; the personalization capability extends to optimizing the next steps in a customer’s journey. At the moment a customer engages (for example, by responding to a message or launching an app), the firm must analyze the customer’s behavior and tailor its next interaction accordingly. Companies such as Pega and ClickFox (a firm in which McKinsey has an ownership stake) offer applications that track customers across many

L’Oréal App Keeps Customers Coming Back—and Buying

The Makeup Genius app, which allows users to virtually test makeup, has been downloaded 14 million times since its launch in 2014 and has driven more than 250 million virtual product trials. By making experimenting, sharing, and purchasing seamless and fun, the company is rolling out a highly sticky journey that builds loyalty to L’Oréal products.



1 Leah’s friend texts her a link to L’Oréal’s cool new app, Makeup Genius. She downloads it to her tablet, and her screen becomes a mirror reflecting her face. Leah allows the app to scan her image.



9 Appreciating how simple and useful the app is, Leah becomes a loyal customer and advocate, sending app links to a growing group of friends who share favorite looks and advice.

8 Aware of her preferences and previous makeup purchases, the app sends periodic recommendations for other looks. Leah continues to try out new looks and buy products.

New Journey Technologies

Underpinning the rise of competitive journeys is the emergence of new programming, data-access, and user-interface technologies that enable unprecedented tracking of customer behavior and personalized interaction. Attribution tools, for example, can reveal which channels most strongly influence consumers' decisions and lead to a purchase. Other technologies can discern when and why customers jump across channels and devices as they shop; the programs can then deliver personalized messaging that follows shoppers accordingly. Interface design tools allow a mobile app or a website to change its function or appearance, depending on where a customer is in his or her journey.

Three core technology developments in particular have redefined how companies connect with their customers:

Continuous connection capability.

Smart, connected products create a permanently open link between company and customer, providing companies with a continuous stream of data about how individuals use the products and thereby helping firms customize and upgrade them—for example, by fixing problems or adding capabilities.

New journey analysis and management tools. ClickFox and similar systems track customer behavior across online and off-line touchpoints, helping companies to map and optimize journeys. Platforms such as Cloudera allow companies to analyze

unstructured data, while machine learning software such as R can mine huge amounts of customer data and predict behaviors. Pega and similar tools enable consistent, personalized communication across channels. And Adobe and other companies offer tools to manage and execute more complex workflows.

Widespread adoption of APIs.

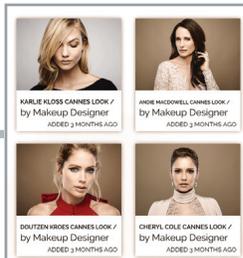
Application programming interfaces permit disparate applications, including those from different companies, to communicate. APIs have been around for a while, but companies are only now starting to embrace them to build integrated cross-company customer journeys. For example, APIs allow Delta Air Lines' travel management app to seamlessly connect its customers with Uber.

channels, blending data from multiple sources (such as transaction and browsing histories, customer service interactions, and product usage) to create a single view of what customers are doing and what happens as a result. This allows real-time insights about their behavior—in effect, isolating moments when the company can influence the journey—and permits customized messaging or functionality (for example, immediately putting a valued traveler on an upgrade list). The retailer Kenneth Cole reconfigures elements on its website according to a visitor's interaction with the site over time: Some people see more product reviews, while others see more images, videos, or special offers. The company's algorithm

constantly learns which content and configuration work best for each visitor and renders the site accordingly, in real time.

L'Oréal's Makeup Genius app takes these capabilities a step further, allowing customers to try on makeup virtually and delivering ever-more-personalized real-time responses. The app photographs a customer's face, analyzes more than 60 characteristics, and then displays images showing how various products and shade mixes achieve different looks. Customers can select a look they like and instantly order the right products online or pick them up in a store. As the app tracks how the customer uses it and what she buys, it learns her

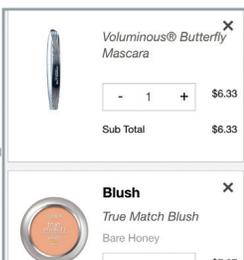
2 The app asks if she'd like to "try on" individual products or a complete look. She opts for the latter, and the app instantly displays a gallery of photos showing made-up models.



3 She taps on each look to see it overlaid on her own face. Another tap shows the products needed to achieve it.

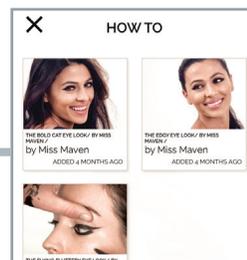


4 When she decides to buy, buttons offer her a choice of retailers. She selects Amazon and places an order.



7 She considers a picture of herself with that look. The app tells her what additional products she needs to achieve it. She taps to buy.

6 A few days later, the app alerts Leah to a new style she might like, basing its recommendation on her preferences and those of similar users.



5 When her order arrives and she reopens the app, it has proactively reconfigured to give her instructions on applying the makeup.

Best practitioners aim not just to improve the existing journey but to expand it, adding useful steps or features.

preferences, makes inferences based on similar customers' choices, and tailors its responses. L'Oréal has created an enjoyable experience that quickly and seamlessly leads the customer along the path from consideration to purchase and, as the degree of personalization increases, into the loyalty loop (see the exhibit "L'Oréal App Keeps Customers Coming Back—and Buying"). With 14 million users already, the app has become a critical asset both as a branded channel for engaging with customers and as a fire hose of incoming information on how customers engage.

Contextual interaction. Another key capability involves using knowledge about where a customer is in a journey physically (entering a hotel) or virtually (reading product reviews) to draw him forward into the next interactions the company wants him to pursue. This may mean changing the look of a screen that follows a key step, or serving up a relevant message triggered by the customer's current context. For example, an airline app may display your boarding pass as you enter the airport, or a retail site may tell you the status of your recent order the moment you land on the home page.

More-sophisticated versions enable a series of interactions that further shape and strengthen the journey experience. Starwood Hotels, for example, is rolling out an app that texts a guest with her room number as she enters the hotel, checks her in with a thumbprint scan on her smartphone, and, as she approaches her room, turns her phone into a virtual key that opens the door. The app then sends well-timed and personalized recommendations for entertainment and dining.

Journey innovation. Innovation, the last of the four required capabilities, occurs through ongoing experimentation and active analysis of customer needs, technologies, and services in order to spot opportunities to extend the relationship with the customer. Ultimately, the goal is to identify new sources of value for both the company and consumers.

Best practitioners design journey software to enable open-ended testing. They continually do A/B testing to compare alternative versions of message copy and interface design to see which works better.

And they prototype new services and analyze the results, aiming not just to improve the existing journey but to expand it, adding useful steps or features.

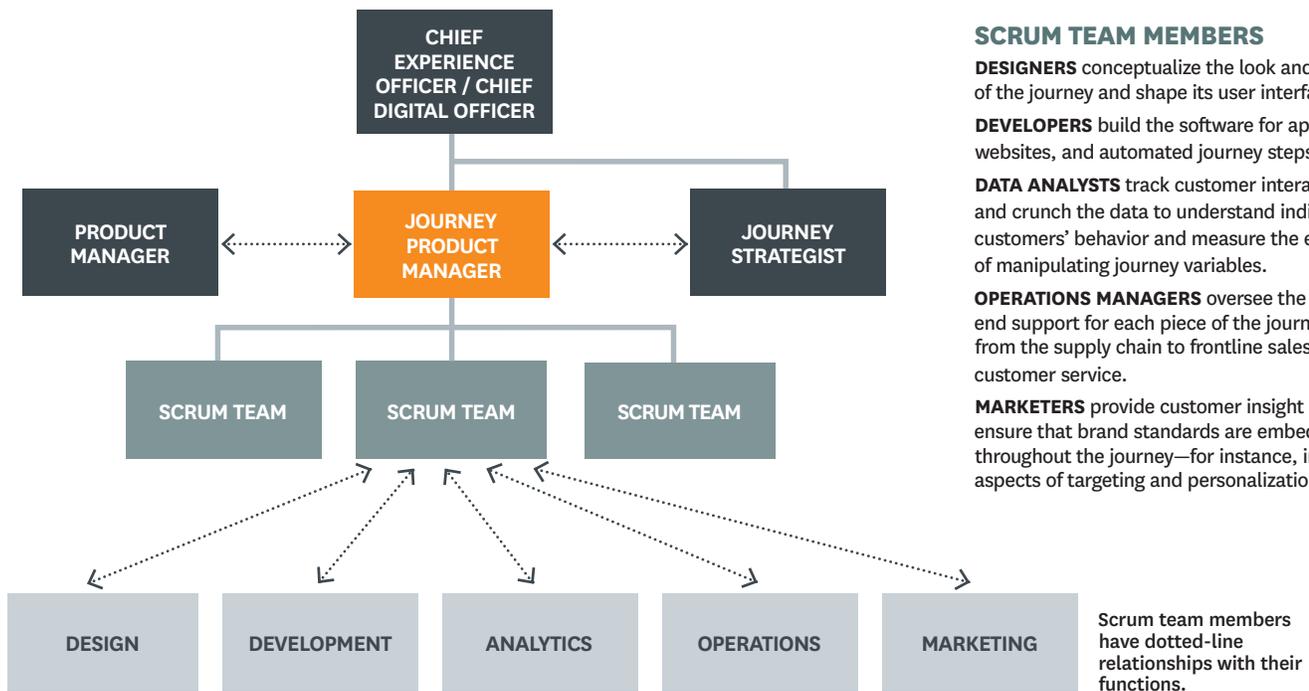
A journey innovation may be as simple as Starwood's introducing a prompt for ordering room service after a guest uses a key, remembering previous orders and using those as the initial options. Or it may be more sophisticated, expanding a journey by integrating multiple services into a single straight-through customer experience. Delta Air Lines' mobile app, for example, has become a travel management tool for almost every aspect of an airplane trip, from booking and boarding to reviewing in-flight entertainment to ordering an Uber car upon landing. Kraft has expanded its recipe app to become a pantry management tool, generating a shopping list that seamlessly connects with the grocery delivery service Peapod. Key to these expanded journeys is often their integration with other service providers. Because this increases the value of the journey, carefully handing customers off to another firm can actually enhance the journey's stickiness.

Capabilities in Practice

Let's return to Sungevity to see how it combines these four capabilities to create a valuable and evolving journey.

From initial customer contact to installation and beyond, Sungevity has automated most steps of the journey, including collecting and integrating customer data, calculating energy use, and creating personalized visualizations of the panels on a roof. Crucial here is sophisticated use of APIs (application interfaces) to pull data from other providers, such as Google Earth and the real estate service Trulia, to assemble a picture of the customer. Data analysis allowed proactive personalization that targeted David with customized information such as costs, timeline, and anticipated breakeven and savings, all available across multiple channels, including e-mail, Sungevity's site, and customer reps. Contextual interaction capabilities allowed Sungevity to serve the right content in the right channel for each of David's interactions—for example, using APIs to track the

THE NEW JOURNEY MANAGEMENT ORGANIZATION



SCRUM TEAM MEMBERS

DESIGNERS conceptualize the look and feel of the journey and shape its user interfaces.

DEVELOPERS build the software for apps, websites, and automated journey steps.

DATA ANALYSTS track customer interactions and crunch the data to understand individual customers' behavior and measure the effects of manipulating journey variables.

OPERATIONS MANAGERS oversee the back-end support for each piece of the journey, from the supply chain to frontline sales and customer service.

MARKETERS provide customer insight and ensure that brand standards are embedded throughout the journey—for instance, in all aspects of targeting and personalization.

panel installation by the company's local contractor and then regularly updating David's landing page with the latest status.

Sungevity is continuing to pursue journey innovation, using what it knows about its customers to extend the journey into energy storage and conservation services. Not long ago, such activity might have been a generic upsell, blanketing a customer segment with pitches for a new offering. Today the outreach can be to a single individual, and the strategy not simply to sell another product but to invite customers to take the next step on their personalized journeys. With granular data on each household's energy use and habits, Sungevity can advise people one-on-one about managing their energy consumption, and it can recommend a tailored package of products and services to help them reduce their dependence on the grid and reap savings. To this end, the firm will soon offer batteries from the German supplier Sonnenbatterie to store surplus electricity generated by the solar panels. It is also creating customer dashboards that track energy production and use. Ultimately, the firm plans to integrate its services with home-management networks that can automate energy conservation (adjusting lights and heating, for example) according to decision rules that Sungevity develops with each customer. Another project is to create conservation-oriented customer communities.

The Rise of the Journey Product Manager

Technology smarts are necessary but not sufficient for designing competitive, continuously improving journeys; companies also need new organizational structures and types of management. We have worked with many "digital native" firms that have had the luxury of building organizations optimized from the outset for creating effective journeys—and their experience offers lessons for traditional firms. We have found that traditional companies are most successful when they focus on selected high-value journeys and create dedicated teams to support them, drawing from across the firm's functions.

While we've seen many different organizational models for product-managing journeys (and an array of titles for the executives involved), they generally have a similar structure (see the exhibit "The New Journey Management Organization").

Overseeing all of a firm's interactions with customers is someone in the role of chief experience officer, a relatively new position in the C-suite. Chief digital officers are also starting to have this top-level responsibility. Typically reporting to this executive is a journey-focused strategist who helps guide decisions on which journey investments and customer segments to focus on; he or she prioritizes current journeys for digital development and spots opportunities for new ones.

Holding Journey Managers Accountable

Just as conventional product management depends on close tracking of carefully chosen metrics, “product managing” a journey requires tracking both familiar and specialized metrics that gauge progress and performance. In addition to providing an array of information about journey investments and ROI, the right metrics permit accountability.

Journey managers must be able to answer financial questions: What can we afford to invest in journey development? What new sales or revenue do we need to generate? What is the variable cost per customer or action that we can afford for each journey? They also need to assess customer satisfaction with the entire journey and with interactions at specific touchpoints.

Because individual touchpoints may be handled by different functions or partners (for example, an appliance sale could involve an affiliate store agent, a call-center sales rep, credit underwriters, and installers), the performance of these players must be measured and tracked so that they, too, can be held accountable. Other metrics should track the journey’s ROI by calculating the ongoing costs of delivering the journey, the revenue and profits it generates, and the impact of continual innovations to the journey.

One airline we work with measures its effectiveness in helping customers navigate the journey for rebooking and resuming travel when a flight is canceled. The airline gathers an abundance of data about rebooked customers, including the percentage who have downloaded its mobile app, and of those, the percentage who boarded their new flight without any live help. It also ascertains the percentage who provided a mobile phone number or e-mail address, and of those, the percentage who opened their notification of a rebooked flight, and of *that* subgroup, the percentage who boarded without help. In addition, the airline calculates the percentage of passengers who boarded the first alternative flight suggested to them. The team analyzes each of these metrics across tiers of frequent-flier value and ticket price in order to optimize the costs and revenue associated with this journey for each customer.

Sitting at the center of the action for a given journey is new type of leader, the “journey product manager.” People in this role (more commonly called “solution managers,” “experience managers,” or “segment managers”) are the journey’s economic and creative stewards. They have ultimate accountability for its business performance, managing it as they would any product. And like other product managers, they are judged according to how well they meet an array of product-specific measures, including journey ROI (see the sidebar “Holding Journey Managers Accountable”).

Guided by the firm’s business priorities (for example, growing market share, increasing revenue, and improving customer satisfaction), they explore ways to expand and optimize the journeys they’re responsible for, increase their stickiness, engage new partners, fend off competitors, and cut costs, particularly through digitizing manual processes. More operationally, it’s their job to understand how customers

move through the journey, to spot unusual customer behaviors (such as detouring or abandonment at a critical touchpoint), and to discern what attracts new customers—or dissuades them from engaging.

To build successful journeys, these managers rely on “scrum teams” of specialists from across IT, analytics, operations, marketing, and other functions. The teams are execution-oriented, fast, and agile, constantly testing and iterating improvements. Collectively, the team members work to understand customers’ wants and needs at each step of the journey and make taking the next step worthwhile. They ask questions such as “What types of functionality, look and feel, and message will propel customers to the next step?” and “How does the timing of prompts affect customers’ responses?” Pursuing answers to questions like these, teams enter into rounds of development, piloting iterative digital-journey prototypes, analyzing operational and customer-use data, and then measuring the impact on customer behavior produced by each tweak to the journey.

Nordstrom is one company that has used this scrum-team approach. To enhance the journey around shopping for sunglasses, for example, a team set up temporary camp in the retailer’s flagship store and launched a series of weeklong experiments to perfect a new app. The app was envisioned to guide customers through the selection process by matching sunglasses styles with their facial characteristics and preferences. Right in the store, team members mocked up paper prototypes of the app and studied how shoppers tapped on them, as if using a live version. Throughout the process, they asked customers which app features seemed helpful, unnecessary, or distracting. On the basis of that feedback, the team’s coders built a live version of the app for customers to test, making real-time adjustments as they received more input. After a week of tweaking, they released it on tablets to the store’s sales associates, who use it alongside customers to help them choose sunglasses.

Typically, journey managers bring scrum teams together on-site (as Nordstrom did) or in war rooms for design sprints, in which teams pitch new journey paths and features and then develop, test, and scale prototypes. Experiments may focus on anything from designing landing pages and devising live chats with reps to optimizing back-end processes and improving “experience flow” (how a customer moves from one journey step to another).

While the best journey product managers work in this way to continually refine existing journeys, they're also looking at the bigger picture, introducing larger-scale innovations that extend the journey and increase its value and stickiness. Consider, for example, how one of our clients, a global consumer electronics company, is developing and marketing a new countertop cooker. The product has programmable compartments that can be controlled by an app, allowing customers to simultaneously cook different parts of a meal. This creates opportunities to build an array of services that help customers get the most from the cooker.

Although the firm had long experience with product design, as it began adding connectivity to its products, management realized that it knew relatively little about creating services to enhance them. Recognizing that it would need a new structure for designing and managing such services, the company created a global experience-innovation team, led by a new-business-development executive and supported by a product design executive. Essentially serving together as chief experience officers for the new services envisioned, these executives oversee all of the firm's connected-product initiatives and supervise the journey product managers (or "innovation leaders") in charge of these programs.

The cooker's journey product manager was tasked with creating various related services (help with meal planning, ingredient purchasing, and meal prep) and building the journeys that would deliver them. With his scrum team of designers, programmers, operations managers, and marketers, the manager has led the development of a service that provides recipes through the cooker app, tracks what customers make, and then personalizes suggestions over time. The team is now developing weekly meal-planning apps, and it has partnered with food producers to create recipes and offer discount coupons for key ingredients. Ultimately, the team plans to support a customer community whose members create and share their own recipes.

To do all this, the team scrutinizes data flowing from the app: what percentage of customers download it, how many register, how (and how often) they use it, how cooker use and meal type vary by geography, and, for those who stop using the app, at what point they defect. This data informs the team's tuning of the app's navigation and prompts, along with the meal ideas and incentives the firm provides

customers to keep them engaged. Analysts within the broader work group focus on narrow segments of the user base, typically zooming in on different countries to understand how usage patterns vary. This tracking extends to the level of the individual, revealing what recipes a given customer tries, how often she uses the cooker and the app, and which app features she uses—all of which allows continuing innovation and personalization of the journey.

The move from selling products to managing a permanent customer journey has required mastering the four capabilities that all companies will need to compete: automation (in this case, the ability to control the cooker from an app); personalization (offering tailored recipes); contextual interaction (changing the app interface as customers move from purchasing ingredients to cooking); and journey innovation (adding new recipes, online purchase capabilities, and community).

In perfecting these capabilities, the firm has made the continuing customer journey as much a part of the brand as the cooker itself—and as important a source of value. Leveraging its new journey-focused managerial structure, the company is now developing service-based journeys for other home health and household management products.

THINKING ABOUT the customer journey as a product is leading to a major shift in how product investments are determined, prioritized, funded, and measured. Increasingly, firms will be focusing on how an investment improves the economics of delivering products and journeys to a customer segment—and how powerfully it reinforces engagement—rather than just how it drives sales or reduces costs. Particularly for companies that are somewhat distant from customer transactions, such as consumer-goods makers and B2B firms, this requires developing fundamentally new skills and structures for gathering and analyzing customer data, interacting with customers, and focusing on the experience design along with product and creative design. Today, winning brands owe their success not just to the quality and value of what they sell, but to the superiority of the journeys they create. ♡

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David C. Edelman is a global leader in digital marketing and sales at McKinsey & Company. **Marc Singer** is the director of McKinsey's global customer engagement practice.

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