Customer Acquisition and Retention

Why Customer Centricity Matters

Sustaining high performance through uncertain times

accenture

High performance. Delivered.

• Consulting • Technology • Outsourcing

Customer Centricity

A Strategy for Any Market

As organizations around the world confront new economic realities, many find organizing an effective response in this highly complex, highly uncertain environment to be uniquely challenging.

Their sense of heightened uncertainty and risk reflects a business landscape already in a state of transformation before the current economic cycle. Increasingly open markets and trade liberation have dispersed economic power and triggered unprecedented levels of competition. Heightened competition has accelerated the pace of commoditization, curtailing advantages based on innovation, availability or functionality.

The rapid advance of communication technology and electronic commerce has eroded customer loyalty by creating more convenient access to product information, purchase options and services. In mature economies, market saturation has slowed growth in many categories. In emerging markets, greater consumer spending power has drawn the attention of providers searching for fresh growth, spurring further cross-border competition.

Now, a volatile economy has added uncertainty to the mix. In the shadow of a possible long-term recession and diminished consumer confidence, predicting future demand and buyer behavior has grown exceptionally difficult.

Despite all the complexity and uncertainty, however, executives know they must act. For some, the most urgent priority is to reduce the cost of sales and service—ideally without damaging profitable relationships. Others are more aggressive, and are already targeting new customer segments and territories for growth. Both camps recognize the consequences of choosing the wrong priorities—none wish to miss an opportunity; none wish to overlook a threat.

In tough times, the strong grow stronger. The organizations that will perform the best through this period and beyond will be those that maintain a strong customer-centric focus while dealing with the complexity, uncertainty and risk that cloud the business landscape. This means knowing the sources of risk and opportunity within the global customer base. It means finding new routes to reaching customers—increasingly, through channels that customers control. And it means focusing less on driving customer transactions for short-term gain, and more on fostering trust-based relationships over the long term.

By maintaining a customer-centric approach to managing in uncertain times, enterprises will plan and act with greater confidence, compete with more intensity, and respond more readily to changing market conditions.

Why a New Environment …

Customer centricity has always been a principal focus of high-performance businesses. Now, however, it's a prerequisite for virtually any commercial enterprise that seeks to preserve customer relationships or acquire new ones.

Two factors make customer centricity essential to sustaining performance in uncertain times. First, customers are more diverse, with specialized needs and preferences—understanding them requires more study and precision. Second, customer expectations are rising while their sense of loyalty is falling—satisfying their requirements demands more focus and consistency.

Customer expectations. Companies everywhere serve a more complex customer base: more diverse geographically, more varied demographically, and dotted with entirely new buyer segments. In mature economies, the consumer population is aging, with large numbers of baby boomers heading toward retirement. At the same time, a new generation of consumers raised on technology is coming of age, and a more mobile workforce is transporting buyer values and behaviors across geographic regions.

Whereas mature markets are increasingly saturated, the citizens of the world's emerging markets—expected to account for more than half of global consumption by 2025—hold rich growth potential for both local and foreign providers.[1] These consumers, however, are often in remote, hard-to-reach locations, and may regard foreign brands with uncertainty or even suspicion—reaching them and winning their business will require new insights into their distinct needs and behaviors, and new routes to market.

Customer experiences. If the global consumer population is more complex, satisfying their expectations is even more so. In a recent Accenture survey of consumers around the world, one-third of our respondents indicated their service expectations are higher today than they were one year ago. Even more dramatic, 52 percent of respondents reported higher service expectations today compared with five years ago.[2]

Increasingly, buyers tend to categorize providers as "distinctive" or "everyone else". Earning a place in the distinctive category is challenging and keeping it is even more so. Our research has found a poor customer experience to be the most common reason for customer flight today—cited by customers even more often than finding a better price somewhere else.[3] Even when customers view overall service quality as good, they are quick to leave when their specific expectations go overlooked. In industries where costs of switching continue falling, even the strongest corporate brands are vulnerable.

Calls for a New Mindset

To the dual challenges of a more complex customer population and more demanding customer expectations, a third challenge has been added, with new economic concerns further complicating an already complex scenario. Beyond the immediate impact on consumer confidence and purchase behaviors, major policy change and regulatory reform will transform industries, having impacts that will ripple throughout many others.

Some businesses are already making dramatic cost reductions. Others, however, are focusing on the potential to grow both market share and share of wallet. In either case, the call to action is loud and few can ignore it.

Restoring balance. Whether an organization mounts an aggressive or defensive response, is already in the midst of restructuring or still awaiting impact, maintaining a customer-centric focus is, we believe, essential. Most organizations, we found, honor the concept in theory. However, we also found that many remain focused on optimizing customer transactions rather than the customer experience, and on short-term returns at the expense of long-term relationship benefits. This myopic focus has, over time, failed to serve the customer's broader financial, social or environmental needs, and will fail to meet the best interests of the business in the times to come.

Ultimately, focusing less on the transaction and more on the end-to-end experience is good for business too. Over time, more power has shifted from providers to consumers. Now, providers have the opportunity to claim a new position of strength by fulfilling their responsibility to customers and to society as a whole. In a time of extreme "consumerism," organizations must be willing to balance out their own "corporatism" to preserve and create value for themselves and employees, their shareholders and customers.

Few people enjoy being sold to, and in both the consumer and business-to-business environments, customers increasingly expect to be treated as partners in a trusted relationship. Organizations that tap into this basic human attribute stand to benefit enormously, by differentiating themselves, building customer loyalty and defending relationships during what may prove to be an extended period of doubt, uncertainty and skepticism.

1 Estimate adjusted for purchase power differences.

2 *High Performance in the Age of Customer Centricity*, customer satisfaction research, Accenture, 2008.

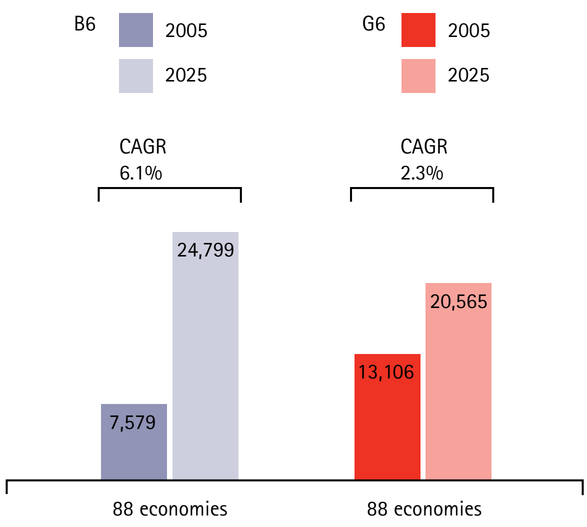
3 *High Performance in the Age of Customer Centricity*, customer satisfaction research, Accenture, 2008.

The redistribution of economic power and rising consumer expectations are reshaping the commercial landscape.

Figure 1:
EIU; Accenture analysis. Purchasing power parity adjusts for differences between countries in the price of a standard basket of goods and services.

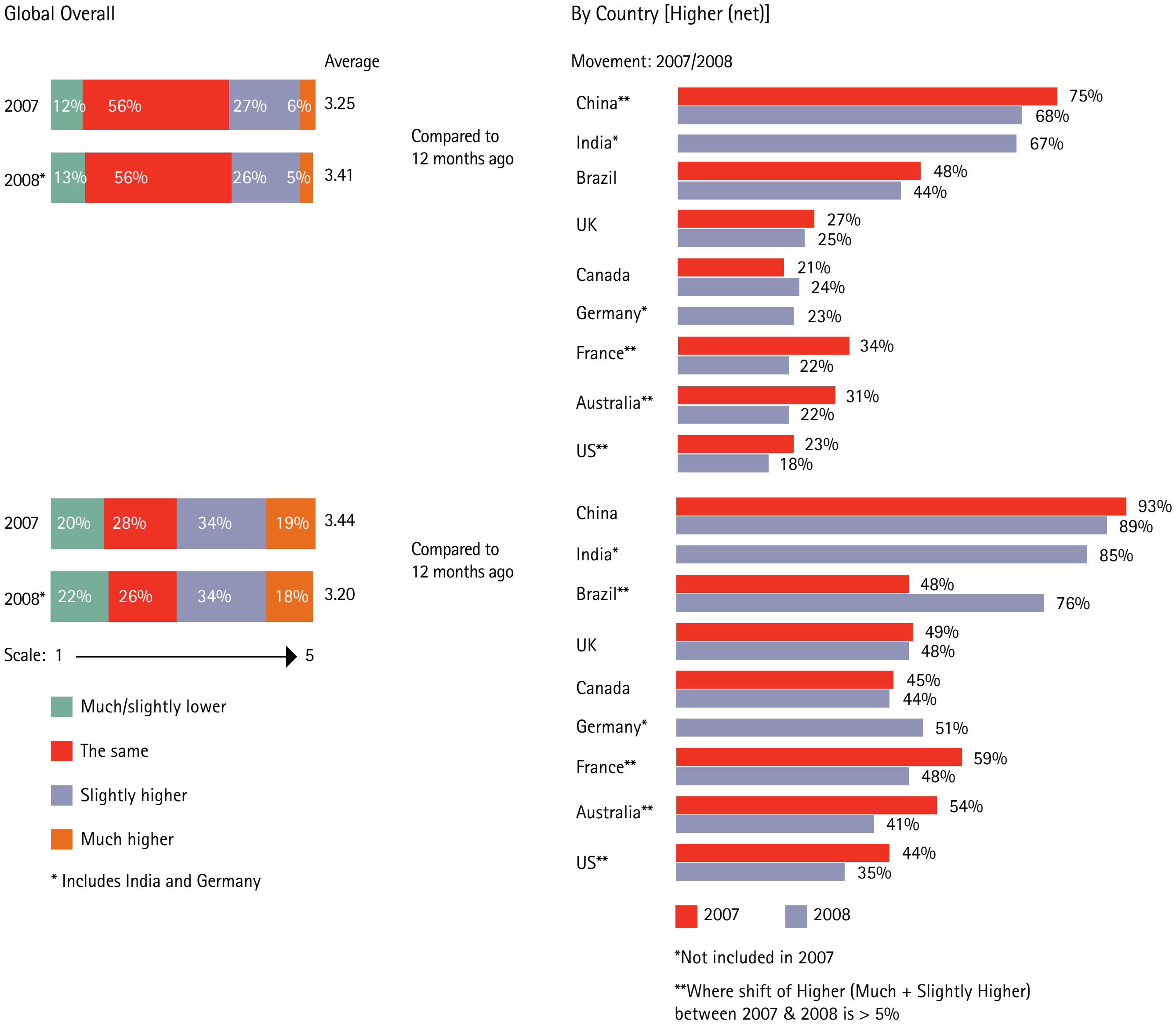
Figure 2:
High Performance in the Age of Customer Centricity, Accenture, 2008.

Figure 1: Global Shift in Consumer Purchase Power



B6: 'Big Six' = Brazil, China, India, Mexico, Russia and South Korea
G6: France, Germany, Italy, Japan, United Kingdom and United States
CAGR = Compound Annual Growth Rate

Figure 2: Global Rise in Consumer Expectations



Withstanding the Storm

Executives have many choices to make now. Past slowdowns suggest what pitfalls to avoid: failure to balance corporate objectives with customer needs; overreliance on internal viewpoints about what matters to customers; neglecting to create a culture of customer advocacy. Such missteps can have a lasting negative impact on the customer franchise. What positive actions can we learn from the past?

Spend where it counts. Costs tend to take center stage when growth slows. Experience suggests that companies that cut budgets across the board see minimal return from their remaining investment. Streamline costs where necessary, and give equal importance to optimizing what is spent. Consolidate the marketing budgets that large organizations tend to disperse across multiple groups, to reduce redundancy and increase impact. Before investing in new loyalty programs, make sure they are directed at the customers who are most likely to stay. Rather than reducing service levels or moving service operations to low-cost locations, try increasing the use of lower-cost self-service channels by customer segments predisposed to prefer this option.

Stay relevant. Pricing is another first-response area that requires careful analysis to get right. Buyer values change when economic conditions change, and customers have other values besides low price. Some may even question the value of lower-priced goods, or wait to see if prices go even lower. Accenture research suggests that, even in times of limited credit and scarce capital, demonstrating a commitment to delivering a highly relevant, high-quality customer experience can be a powerful factor in retaining as well as attracting customers—for some customers, more influential even than price.[4]

Preserve trust. Consumers attach a high level of importance on a provider's credibility—knowing it will perform as promised and that their business matters to the company. In one survey Accenture conducted, 45 percent of consumers indicated they continue buying from companies because they have learned to trust their products. Such trust is invaluable and easily lost—for example, when a company solicits feedback from consumers and seemingly fails to act on it, or when it indiscriminately reduces service levels. In fact, 30 percent of respondents said loss of credibility plays a strong or very strong role in their decisions to leave providers.[5]

Keep sight of growth. Rather than simply riding out the storm, use the need for change to spur innovative thinking. Periods of market upheaval are often the best times to gain share. Reduced funding means companies will have fewer resources to match one another's products. Over time, fewer companies will be left to compete profitably for the same market space. The ability to predict, prepare and act on these opportunities will separate companies that suffer from the current economic situation from those that prosper during it.

Create accountability. A cultural bias towards the customer only happens by design. Establish corporate-level structures for performance measurement, oversight and accountability, directly linked to how well the customer experience is managed. Create incentives that encourage all employees to cultivate a positive customer experience. Identify a customer centricity champion or "chief customer officer" to advocate for end-to-end customer focus, and assess the impact of new initiatives, policies or processes on the customer experience before they are enacted.

Maintain balance. Whether the focus is on organic growth, customer retention or cost containment, manage the response using a balanced scorecard that reflects the multiple and, at times, competing agendas that shape corporate decision making: company stewardship, employee satisfaction, shareholder value and customer satisfaction. Create visibility and ownership for key metrics at the C-suite level, to speed progress, monitor progress and, when necessary, mediate conflicting priorities.

Acquisition and Retention: Customer-Centric Essentials

How do high-performance businesses create lasting customer relationships? How do they successfully target and win new customers? How much change is enough? The key is focus: on hard facts, on management fundamentals and, importantly, the best customers and most likely prospects.

The most successful organizations have expanded the traditional focus on customer relationship management to encompass customer experience management. They have an outside-in perspective (what do customers really think?). They are innovative and experimental in their channel strategies (how do customers want to be reached?). They deliver an end-to-end experience that reflects a holistic, multidimensional view of the customer rather than internal systems and organizational complexity (they see their business through the customer's eyes).

Here's how successful organizations translate customer centricity theory into practice.

• **Knowing the customer.** They have the facts they need to succeed, gleaned through customer segmentation and deep analysis, and they have a differentiating ability to translate these insights into profitable decisions about product, bundling, pricing, campaign design, etc.

4 *High Performance in the Age of Customer Centricity,* customer satisfaction research, Accenture, 2008.

5 *The Curse of the Disloyal Customer,* Customer loyalty research, Accenture, 2006.

- **Reaching the customer.** Through channel innovation, solution-centric selling and effective partnering, they are able to reach the right customers at the right times in the right places, and engage in a two-way exchange of information. They maximize marketing investment to reach the right customers, with the right messages for the right products in the right channels.

- **Delivering the customer experience.** They deliver consistent and highly relevant customer experiences that fulfill the brand promise and create trust and loyalty, and keep customers at the center of strategic decision making, process design and management, organizational design and talent management.

Knowing the Customer

Whether the goal is streamlining costs, launching a new loyalty program or targeting new markets, knowing the customer is step one. Make it a first priority to understand the intentions and preferences of target customers, creating a strong foundation for evaluating the options.

- High-performance businesses identify market opportunities and competitive risks through actionable customer segmentation and predictive analysis. They know their customers along multiple dimensions—what they value, how they behave, what motivates them—and in a geographic context—local needs, regional differences—and use this knowledge as the basis for actionable, reliable decision making.

- They make the investment necessary to ensure market and business intelligence is accurate, accessible and in a usable format. They also experiment with new technologies for capturing real-time buyer behavior, to optimize marketing messages and incentives in real time.

- They recognize that developing deep insights into the customer may be a marketing-led activity, but using these insights is a task to be shared by the entire organization. They use customer insights to full advantage both by applying them forward into customer-facing operations, and backward into supply chain and finance operations.

Knowledge Is power. Recently, a client approached us about a persistent issue they were having with subscriber churn. The company knew an issue existed, and they had difficulty identifying its source. Our analysis revealed a previously undetected subscriber group: current customers who had already decided to leave and were simply waiting out their contracts to avoid penalties. Churn in this segment was highest because the company typically contacted them at the point their contracts expired—after they had already decided to switch. Knowing this group existed—and

knowing when to reach them and how—helped the client cut churn in half, and improve the response rate to retention campaigns by 500 percent.

Clearly, when it comes to customers, overlooking their needs and intentions may in fact hurt you, particularly when economic conditions change. In a weak economy, buyers still must buy. And so, they adopt different purchasing habits based on changing attitudes: about the value of their personal time; the recreational activities that matter most; their concerns about diet and exercise; etc.

Smart companies will act now to reconnect with customers, understand how customers are responding to current market conditions, and shape their offers and services accordingly. The smartest companies do the same when times are good. Developing deep, accurate real-time insight into prospects and customers is absolutely essential at all times—certainly to support "marketing" needs and more importantly because these insights provide the critical platform for making subsequent decisions about how to reach buyers and how to serve and interact with them.

Think global, act local. Whether they develop it through their own market research or acquire it through local third-parties, organizations planning for growth must have a global view of the consumer, with deep insight into geographic nuances. Nokia, for example, has employees spend a week with customers in rural Kenya to observe how they use phones—and Nokia enjoys a leading market share in Africa.[6]

Consumer behaviors reflect the unique economic and social environments of their geographic locations. For example, consumers in mature economies tend to be more sensitive to the quality of the end-to-end consumer experience. In contrast, emerging-market consumers tend to focus more on product features than the customer experience. A newly affluent consumer in an emerging-market economy will share some characteristics with affluent consumers in other markets, but will also have distinct needs. A consumer who just began earning a disposable income will have different needs than a consumer in the same geographic market who is now approaching retirement age.

A deep understanding of these segment differences will help define customer experiences geared for growth. A fast-food chain, for example, trying to enter the Chinese market will know that Chinese consumers prefer chicken to beef—and it will tailor menus accordingly, or work to educate customers about the high-quality beef products it uses, or even target younger, more individualistic consumers in urban areas, who may want to set themselves apart from older customers in their choice of restaurants.

6 Clayton M. Christensen, Stephen Wunker and Hari Nair, "Innovation vs. Poverty," *Forbes*, October 13, 2008.

Where Does Your Organization Stand?

Organizations respond to new risks and opportunities with different methods and at different speeds—from tactical projects within business units to cross-enterprise transformation. Making good decisions about where to head, how to get there and how fast to move rests on knowing where you stand today, based on your historical performance, unique circumstances and global position. Companies must quickly and clearly judge their position from these perspectives and then act accordingly. How customer centric is your organization?

Retention and Cost Management

Containing and managing customer costs

- What are the incentives to reduce front-office costs impacting your front office activities? How would these reductions affect the customer experience?
- Who is responsible for the acquisition and retention budget at your organization? How are investments in both areas coordinated?
- What statistics do you have linking "customer performance" to financial performance? How do you use these metrics to manage your business?
- What information would help you better analyze and manage customer costs and return on investment?
- What constrains you from obtaining or using this information?

Retaining current customers

- Who are your most profitable customers, and how are you managing these relationships?
- What new needs do these customers have? How are they likely to change their buying behavior?
- Do you know what drives loyalty within these segments?
- What will the impact be if these customers decline in value or leave?
- Are you willing to invest in these relationships today at lower profit, to keep them in the long run?

Acquisition and Growth

Expanding business with current customers

- What evidence do you see of changes in customer attitudes and behaviors?
- How are your customers' requirements for service and support changing?
- How quickly can you change products, services, and pricing to meet their needs?
- How do your customers participate in the innovation process?
- What do you know about how customers perceive the value of your offering?

Expanding into new markets and customer segments

- Have you taken a fresh look at your growth strategy? How will it change going forward?
- Have you analyzed markets and segments for new growth potential?
- How do these opportunities relate to any loss of revenue or profit you may experience due to economic conditions?
- Do you analyze customers who leave and use this analysis when targeting new customers?
- What are the key challenges to spurring growth in your more mature markets?

Reaching the Customer: Growth in the New World Economy

Knowing the customer is the foundation of customer centricity. Translating customer segmentation and analysis into strategies and tactics for reaching them is the next step—one that is increasingly challenging, due to a highly dynamic business environment, and greater channel and product complexity.

• High-performance businesses plan and manage selling activities using a more fact-based, analytically rigorous approach than the average company, using these more scientific means to create and calibrate channel and partner strategies, manage partner incentives and optimize the cost of sales.

• They also analyze the behaviors of the direct sales force; and provide tools, training, incentives and other methods to align more of the workforce to high-performance behaviors, and speed the transition from product-focused to solution-focused sales.

• High-performance businesses are more innovative and forward-thinking with their channel strategies—exploring, for example the use of Web 2.0 and social commerce to create two-way dialogues that turn buyers into brand evangelists, inviting customers to participate in branding and product innovation.

• To deliver an end-to-end customer-centric experience, leading organizations consider the entire channel network—distributors, retailers and agents—and seek to align or influence all network activities that impact the relationship lifecycle.

Rethinking Reach. Increased competition and market saturation have turned many companies to find new sources of growth, such as small-to-medium enterprises or emerging-market consumers. These opportunities are often highly fragmented as well as unfamiliar, and require new channel and partner strategies reach.

Expanding connectivity and channel proliferation have also taught customers to expect multichannel sales and service experiences, and efforts to satisfy this expectation have led to escalating costs, inconsistent service levels, turf wars and numerous other operational and technological issues.

Traditionally, companies dealt with such challenges by calculating the option promising the highest return—a factor of channel capability, power and costs. While this is still necessary, organizations must also factor in how customers themselves prefer to be reached—including both direct and indirect channels and also channels of influence beyond the company's control, such as user blogs, consumer advocacy sites and other channels for "social commerce."

Good reach needs a strong grasp. There are many possible "best" combinations of channels. The key is getting the approach to these decisions "right". Reach strategies often rest with sales divisions, which are focused on driving sales and improving sales productivity at the expense of building relationships. More executives in the organization must grasp the big picture while also understanding the details of the channel and serving as an advocate for the consumer. As a result, decisions become strategic rather than tactical and fragmented across multiple functions, avoiding the cost of an equally fragmented customer experience.

Many organizations agree that analytics are important—to areas other than sales. The typical organization has relied too much on well-connected sales agents to deliver revenue, and too little on facts and predictive analysis. As a result, many organizations are struggling now to see past their blind spots: which prospects in the database are the best targets for a new campaign? What type of channel partner has the best track record with a particular segment? How should I prioritize my time between the customers in the sales pipeline?

Bringing a more fact-based, analytically-rigorous perspective to sales operations is perhaps the best step an organization can take, when it comes to reaching the customer. One approach is to focus on areas with highest urgency or potential value, and expand if the effort succeeds. This approach is pragmatic, focused and poses less risk; however, the implementation path may take longer to produce a significant advantage. Another option is to define a long-term vision and roadmap for broadening use of analytics. This approach tends to be more logical and provides a strong foundation for the future, while also requiring a clearer strategic intent and a stronger, longer commitment.

Reaching in multiple directions. Ultimately, delivering a truly customer-centric experience means reaching down and across the channel network to align the efforts of distributors, retailers and agents, and to influence all the interactions occurring in the network: purchase, complementary service and product offers, exposure to other advertising, educational content, etc.

Wal-Mart illustrated this point when it announced it would soon require suppliers to be audience for compliance with specific social and environmental criteria, to address the heightened environmental concerns of the retailer's customers. This arrangement signals a policy move away from intermittent transactions with many suppliers toward longer-term arrangements with fewer suppliers. Wal-Mart expects it can use its buying power to keep prices low while monitoring suppliers more closely. By 2012, the company says, it will require suppliers to source 95 percent of their production from factories with the highest ratings in audits of environmental and social practices.[7]

7 Stephanie Rosenbloom, "Wal-Mart to Toughen Standards," *New York Times*, October 22, 2008.

Knowing the Customer: Managing Loyalty

As brands become increasingly commoditized and competition grows more intense, customer loyalty has all but vanished. In this environment, understanding the factors that drive loyalty, and managing these factors successfully, is critical to staying relevant, competitive and profitable. The key is to take a scientific and end-to-end approach to loyalty management, that takes into account every form of loyalty and which encompasses the entire relationship lifecycle.

What Every Organization Should Know About Customer Loyalty

Know where loyalty begins

The factors that create and influence customer loyalty begin to take effect even before a customer becomes a customer. The relationship a customer develops with the brand during the acquisition stage strongly influences customer value and retention.

Know what to look for

Most companies know a lot about their customers, and comparatively little about the factors influencing acquisition and retention. Achieving high performance in customer retention means aligning activities throughout the relationship lifecycle—including acquisition—and using econometric and return-on-investment analytics to study and maximize conversion rates and other customer behaviors across channels and throughout the lifecycle.

Know every kind of loyalty

Loyalty is not necessarily an emotional connection to the brand. True brand evangelists—or even potential evangelists—are at best rare and possibly non-existent. Companies need to recognize, develop and manage more than one kind of customer loyalty: conditional, emotional and passive—using more than one kind of strategy.

Know what to measure

Companies often measure the wrong things when trying to measure customer profitability and loyalty—loyalty indicators are far more involved than customer satisfaction scores. Establishing and managing cross-functional key performance indicators throughout the customer lifecycle helps prevent the loss of current and potential customer value.

Know how the value chain affects loyalty

Third-party channels and routes to market also affect customer loyalty—and can destroy unless they are managed effectively. Analysis and decisions concerning such factors as offers, sales incentives, pricing, service delivery—all dimensions of the customer experience—should include all the trading partners who contribute to the customer experience.

Know how to manage complexity

Products, service bundles, channels—these and many other factors have grown exponentially more complex in recent years, making customer loyalty more complex to manage well. Providers must retain the ability to react quickly to changing customer needs and market conditions

Reach strategies must also include two directions: pushing messages toward customers while simultaneously pulling information from them. Consumers can now control the conversation in unique, even extraordinary ways. Innovative companies reach out to customers for feedback, using digital marketing and social commerce channels to capture valuable information about consumer attitudes and preferences, while detecting early product or service issues that will demand a quick response.

Social network marketing is especially useful in forming relationships with hard-to-reach customers. Burger King, for example, relies on a core audience of loyal customers who eat fast food frequently—largely, the elusive 18 to 34-year-old male demographic. Notoriously difficult to reach through traditional media, these customers do interact heavily via text message and social networking sites.[8]

These new channels tap into the real passions and concerns of consumers and enable happy customers to serve as product advocates. According to its senior vice president and general manager for BestBuy.com, Best Buy is exploring whether to post information about which products are most frequently returned and which require the most repairs. So much transparency may well alienate the brands it sells. On the other hand, consumers are already sharing similar information with each other online. An effective reach strategy takes advantage of the situation—for example, by taking into account the degree of direct feedback afforded by a direct or indirect channel when evaluating new or existing channel strategies.

In short, companies must work to achieve the right balance of many variables in their reach strategies. Although a necessary response to market upheavals, reconfiguring channel and partner strategies can appear daunting, and seem to promise only distant rewards. However, while decisions about reach are more complex, and more crucial to get right, companies have a renewed opportunity in this market to differentiate themselves and shape demand, while better serving the interests of their customers. Those willing to review and optimize their strategies by taking a customer-centric approach will reap considerable rewards.

Managing the Customer Experience

Around the world, consumer expectations are rising quickly, and their perceptions are defined through an increasingly complex set of interactions. Moreover, new consumer populations are emerging with distinct needs and preferences of their own. And competition for the customer's attention and business can now come from virtually any region of the world.

In this increasingly complex, multi-polar, hyper-competitive environment, the ability to deliver a satisfying experience may be a company's best source of sustainable competitive advantage. Yet few companies are distinguishing themselves for service quality. Our most recent customer satisfaction survey also found the highest level of switching due to a poor customer experience—67 percent of all respondents—than in any prior year we have conducted this survey.[9]

• High-performance businesses create customer loyalty by delivering a customer experience differentiated (highly relevant) to the needs and intentions of specific customer segments and consistent with the promise of the brand.

• They design experiences that reflect a deep understanding of what satisfies and frustrates specific customer segments, and consider multiple customer values—timeliness, reliability and convenience as well as price—rather than focusing on one element, such as price, at the expense of the others. They execute these experiences consistently across customer channels and touchpoints.

• High-performance businesses understand the full cost of serving the customers they have, acquiring those they want, and the lifetime value of these relationships, and align their investment in retention and acquisition accordingly.

The experience economy. When marketers use the phrase "customer experience," it is more than semantics. We are in an "experience economy" today—customers want more than a product or service; they buy a total experience: consideration, purchase, use and service. Companies that master experience delivery have an advantage. Our research into the characteristics of high performance has shown that a positive customer experience accounts for 33 percent of a company's ability to achieve strong customer loyalty.[10]

Over the last decade, companies have implemented more and more varied interaction channels and the customer experience typically spans multiple touchpoints. With so many points of contact to manage, the cost of customer contact is exploding—globally, corporations invest billions annually in managing customer contact. Yet despite their investment, customer satisfaction remains low: in a recent Accenture survey, for instance, more than half of the respondents said providers meet their expectations only sometimes, rarely or never.

The same customer loyalty survey also found that nearly 60 percent of consumers would switch providers to get better or more reliable service; 34 percent have switched because of a negative experience; and 39 percent continue patronizing a provider due to a positive feeling about the

8 "Scaling the Tower of Babel: Harnessing the Promise of Personal Media," *Accenture Journal of Customer Centricity*, November, 2008.

9 *High Performance in the Age of Customer Centricity*, customer satisfaction research, Accenture, 2008.

10 High-performance marketing and customer management research, Accenture, 2005.

overall experience.[11] Conversely, our research on customer satisfaction has consistently found that a poor customer experience is the most common reason why customers leave providers—cited by 68 percent of the participants in our most recent consumer survey.

Balancing value and price. In the same survey, a poor customer experience was the most common reason for leaving, identified by 68 percent. Presented with other possible reasons, 45 percent blamed service representatives lacking knowledge; 40 percent pointed to company bureaucracy; 39 percent cited the lack of customized solutions; and 38 percent pointed to service delays or outages.

Interestingly, only 53 percent globally reported leaving because they found a better price elsewhere—significantly fewer than the 68 percent who left because of a poor customer experience. In two surveyed markets—France and Germany—price carried more weight as a factor motivating consumers to leave, and in Brazil, more consumers left as a result of being frustrated by corporate bureaucracy.

More eye-opening still, when asked about their reasons for choosing a new provider, 66 percent chose customer service—only marginally fewer than the 68 percent who selected their new providers based on price. In China, Canada and India, customer service ranked higher than price when it came to the choice of new providers, and in the United States, customer service and price carried equal weight.

In times of economic uncertainty, companies may turn to price-cutting as a strategy for retaining customers who are increasingly price-sensitive. When it comes to customer loyalty, however, providers would do well to remember the powerful role played by a satisfying, customer-centric experience.

Trust at the Center

It is hard to predict for now how all the factors affecting the business environment will play out. What does seem certain, however, is that many companies have an opportunity—perhaps even an imperative—to give their customers a new experience, better aligned with their changing lifestyles needs, financial goals and social and environmental concerns.

A customer-centric organization will stay very close to customers during these uncertain times. They will maintain a clear view of what their customers expect and what kind of experience they are giving their customers. They will work to ensure these two dimensions align at those key moments of truth when customers decide to stay or leave. We believe the

11 *The Curse of the Disloyal Customer,* Customer loyalty research, Accenture, 2006.

Reaching New Customers: Growth in the New World Economy

With mature markets growing more competitive and saturated, companies are struggling to grow revenues within the customer base. In contrast, consumers in emerging economies such as India and China have bigger disposable incomes and an increased propensity to spend. Tapping this growth opportunity, however, involves navigating huge geographic areas and large populations, studying differing economic and infrastructure capacities, and, in some cases, understanding dramatic differences in cultures and customs.

Customers in these markets tend to prefer dealing with providers directly rather than indirectly through partners. At the same time, a collaborative network of strong regional players is needed to reach, connect with and do business with local buyers—a distributor with local knowledge of the various regions, the customary business practices and competitive pricing can speed distribution and growth.

Success often depends on reaching out to lower-income customers, which means selling to unsophisticated buyers in geographically dispersed locations. Understanding the differentiating characteristics of these customers is essential in designing the reach strategy—offering development and pricing, channel mix, local partnering, operating style, etc. For example, "small ticket size" or monthly payments on high-value products have proven effective. And localized, high-intensity promos, rather than sustained national advertising, have proven more effective when it comes to reaching the low-income customer.[12]

12 Kevin Bandy, "Recipe for Growing Sales in Emerging Electronics and High-Tech Markets," *EDN*, August, 2008

Figure 3: Emerging consumer segments offering new growth opportunity

Delivering the Customer Experience: Satisfaction and Profitability

Investing equally in every customer—whether to gain or retain their business—is seldom effective or even necessary. High-performance businesses know what it costs to serve the customers they have, what it will cost to acquire those they desire, and the lifetime value of these relationships.

Determine service levels across the channel portfolio according to the customer needs and profitability defined by the new strategy. Typically, this will involve handling most service transactions through self-service or guided-service channels, while reserving costlier support options for the more valuable customers and transaction types. Remember that emphasizing self-service still means emphasizing good service: personalized, efficient and consistent.

Balancing value and cost to service

Insight into customer histories and contact preferences is essential to reengineering the customer experience and maximizing the value of each interaction.

Re-Direct Encourage to use low-cost channels	**Pay Attention** Focus high-touch service, high-cost resources
Pay Less Minimize cost to serve	**Make Every Moment Count** Find opportunities to cross-sell and up-sell within interactions

most successful organizations will be those that make it their first priority to help customers achieve their long-term aspirations—as opposed to simply convincing them to buy more things at any consequence.

Consider, for example, how National Grid, the second-largest utility in the United States, is expanding the traditional role of a power company by serving as a trusted energy advisor to its customers. "We want to become a 'navigator brand,' helping customers understand their energy choices and how they can take action on climate change, while we deliver a superior customer experience," says one executive responsible for strategy and marketing at the company. This move reflects the company's commitment to customers—yet it's also a strategy for dealing with skyrocketing energy prices and growing environmental concerns.[13]

Best Buy has espoused a similar view—to give customers reasons beyond price to choose their business. The company realized that in some ways it was already playing a trusted advisor role—customers were coming to Best Buy's website to research potential purchases, and sometimes this was their only intention. Rather than making it more difficult to research on their website, Best Buy decided to revamp it to support what visitors were using the site to accomplish.

Traditionally, the goal of corporate buyers is to drive sales in their category—and according to the senior director of strategy and sustainability at retail giant Wal-Mart, the company is working to find the line between sales and profit and responsible behavior in the broadest sense. The company's bottled water buyer, he says, has been encouraging suppliers to use less plastic in their bottles, and selling water to people who could refill their own containers. Despite the economy, the company continues to push forward on its sustainability initiatives. According to the Wal-Mart executive, "There's been no better time to apply sustainability than when times are tough. It is absolutely in line with the everyday low price philosophy."[14]

An organization that is customer-centric offers highly relevant customer experiences, designed to capitalize on well-understood opportunities for profitable growth and tailored to the preferences and intentions of target customer segments. At the heart of these efforts is trust. An offering can be commoditized. Even an experience can be commoditized. A trusted relationship, however, will always remain a unique differentiator.

13 "Becoming A Trusted Advisor," *Accenture Journal of Customer Centricity,* Accenture, October, 2008.

14 Marc Gunther, "Talking Sustainability with Wal-Mart," *maxgunther.com*, October 13, 2008.

To discuss how Accenture can help your organization on the journey to high performance, please contact us at managementconsulting@accenture.com or +1 312 737 4568.

About Accenture CRM

Accenture's Customer Relationship Management service line helps organizations achieve high performance by transforming their marketing, sales and customer service functions to support accelerated growth, increased profitability and greater operating efficiency. Our research, insight and innovation, global reach and delivery experience have made us a worldwide leader, serving thousands of clients every year, including most FORTUNE 100 companies, across virtually all industries.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 186,000 people serving clients in over 120 countries, the company generated net revenues of US$23.39 billion for the fiscal year ended Aug. 31, 2008. Its home page is www.accenture.com.