From engagement to results—by design

Organizations can achieve both cost-effectiveness and customer-centricity by evaluating the business impact of customer investments.

CEOs are the chief customer advocates, but each enterprise function will require a change in mindset and approach.

A customer-focused organization is built through cultural change, technology, and a clear understanding of the customer.

Whatever an organization’s current state, now is the time to improve customer focus by launching initiatives that make a difference to the business.

“Getting closer to the customer” is an all-too-common refrain. Now companies realize that it’s crucial to growth. Both business buyers and consumers have more choices than ever before, and they won’t hesitate to walk away from companies that don’t meet their needs. This holds true for nearly all industries today and is no longer limited to those serving consumers.

Seeing things from the customer’s perspective—outside-in—and making that view the core of your strategy may be the most important thing that sets you apart from competitors. Companies that design this kind of organization—focusing on the right metrics, an integrated approach, a thorough understanding of the customer, and strategic investments—can reap real dividends. They’ll be able to build loyalty, increase retention, and command price premiums.

Of course, getting there is easier said than done for many companies. Instilling a customer focus requires CEO leadership and enterprise-wide commitment. Most large organizations are firmly entrenched, having long ago optimized around functional disciplines. Company leaders should seize the chance to bring their brand promise to life by improving the customer experience model.

Where CEOs will focus customer efforts

Senior executives in PwC’s 16th Annual Global CEO Survey convey a sense of urgency when it comes to customer investments.¹

- **Bolster customer programs:** Nine out of 10 US respondents say they are strengthening their customer and client engagement programs, and 82% are strengthening engagement programs with social media users.
- **Plan for change:** 84% of US CEOs anticipate changes in their customer growth, retention, or loyalty strategies over the next year.
- **Grow their base:** Nearly two-thirds of US CEOs (63%) name “growing your customer base” as a top-three investment priority, outpacing all other options.
- **Evaluate growth strategies:** 43% of US CEOs express concern that shifts in consumer spending and behaviors could threaten their companies’ growth prospects.

At a glance

Depending on where they sit, C-suite executives expect a customer focus to yield different results. Delivering a customer experience that sets an organization apart from its competitors requires coordination across the C-suite. Here’s what distinguishes such a company:

- How do we:
  - Improve business strategy?
  - Enter new markets and segments?

- How do we:
  - Align business strategy with the customer journey?
  - Design products that meet customers’ evolving needs?

- How do we:
  - Improve pricing and profitability?
  - Manage costs while increasing retention rates?

- How do we:
  - Identify the right metrics to measure return across the enterprise?
  - Support new transaction/payment types?

- How do we:
  - Enable customer technologies and integrate digital channels?
  - Automate sales and marketing functions?

- How do we:
  - Employ technologies that allow a singular, enterprise-wide view of the customer?
  - Make the company easier to do business with?

- How do we:
  - Design a more robust customer experience?
  - Measure the effectiveness of social media?

- How do we:
  - Design and execute a better marketing strategy while managing media spend?
  - Gain an increased share of customers’ wallets?

- How do we:
  - Listen to customers more effectively across channels?
  - Integrate marketing, sales, service, and operations to get measurable results?

- How do we:
  - Enhance back-office functions that impact the customer?
  - Improve customer service?

- How do we:
  - Get customers to view service as a company asset?
  - Measure the effectiveness of customer initiatives?

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Traditional

Customer-centered

*Chief experience officer
Executive, particularly the CEO and CFO, traditionally viewed customer investments as hard costs with soft returns—money spent that produced indirect returns at best. But today, company leaders are thinking differently: While they still look to cut costs, they also plan to invest in their operations, seeking competitive advantage in their operating models to offer customers more at a lower cost.2

For example, a business services company that had a dedicated account manager for each client reevaluated its model and was surprised to hear that customers didn't value the program. Instead, they wanted easier access to knowledgeable representatives who knew their account history. By doing away with dedicated account managers in favor of a technology-enabled customer service pool, the company reduced its costs and enhanced customer satisfaction and response times.

**Consider customer lifetime value**

An organization must be able to quantify how it is customer-centered and how that impacts the bottom line, because the two are not mutually exclusive. Most often, this takes the form of customer lifetime value—how much net profit is attributed to a customer's future relationship with the organization. The CFO plays a big role here by establishing the right metrics and remaining focused on the reporting process. He or she can pinpoint the numbers that matter in the organization, like acquisition costs, retention, and loyalty measures.

**Short-term metrics and long-term wins**

An organization will also weigh short- and long-term thinking. The company’s leaders will want two kinds of metrics: those that carry immediate return expectations, like percentage upsells, and those that require patience, like willingness to recommend. For example, call centers that focus on first-call resolution, a long-term metric, will eventually see short-term benefits in the form of decreased handle times or lower call volumes.

At the same time, companies need to establish the right incentives. The actions of employees, functions, and business units should align with customer needs. For example, many companies focus solely on transactional measures, but they may be overlooking measures like employee-customer intimacy, or measures that test employees’ true awareness of the wants and needs of each customer segment.

It’s also essential to have shared objectives across the organization. For example, CMOs might typically measure acquisition while COOs measure transactional satisfaction through support channels. Instead, the organization can use a single metric meaningful to both executives, like reduction in churn, customer success, or loyalty.

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**Have it all: cost effectiveness and a customer focus**

Cutting and spending

CEOs will continue cost-cutting while making investments that enable the organization to do more, like better serve customers.

**71%** Planning cost-cutting measures

**44%** Investing to increase operational effectiveness


Q11b. Which, if any, of the following restructuring activities do you plan to initiate in the coming 12 months? Implement a cost-reduction initiative

Base: Global 936, US: 119

Q6 What are your top three investment priorities in the next 12 months? Improving operational effectiveness

Base: Global: 649, US: 74
**Speak in a common language—the customer’s**

Companies used to be confident in their ability to anticipate customer wants and needs. But in today’s multi-channel world, gaining that understanding requires coordination. The entire organization—the corporate office, supply chain, field teams, sales, marketing, and service—must work together and speak the same language.

Often, customer challenges are caused by barriers that separate a company’s departments or business units. Addressing these challenges requires a complete picture of the customer—which demands collaboration among functions. This is why there’s no substitute for business-line leaders who communicate with the same vocabulary, helping to breed cross-functional responsibility and accountability.

One healthcare insurer recently did just that. The company’s senior executives adopted an awareness of the customer based on three distinct segments. Employees know each segment by name—where each one shops, its behaviors, and its needs. During company meetings at every level, employees talk about the customers as if they’re also in the room. They no longer propose generic ideas, but focus on exactly what each segment wants and what the company should deliver.

**Who leads the charge?**

Significant efforts like these require strong leadership. Many companies thought they addressed this by appointing an individual to the chief customer officer role or giving them a similar title. But most of these firms quickly found out that doing so often masks the true customer challenges. With so many customer connection points across the business, the chief customer officer often lacked the authority to mandate the changes needed.

Instead, it is the CEO who has both the responsibility and the authority to attack customer problems. The CEO will serve as a company’s chief customer advocate, and companies that heed this call typically have the strongest customer-centered DNA.

“Some of the key elements in IFF’s success model are based around customer intimacy and consumer insights,” says Douglas D. Tough, chairman and CEO of International Flavors and Fragrances, Inc. “It all starts with the consumer—a rich and robust understanding of what they want, where they’re going, but, most importantly, what they want in the future.”

**Becoming better listeners**

Understanding the customer’s language means becoming a world-class listener, which is a critical step in shifting the organization’s philosophy. Executives and management teams will want to ask themselves, What do we need to listen for? How frequently do we listen? What are the quantitative and qualitative aspects we should listen for?

No longer does the customer experience belong to a creative agency. Now, an organization can focus on its own brand story and apply that vision to its customer-impact strategy.
Design the customer-centered organization

The volume of customer conversations in the marketplace and the discoverability of those conversations have changed dramatically over a short period of time. While most organizations would argue that they listen to customers every day, the challenge now is responding in a thoughtful manner. Explains Peter Tortorici, CEO of GroupM Entertainment Global, “If we want a relationship with the consumer through media, we have to deliver content to them that’s relevant to where they are and what they’re doing at any given time. So we view ourselves as operating in an on-demand marketplace.”

Becoming a sense-and-respond organization
As it begins designing itself to be more responsive, a company will want to avoid battles over what causes poor customer experiences. Sales and service will often point to complex products and technology errors, while product teams might blame poor front-line customer engagement and operations errors.

For example, at a communications firm, roughly 5% of customer issues passed through the support team to either the CEO or CMO. When the CEO came to understand that customer issues most often originated in operations, sales, and other functions, he believed an organizational change was necessary. He launched a customer experience strategic assessment and is now leading a cultural change program that will engage all levels—from executives to service representatives—to listen and respond more effectively.

Technology and culture intersect
Culture and values are intangibles that get to the heart of a customer-centered management philosophy. But technology will also play a vital role. More than a quarter (28%) of US CEOs indicate that implementing new technology is a top-three investment priority in the coming year. This will clearly have implications on customer strategies, given that US CEOs overwhelmingly consider it a top priority to grow the customer base.

What’s the right customer experience recipe?
Companies also need to understand the elements that make up an exceptional customer experience—and this varies by industry. In the hospitality industry, 65% of all guests are likely to re-book hotels where they’ve had a great experience, and staff attentiveness ranks as the top driver of great hotel experiences. Making memorable experiences repeatable, however, requires functional collaboration. For example, a CIO, COO, CMO, and perhaps chief experience officer would need to work closely to enable seamless communications with guests across multiple channels over time. Building on a customer communications strategy, the CFO will be interested in how to incentivize guests to re-book through preferred, more profitable channels.

What makes you great?
For hotel companies, staff attentiveness ranks as the number-one driver of great experiences. The key is translating those experiences into profit.


5 Ibid.


7 Ibid.
The time is now—where will you begin and how do you get there?

While organizations may be at very different points in their customer journey, the time to ramp up your efforts is today. We see five stages of customer engagement, and regardless of where your organization sits, you can begin making a business impact as you progress through each level. Determine where your organization currently is at and how to get to the next level:

**Stage 1: Transactional**
Customer communication is a one-way street and siloed functions mean that customer information is not shared within the organization. The organization views the customer strictly as a transactional buyer.

**Stage 2: Experimental**
Different functions or business units undertake customer-engagement activities, but these are disconnected from one another and from core business operations. The company develops products to fit different customer needs—but without coordination or customer insights.

**Stage 3: Operational**
There’s a coordinated, sustained focus—from company leaders down to employees—on listening to customers and using tools to meet specific business goals. The organization thinks in terms of operations and layers services on top of products to enhance the experience.

**Stage 4: Measurable**
The organization actively senses and responds to customers and has the tools and processes to gauge the outcome on business performance. The company’s culture is grounded in metrics that drive customer lifetime value and optimize an integrated customer experience.

**Stage 5: Fully engaged**
Customer engagement is part of the organization’s strategy and directly impacts business results, such as through increased revenue and customer loyalty. The company is differentiated in the marketplace, and its brand promise is echoed in every customer conversation—understanding that the customer knows no boundaries when it comes to expectations. In these companies, the customer interaction has evolved into a fully developed relationship.

**Free to change and grow with your customers**
As companies move through these stages, becoming more engaged with their customers, they’ll discover that they can do more. By putting the customer first, the organization is free to try new things and can more quickly launch those initiatives that make a difference.
**Upcoming 10Minutes topics**

**Industry series: The customer-centric utility**
After a century in which their operating model changed little, regulated utilities now face empowered customers, the evolving smart grid, and deregulation. An emerging customer-focused model dictates that customers view their utilities as service providers rather than solely distributors of electricity, gas, or water. This 10Minutes explores what utility companies will want to consider when reshaping themselves around the customer.

**Industry series: Harnessing customer demand to drive growth in retail and consumer**
While many retail and consumer companies are doing a good job of understanding their customers, how many firms are creating demand by coordinating initiatives across marketing, sales, and innovation—functions and activities that have come to encompass the demand chain? This 10Minutes examines why and how companies can strengthen their demand chains to drive growth.

**Cybersecurity realities**
Nearly 80% of large US businesses suffered a known security breach in the past year, risking company growth, competitive positioning, shareholder value, even national security. With so much on the line, company leaders need to begin thinking and acting differently when it comes to security. This 10Minutes explores how companies can better protect their information assets and their business ecosystems and use cybersecurity to their advantage.

**The boardroom agenda**
Significant changes in corporate governance are impacting boardroom dynamics, compelling directors to spend more time on board work and prompting them to reconsider their oversight approach. Directors expect to increase their focus on critical areas including board composition, risk management, strategy, and IT oversight. This 10Minutes explores how directors are working to overcome challenges and improve their oversight roles.
To have a deeper discussion about building the customer-centered organization, please contact:

Tom Puthiyamadam  
Principal, Product & Services Industries  
PwC  
(646) 471-1490  
tomp@us.pwc.com  

Paul D'Alessandro  
Principal, Health Industries  
PwC  
(312) 298-6810  
pmd@us.pwc.com  

Dean Nicolacakis  
Principal, Financial Services Industries  
PwC  
(415) 498-7075  
dean.nicolacakis@us.pwc.com  

Karen Wilson  
Principal, Washington Federal Practice  
PwC  
(703) 610-7546  
karen.wilson@us.pwc.com

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