

Customer Centricity

The changing dynamics of serving
your customers

An Insight Market Survey from leading UK companies
January 2010

Commissioned by Charteris

Research conducted by Martec International



CHARTERIS



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Why has Customer Centricity hit the headlines?

Customer centric retailing is coming of age. For years retailers have operated in a business world where the management of three key elements held sway.

- Market the **Brand** effectively and maximise its power to influence
- Provide great **Product**, priced competitively and merchandised expertly
- Deliver compelling **Service** through whatever strategy suits your model, whether it's a no frills approach or designed to 'entice & excite'.

The last 10 years have witnessed a quiet revolution, a revolution where delivering this tried and tested formula is no longer enough. The rise of online retailing and the development of the digital savvy, multi-channel consumer are forcing a sea change in the industry. In early 2009 the Government supported this shift with the publication of the Digital Britain report which sets out Britain's place as a global leader in this field and put in place the commitment to ensure that every home in the UK has access to broadband services by 2012.

Instant and widespread online access to information about prices, products and performance is altering the balance of power. Those who lead the pack are arming themselves with increased levels of customer insight and using their customer data to stay ahead. Those who follow are arguably looking to unravel legacy systems and processes conceived in an age where a single channel to market was the norm. Either way there is a widespread recognition that things have changed.

So what is this new philosophy of Customer Centricity? Have not retailers always known who their customers were and understood their needs and wants? To a large extent yes, but in an age where advertising-driven revenues are shifting towards highly segmented demographic groups, where highly personalised and interactive marketing campaigns are a reality and where the rise of online retailing is delivering unprecedented amounts of data about customers and their preferences, the concept of customer centric retailing is emerging as a strategy for success.



The last 10 years have witnessed a quiet revolution... delivering the tried and tested formula is no longer enough

About the Insight Market Report

The purpose of this report is to investigate the development of this strategy in the UK; to shed some light on how widespread customer centric tactics are and the impact they are having on shaping the future of retailing. It looks at the concept in detail and focuses on the shifting challenges and issues faced by companies as they aim to become more customer centric as well as the processes and technologies they are employing in order to help them do so. As a baseline this report has used the Charteris definition of Customer Centricity:

“Customer Centricity is the alignment of systems, processes and people to deliver products and services to internal and external customers in the most agile way.”

When defined in this way Customer Centricity is easy to generalise about, but much harder to identify in practice. To bridge this gap a series of detailed questions was compiled that looked at how “aligned” businesses were (how joined up their systems, processes and people were from the customer's perspective) and how “agile” they were (how quickly they could respond to a competitive initiative or deploy a new channel, range or proposition).

Using in-depth interviewing techniques, Martec International, the market leader in market research in the retail sector, conducted this research project on behalf of Charteris, a specialist in customer centric business change. The report covers companies with sales totalling £135 billion. The retail companies involved in the research survey represent 38% share of the UK retail market.

We would like to thank all those executives who participated in this research for their views, opinions and, most of all, for their time.

“ This report makes very interesting reading. It shows that companies recognise that struggling to align legacy systems and processes to operate in a Multi-Channel context is missing the point. For us there is something much more compelling about putting the customer right at the heart of the changes we need to make at the outset.”
Chris Parr, Head of Retail, The Post Office

Research highlights

Customer Centricity does matter to businesses. In fact 100% of the respondents surveyed identified that this was a major priority. The research highlights that inherently there is a link between success and being more customer centric. This is seen by organisations that are actively transitioning from purely product-centric to a balanced combination of Product and Customer Centricity; appropriate to their business model.

The whole approach to Customer Centricity is emerging as a critical differentiator for companies but to date not many companies regard themselves as having progressed very far on the route towards true Customer Centricity. Rather they see themselves on a journey (in comparatively new territory) which is nonetheless regarded as essential if they are to survive. We believe that within the next two to three years that at least two-thirds of retailers will be customer centric.

The key research findings revealed the following insights:

- **The Board needs to be clear on what Customer Centricity means to their business.**

Whilst 53% of companies interviewed consider themselves customer centric (with a further 15% in transition from product to customer centric) there was comparatively little consensus on what the concept means. A resounding 63% said that their Board would not, if asked, produce a consistent agreed definition of Customer Centricity.

- **Agile organisations are more customer centric.**

There are huge variations in the agility of businesses to adapt and respond to customers needs particularly in the time it takes to implement new initiatives, which varies greatly. Those that can implement changes more quickly are more agile and are better able to respond to changing customer needs and regard themselves as more customer centric overall.

- **Having dedicated resource to champion the customer is essential.**

Businesses that are serious about Customer Centricity have a customer champion or someone who is responsible for representing the customer. The majority (62%) of companies we interviewed already have such a role or plan to do so in the near future. In an increasing number of companies this role is labelled "Customer Insight Director".

- **Measuring customer value-add is a major challenge.**

A significant proportion of businesses (between one fifth and one third depending on the functional area) have no means of measuring or do not measure what value-add their key processes in marketing, operations, buying, merchandising and logistics deliver to the end customer. Those that do may not necessarily apply a consistent and regular approach.

- **Engaging with new customers requires a radically different approach.**

There is significant focus on improving 'customer experience'. However, the area that has been identified as requiring the most attention is in recognising and welcoming new customers, encouraging them to return and make additional purchases. Whilst widely regarded as difficult, this is an area that is gaining momentum.



Companies see themselves on a journey (in comparatively new territory) which is nonetheless regarded as essential if they are to survive



Make customers feel welcomed, wanted, remembered and cared for

Within the next three years at least two-thirds of retailers will be customer centric

customer centric indicators. However, delivering excellent customer experience scored the highest out of the four enablers and this was due to the work that companies have done to make their staff more effective and the focus there has been on the continual delivery of great service in both online and offline channels.

Finally, the evidence and indications from this survey are that customer centric initiatives in the UK are in the formative stages and that tackling customer processes provides an opportunity for businesses to gain a sustainable competitive advantage. Those companies that are currently undertaking customer centric process analysis and re-engineering are appearing as leaders in Customer Centricity.

- **Obtaining a single view of the customer remains a driving ambition.**

Companies have already worked hard to improve the cross-channel experience from the customer perspective. Most offer their customers the ability to shop with relative ease in the sales channel that most suits them. Many, however, are not satisfied that they are maximising the benefits of cross-channel shoppers and are still striving to obtain a single view of their customers across all sales channels.

- **Businesses are not making full use of technology to support their customer centric initiatives.**

The most widely installed systems are transactional websites, marketing analysis tools and price check facilities in store and online, all of which are used by at least 80% of companies. Looking to the future the technologies companies plan to implement are mobile sales tools (24%) and social media (21%). However, adoption of these technologies is low at present.

- **There is a natural shape evolving in the maturity of Customer Centricity.**

Central to the research respondents were asked specific questions covering four key enablers that are fundamental to delivering a successful customer centric strategy. These enablers cover customer insight metrics, customer process improvements, integrated cross-channel experience and the level of customer engagements and service.

We have found there is a natural shape evolving in the maturity of Customer Centricity and it is the combination of these four enablers in that evolution that is very powerful. They provide a clear and pragmatic way of addressing a complex issue and whilst individually the degree of success may vary, if taken together in a cohesive approach the four enablers contribute to increased levels of both customer satisfaction and customer profitability.

The results highlighted that companies are at very different stages in delivering consistently against these four customer centric enablers and that there is a wide variation between the different types and size of organisation.

Companies identified that they are finding it difficult to constantly measure and review customer purchasing habits and respond quickly to their needs. This area was one of the most challenging and lowest scoring



Our top 6 recommendations

If you are serious about building a customer centric organisation the priority recommendations that flow from this research are:

- 1 Gain a clear consensus at Board level on what Customer Centricity means to your business
- 2 Assign a dedicated resource to champion the customer
- 3 Plan to achieve a single view of the customer
- 4 Measure your processes for the value they add to the customer
- 5 Create the organisational agility you need to meet changing customer demands
- 6 Define the technology needed to maximise your customer centric initiatives

The insider's view

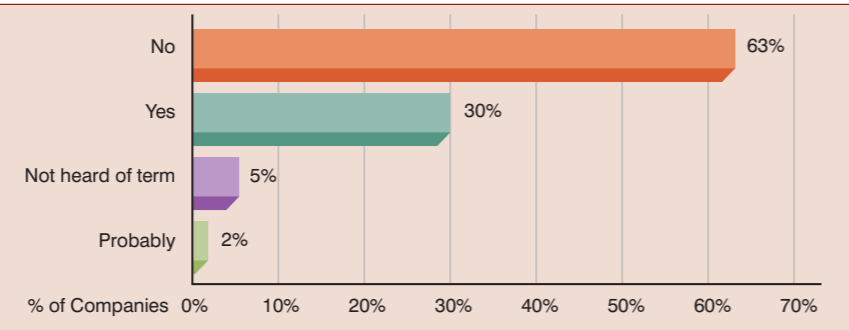
The Customer Centricity research asked companies 12 key questions ranging from their overall views on Customer Centricity through to the types of solutions that they are looking to implement. For many this is a new concept but one

that is being rapidly embraced across the UK. We believe that within the next two to three years that at least two-thirds of retailers will be customer centric

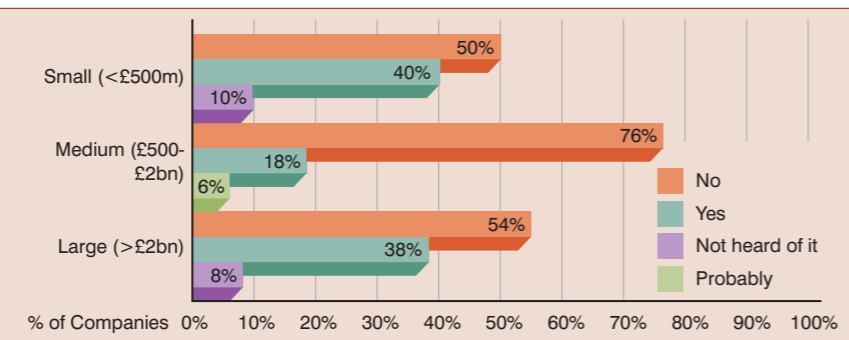
Q1 Is there consensus at Board level on the definition of Customer Centricity?



If asked, would all the Board agree on a definition of Customer Centricity?



Breakdown by size of company: If asked, would all the Board agree on a definition of Customer Centricity?



Customer Centricity has many definitions and often it means different things to different people. We were interested to see whether this had changed with the momentum that Customer Centricity has been gaining.

The majority of respondents (63%) did not feel that all Board members would agree on a definition of Customer Centricity. In fact only 30% believe their entire company understands Customer Centricity and has a unified approach and strategy. Curiously 5% of respondents had not even heard of Customer Centricity.

These results indicate that Customer Centricity is still in the early days of adoption and implementation. It's true that the more progressive companies are currently implementing customer centric strategies. However, most companies have an awareness of what Customer Centricity entails, although they have not yet translated it into a tangible approach.

“It's [Customer Centricity] a buzz word with varying degrees of understanding. Some colleagues think it's about customers and some think it's more about systems.”

Head of Brand Planning and Customer Insight, Clothing Retailer

The research also highlighted that there are differences between the small, medium and larger companies. Interestingly medium sized companies emerged as being the least aware and just not focused on Customer Centricity. Only 18% of medium sized companies felt that the Board would agree on a definition of Customer Centricity. As shown in the chart this is significantly different to smaller companies at 40% and large companies at 38%. It is difficult to pinpoint the root cause of these differences without further detailed research. However, there was a definite trend indicating that the larger companies are already well on the road to developing their customer centric strategies and in smaller companies the management teams are much more acutely aware of their customer base as they grow and they are instinctively driving a customer centric approach.

Medium sized companies potentially will be left behind as the results show they are not focused on Customer Centricity

Q2 Does being more customer centric matter to your business and is this part of your future strategy?

We asked respondents if being more customer centric matters to their business and the answer was a unanimous YES. 100% said Customer Centricity does matter to their business, and that they were striving to become more customer focused.

Total agreement is extremely unusual in research of this kind and underlines the importance companies place on Customer Centricity. However, does this universal advocacy mean that companies are actually adopting customer centric strategies as an integral part of their operations? The research reveals that it is very mixed and identifies inconsistencies across the different businesses.

“Everyone's talking about it [Customer Centricity] but hardly anyone is doing it.”
Head of Customer Insight, Electrical Retailer

“There's a great awareness of what customers want. This is understood by everyone in the company, whether they are in retailing, marketing or operations. There's a unique sense of people trying to do the right thing.”

Insight Director, Supermarket Retailer

100% say YES, Customer Centricity is a major priority

Q3 Do you describe the company as more product centric or customer centric?

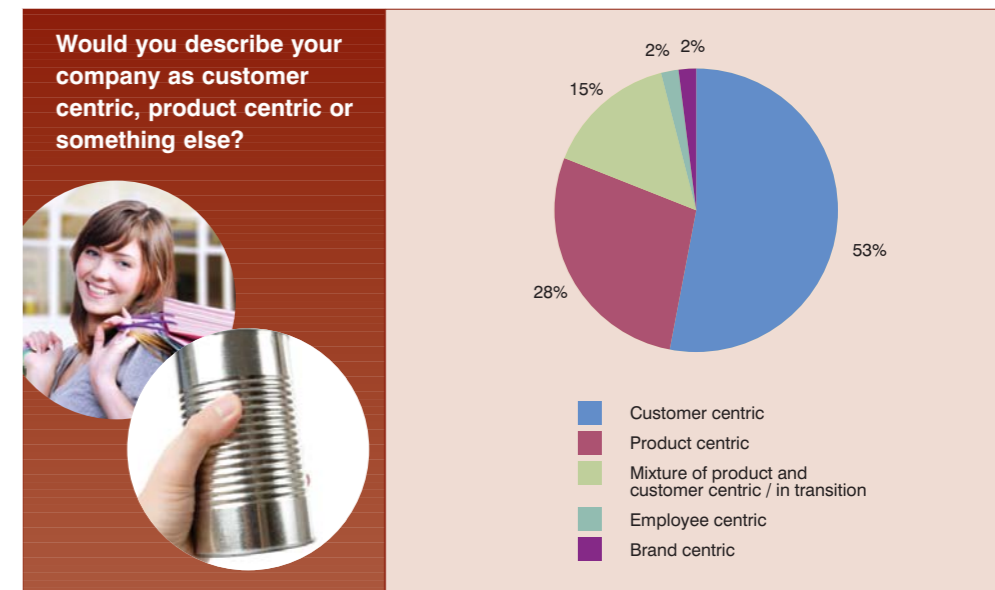
Traditionally retailers have driven their trading strategies from a product perspective with customers buying from them based on the strength of the brand, quality and price of the product.

Consumers today have so much choice that coming from a product perspective is no longer seen as the main differentiator. The following results show that this traditional approach is changing as companies align their products and services totally to meet customer needs.

“We are moving from product to customer centric.”

Strategy and Development Controller, DIY Retailer

53% of all respondents considered they were customer centric, according to the definition we provided, whilst 15% judged themselves to be a mixture of product and customer centric or in transition. However, 28% thought they were more product centric as this group has focused purely on getting the right range, product mix and quality in place. Two companies did not fall into either category, considering



Customer Centricity varies dramatically between businesses selling to other businesses and businesses selling to consumers

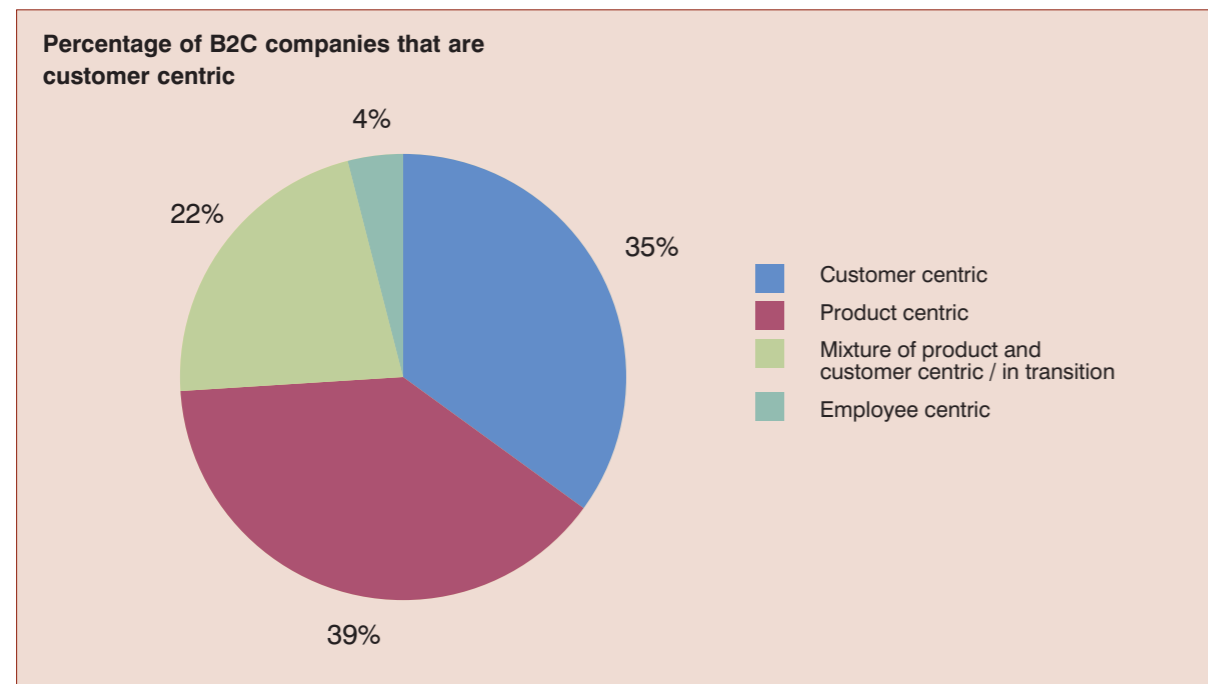
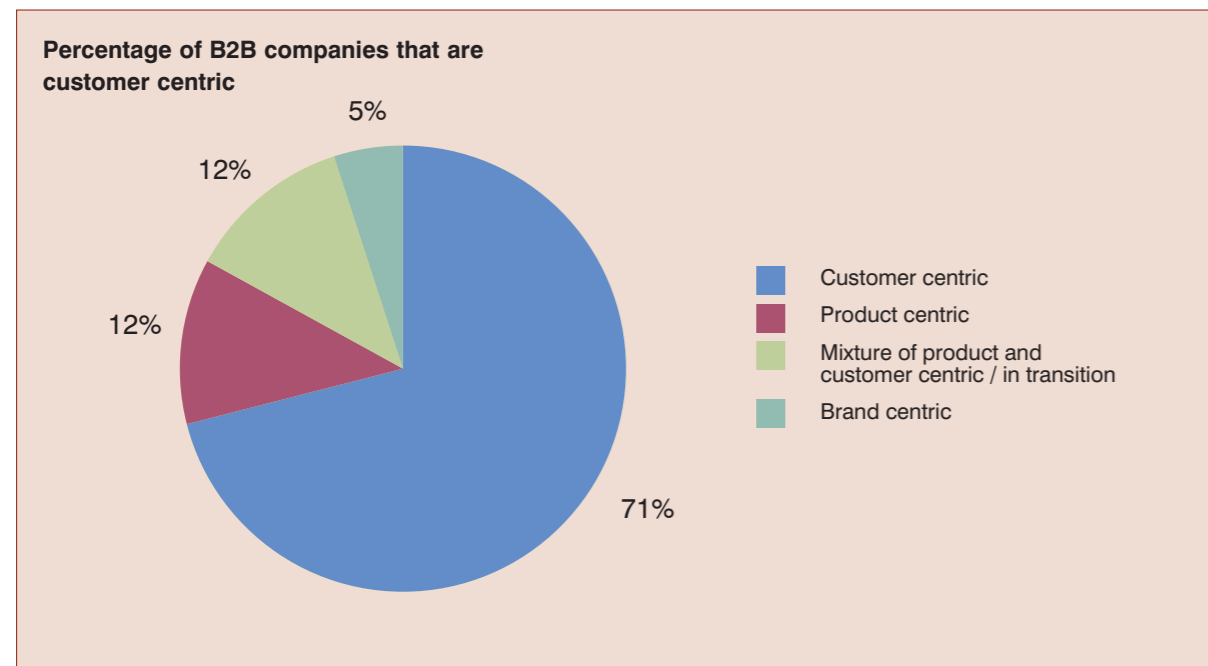
themselves to be either more employee centric or more brand centric than anything else.

The majority (71%) of B2B companies believe that they are customer centric with only 12% seeing themselves as product centric. This is in stark contrast to B2C companies where far fewer (35%) see themselves as customer centric, although, 22% of B2C companies identified that they were moving towards a more customer centric culture.

“ We are a product driven company and it's difficult to get our heads around Customer Centricity because our customers are so divergent. ”

VP Strategy and Innovation, B2B Company

The majority (71%) of B2B companies believe that they are customer centric with only 12% seeing themselves as product centric. This is in stark contrast to B2C companies



Q4 What customer centric initiatives are you working on at the moment or planning?

Without any prompts we asked respondents about the initiatives their companies are currently working on in relation to Customer Centricity.

For 18% of companies the number one priority was loyalty programmes along with customer driven marketing initiatives. Interestingly this mirrors investment priorities for new systems with 18% of companies planning to implement a CRM system and some form of loyalty system. These were followed by four other areas as outlined below, where 7% of the companies rated these equal:

- **Cross-channel improvement** - this included a wide range of initiatives from launching a new sales channel, improving cross-channel visibility, cross-channel stock management and getting closer to a single view of the customer.
- **Better technology interfaces for the customer** - companies are looking at new ways to make it easier and more enjoyable for customers to browse and buy from them both in-store and online.
- **Improved range** - to cater for target customer groups more effectively and comprehensively.
- **Better customer service** - a series of initiatives focusing on training store staff or other customer-facing teams.

Surprisingly 8% of respondents had no initiatives in place at all and another 8% didn't know about key initiatives, even though they were the nominated company expert on Customer Centricity. Whilst 15% of respondents had many customer centric initiatives - too numerous to outline.

“ I think we're doing a lot more now on customer research. Whether it filters through to the products I don't know. I do believe we will be more customer driven in the future. ”

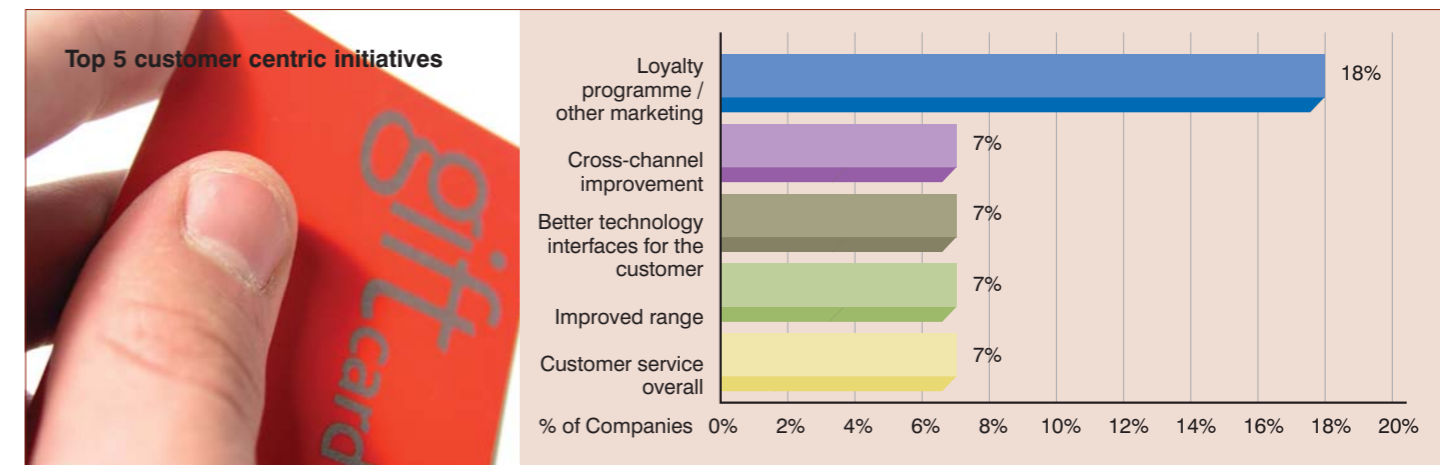
Customer Insight Controller, Department Store Retailer

In the current economic climate, developing a new approach to customer engagement that goes beyond marketing initiatives is a major trend as seen in the desire to build customer loyalty. Companies to varying degrees have started to factor into their plans customer centric initiatives. As retailers know, markets, consumers and technologies never stand still: it's part of what makes retailing a compelling and exciting industry. The imperative to act is going to become ever more acute as two new structural changes start to affect the UK and consumers: Digital Britain and the latest web technologies (Web 3.0).

“ There's a lot going on around product marketing and service and technological interfaces with the customer. We have done a lot of customer service training over the last two years and having invested a lot of money in it we don't want to do another front line training campaign until we can see how this has worked. ”

Head of Retail Development, Supermarket Retailer

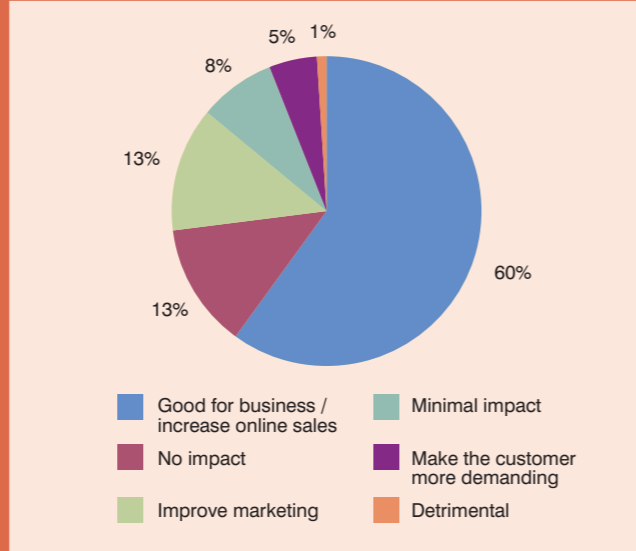
15% of respondents had many customer centric initiatives - too numerous to outline



Technology drivers

Q5 What impact do you believe "Digital Britain 2012" will have on your business?

What impact do you believe the initiatives outlined in the Digital Britain report will have on your business?



Is the digital age a boon for business? Is it helping customers to make better informed purchasing decisions? Or is it breeding fickle customers with unreasonably high expectations?

Digital Britain is the Government's recent report that announced that all homes will have broadband by 2012. It is all about the funding of greater levels of access to the internet and significant increases in bandwidth (where possible). The challenges are mainly a matter of geography (providing access to people who live in inaccessible/remote areas); however, these disenfranchised communities whilst small in number will become more reliant on online services for future communication and goods unavailable physically in their locality. It is likely that business will need to consider these as new frontiers in their marketing strategies moving forward.

“ It [Digital Britain] will create a huge uplift in sales and traffic. We are simplifying customer-facing areas of the website to encourage first time users.”
 Head of E-Commerce, Sports Retailer

We asked companies about the impact this would have on their business and what they are doing to embrace the change. Most people feel it will have a positive impact, either by increasing online sales (60% highlighted this) or by improving the ease of marketing communications (13%). However, not everyone was so convinced with 13% predicting no impact, 8% predicting minimal impact and 5%

predicting that it will make the customer more demanding. Only 1% of companies felt that Digital Britain would be detrimental to their business.

“ Impact wise, a quarter of our market will be online by 2012. We have big plans over the next three years. A mobile site for us is a big deal for the future.”
 Head of Customer Insight, Electrical Retailer

The majority of companies see the extension of broadband services as extremely positive for their business

Q6 Are you familiar with the concept of Web 3.0 or the Semantic Web?

This latest web technology provides companies with the opportunity to learn from their customer base, while providing engagement and interactivity for customers themselves.

What is most surprising from the survey is that Web 3.0 seems to be a creeping technology that businesses do not fully understand. Web 3.0, or the Semantic Web, is a relatively new concept but it will lead to a massive step-change in the way customers engage and shop.

The main idea behind Web 3.0 is to extract much more meaningful, actionable insight from information by reorganising and relating information so that users can capture what is relevant, useful and personal to them.

The majority of companies we interviewed weren't aware of Web 3.0 (65%). Given that only 13% of those interviewed were directly involved in E-Commerce and none were from IT this will have had some impact on the results. However, we asked the 35% that have heard of Web 3.0 about their plans to use this technology. Only 14% have definite plans to use it although no-one is actually using it at present. 50% have no plans at all or haven't considered it to date, whilst 22% are possibly planning to use it and 14% don't know.

Interestingly we found that the majority of businesses are unaware that they are currently using technologies that

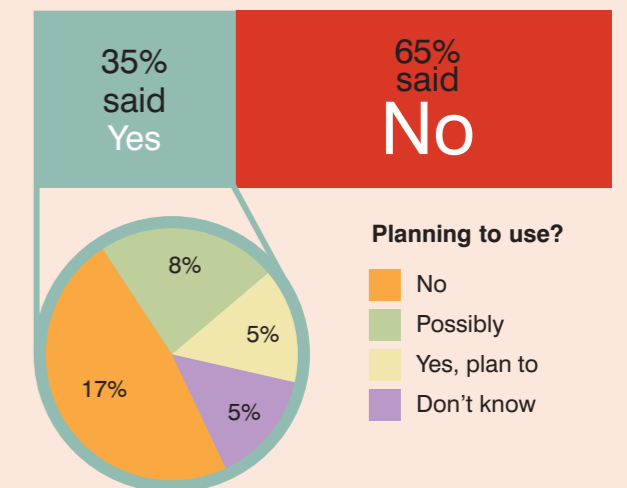
“ We see it as another opportunity to create multi-channel customers. We think we have higher satisfaction from our website customers - they're more loyal.”
 Director of E-Commerce, Wholesaler

To drive innovation business leaders need to understand the commercial value of these technologies and how they can make a real difference to their customers

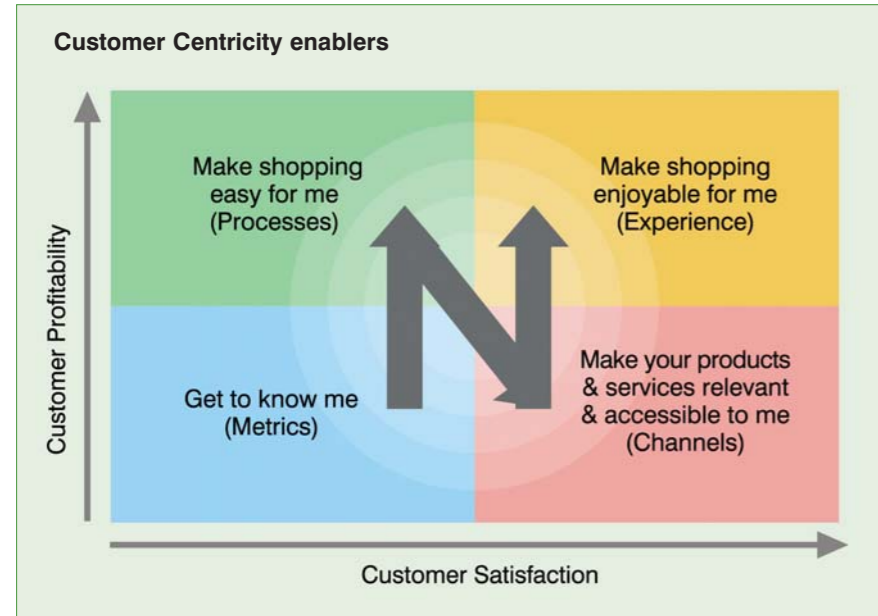
should be considered 'Web 3.0 Lite', such as Personalisation and Recommendations engines and Google Maps. In addition internet users are getting used to Google and Bing being more aware of what they "meant to say" or, if the user had done some more research, "would have said".

“ We are seeing increased research online before store visits. Multi-channel services become "hygiene factors" (e.g. reserve and collect). The expectation is that stores will also offer this broadband service.”
 Multi-Channel Development Manager, DIY Retailer

The search data organisations such as Google and Microsoft are striving to provide rich commercial functionality to support business through the use of index data and Web 3.0 technologies (making those semantic associations) - and businesses need to be aware of these innovations if they are to compete. Clearly most companies are just starting to learn about and experiment with areas such as social media. Once they have a solid business model Web 3.0 will, potentially, form part of a balanced overall offering.



Enabling the customer centric business



There are four key enablers that help businesses deliver a customer centric approach. When taken together in a cohesive approach these enablers contribute to increased levels of both customer satisfaction and customer profitability.

The first enabler is **Getting to Know the Customer (Metrics)** - this is all about customer insight and performance metrics, and this survey has shown that organisations have data in abundance. However, it is a question of whether it is the right information and how it is used to manage their customer strategy.

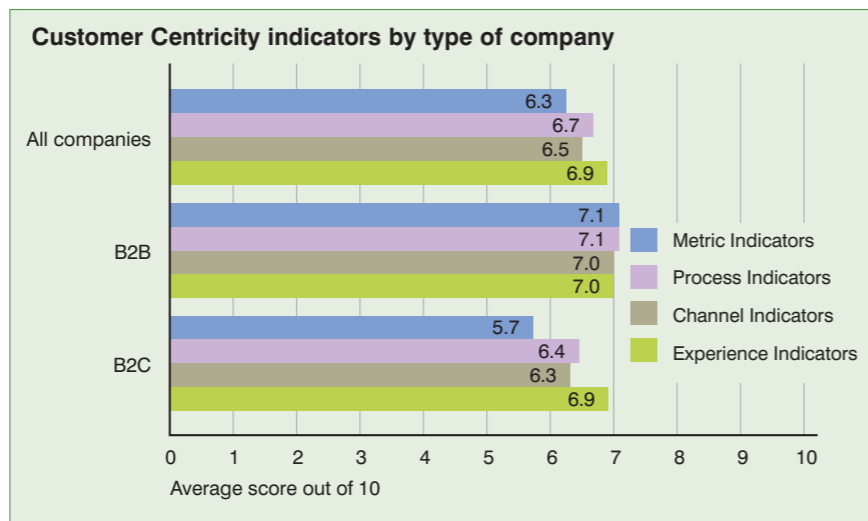
The second is about **Making Shopping Easy for the Customer (Processes)** - this is about building on the insight from the data and ensuring that the business processes are aligned and that the offerings are personalised to the customer.

The third enabler is focused on the importance of **Making Products & Services Relevant and Accessible for the Customer (Channels)** - increasingly businesses are making every effort to capture customer details at all points in the sales process in order to build up a single consistent view of the customer and how they want to buy. The tailoring of these offers to suit preferences and lifestyle is a crucial part of the customer mix. This is still a major challenge for retailers to successfully deliver as new channels evolve.

The fourth enabler is about **Making the Shopping Experience Enjoyable (Experience)** - this is aligned to your company's business model, whether it is a no frills operation and is functional and effective, or a luxury goods business that needs to offer highly personalised services.

There is a natural shape that is evolving in the maturity of Customer Centricity and therefore it is the combination of these four enablers in that evolution that is very powerful. The four enablers provide a clear and pragmatic way of addressing a complex issue, allowing constant review both internally and externally as to how the business is progressing towards true Customer Centricity and a means of determining priorities and focus on the customer at any given time.

The next elements of the research findings are focused on these enablers and indicate how well advanced companies are in these areas. Overall the results indicate that there is a difference between B2C and B2B companies with the latter being more advanced across all four areas



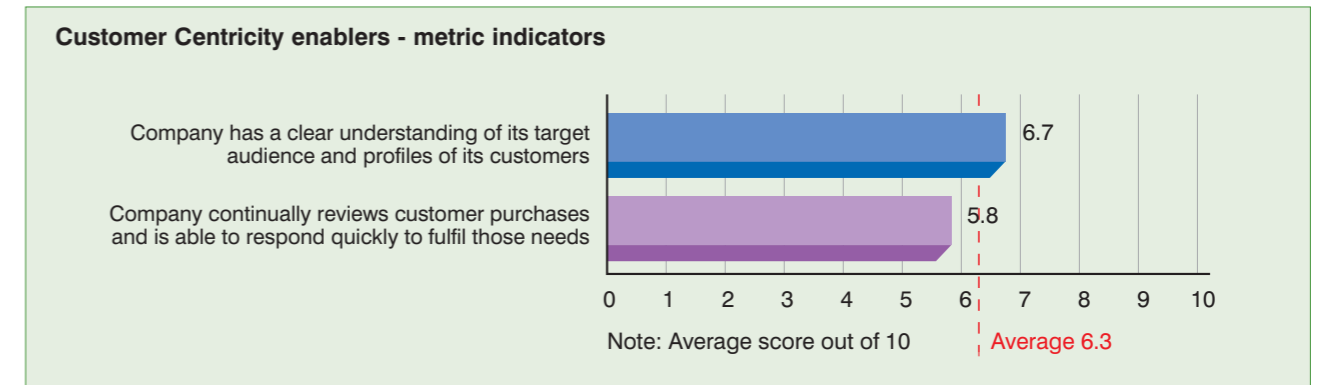
Driving increased customer satisfaction and increased customer profitability

Q7 There are a number of indicators that are core to being a customer centric organisation. How do you rate your company?

One principle of managing performance is that what gets measured gets managed. Given that Customer Centricity is a relatively new concept for most UK companies we were interested in key metrics used in this area, and how companies use performance metrics to gain customer insight and measure internal alignment with their customers' needs.

It was surprising that survey responses for Performance Metrics scored the lowest of the four core foundations of Enabling the Customer Centric Business: measured at 6.3 out of 10.

This is likely to reflect that although there are centres of excellence within an organisation, there remain challenges in



We also asked companies to score themselves on marks out of 10 for a number of indicators of Customer Centricity Metrics. The results are detailed below:

- **“Company has a clear understanding of its target audience and profiles of its customers.”** This scored the highest of all indicators at 6.7 out of 10. Regardless of the type of company this is a priority and customer profiling and segmentation is being carried out reasonably effectively. Other indicators showed that the use of these customer profiles is not always as good - there are difficulties in getting a single view of customers across channels and in recognising and targeting new customers. However, at least the first step - the profiling of customers - is being carried out and this is being widely used within the business and influencing the buying teams when purchasing products.

accessing a corporate-wide view of customer data. We believe that a unified and consistent view of your customer is a “must-have” foundation of any customer centric strategy going forward.

“I think we're doing a lot more now on customer research. Whether it filters through to the products I don't know. I do believe we will be more customer driven in the future.”
Customer Insight Controller, Department Store Retailer

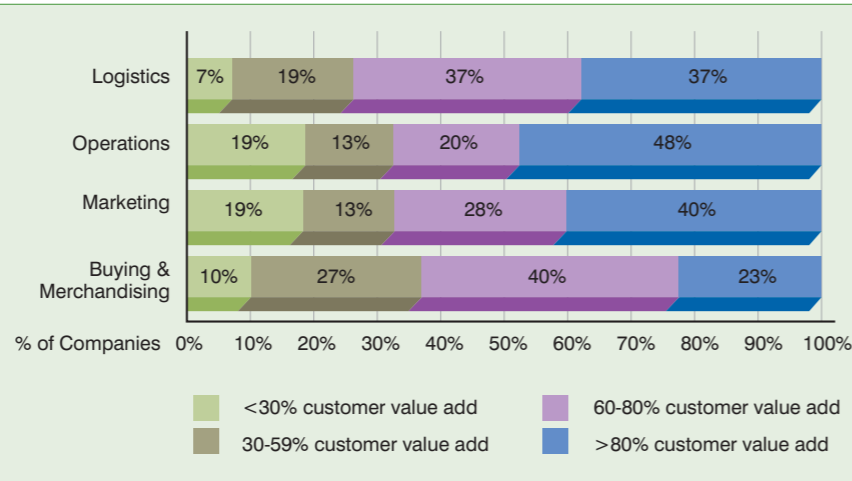
“One of our problems is defining who our customers are. We have a significant array of internal and external customers.”
VP of Strategy and Innovation, Healthcare Manufacturer

- **“Company continually reviews customer purchases and is able to respond quickly to fulfil these needs.”** This scored low achieving only 5.8 out of 10. We found that ranges need to be continually tweaked and even completely revamped to meet the needs of customers. The key here is the continual review of customer purchases, so this is an ongoing process. Most companies identified that this is still a challenge for them.

Work out what you need to measure to make Customer Centricity effective in your business, keep it simple, fit for purpose and measure and monitor on a regular basis

Q8 What percentage of your key business processes add value to your customers?

Percentage of key business processes that add value to the customer by functional area

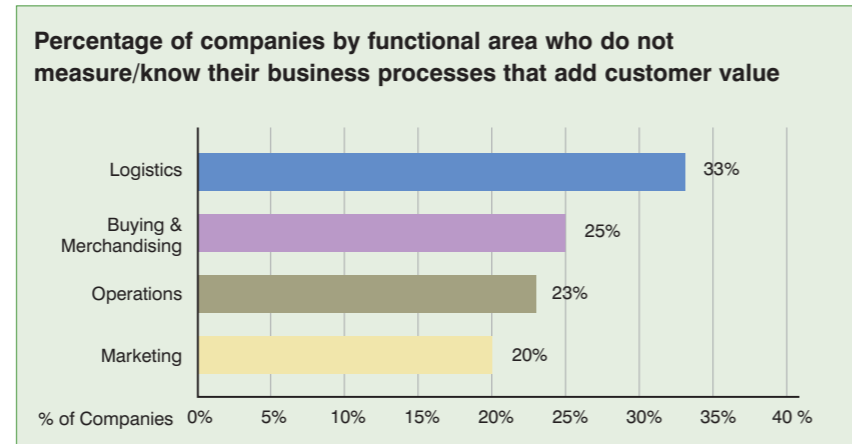


Would customers notice or care if certain company processes were removed? With many companies still inwardly product focused rather than customer facing, what are the core tasks and processes that contribute to making a customer's shopping experience easy, and what is superfluous?

Operations, usually a customer-facing functional area, also reveals a large number of companies (23%) that do not measure or know the customer value-add of their processes. However, the survey revealed that Marketing was the most progressive with only 20% of companies not measuring the critical value-add element.

We asked the companies interviewed about the percentage of key business processes that add value to the customer in a number of operational areas.

One of the results was very surprising and showed a significant proportion of companies do not measure the customer value-add of their operational processes.



Between a fifth and a third of companies, depending on the functional area under review, have no idea how much value their processes add to the customer's shopping experience. This means they do not, and have not, considered customer value-add at all when refining and changing processes in the core functional areas of Buying and Merchandising, Marketing, Operations and Logistics.

We expect all companies to consider customer value-add as a key metric in the future, as customer centric thinking and strategies permeate through the enterprise.

In the key functional areas, Logistics is the weakest area for most companies, where 33% of the companies that were interviewed do not know or measure the customer value-add of their processes.

A quarter of companies do not know or measure the customer value-add of their Buying and Merchandising processes, which is seen as a core competency for retailing.

.....
 A customer centric approach looks to identify only those processes that add value to your customers and re-engineer or discontinue those that do not

Approaches to customer value-add in core business processes

Company Type A

This group of companies are currently, or have been recently, addressing improvements to processes that affect the customer. The results indicate that over 80% of their processes add value to the customer. Operations and Marketing departments are leading these initiatives. In the other core departments (Logistics and Buying and Merchandising), the largest group of companies believe their processes add 60-80% value to the customer.

iCompany Type B

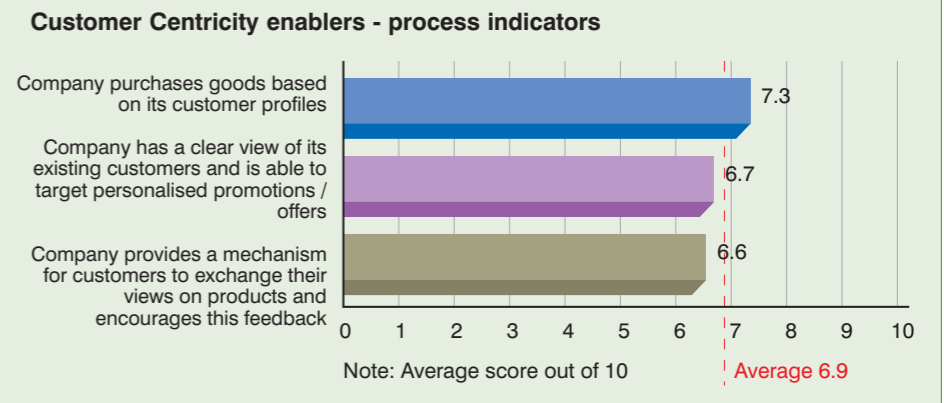
At the other extreme are the companies that do not measure or recognise customer value-add, and those that recognise that their processes do little for the customer. These companies are constrained by administrative and internal procedures inherent in their processes. We found that complexity and a lack of customer value-add increases when companies do not keep working on process improvement and do not challenge the "we've always done it this way" culture.

Accepting that measuring and monitoring business processes that contribute to the customer's shopping experience is desirable: Of those companies that do measure we found that there are a significant number with processes that add less than 30% customer value-add. Depending on the function, up to 19% of companies have processes with this level of non value-add. In fact, the research revealed significant differences between companies.

“ We've gone through a big exercise to strip away everything that is not necessary. So we score 100% [customer value-add]. ”

Director of E-Commerce, B2B Company

Having established this breadth of behaviour, further analysis revealed that companies who are currently undertaking customer centric process analysis and re-engineering are leaders in Customer Centricity. The evidence and indications from this survey is that customer centric initiatives in the UK are in the formative stages and that tackling customer processes provides an opportunity for businesses to gain a sustainable competitive advantage.

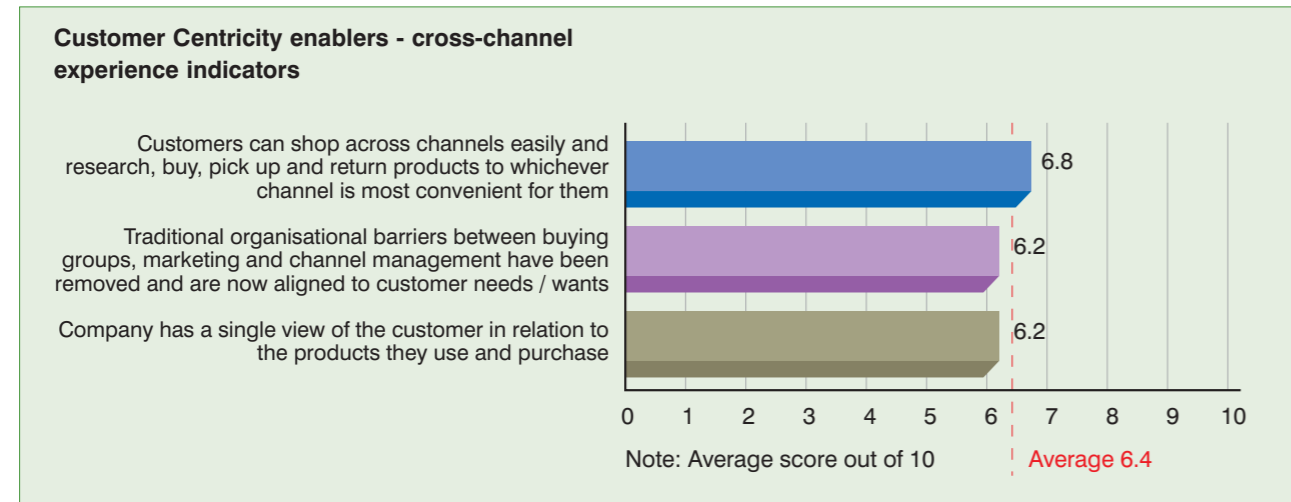


“ The product ranging depends on the type of customer. We've been through a process to review processes. We've been through evaluation, streamlining and standardisation. We are dictated to by legacy systems. ”

Head of Global Retail Operations, Convenience Store Retailer

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 Companies who are actively reviewing customer centric processes and undertaking re-engineering are leaders in Customer Centricity

Q9 How do you rate your organisation for consistency and customer experience across channels?



Delivering a joined-up service whilst simultaneously tracking customer behaviour across multiple channels can be a major challenge, particularly in store environments where in the absence of loyalty cards/schemes many customers remain anonymous.

The majority of the companies we interviewed trade across more than one sales channel, but it can be difficult to understand how customers are using all channels. For example, customers may use a store without being identified if the retailer does not have a loyalty card or if the customer chooses not to use their card. And if customers research a purchase on the web without placing the order online they may also remain anonymous and untracked.

We were keen to examine how well companies are able to provide a good and consistent experience across sales channels. So we asked respondents to score their performance out of 10 for three key indicators of cross-channel Customer Centricity.

Companies scored fairly well for the indicator “**Customers can shop across channels easily and research, buy, pick up and return products to whichever channel is most convenient to them**”. This scored 6.8 out of 10, which is reasonably high and shows that retailers believe that they are doing quite well in offering a good cross-channel experience for their customers.

But from an internal perspective things are not quite as good. The indicator “**Company has a single view of the customer in relation to products they use and purchase**” scored an average of 6.2 out of 10. Many companies clearly do not have the single view of the customer that they would like.

Of course, there are many barriers (technical and cultural) to achieving a single view of the customer. Customers may prefer to remain anonymous and avoid marketing communications and so do not register themselves when consuming a product or service. Unless a customer is

incentivised (discounts, loyalty points, competitions, extended warranties, enhanced service etc), they have no compelling reason to make their multi-channel journey apparent.

Nevertheless, to understand how customers use different channels, and when and where they prefer to buy, a single view of the customer is essential.

Companies also scored 6.2 for the indicator “**Traditional organisational barriers between buying groups, marketing and channel management have been removed and are now aligned to customer needs/wants**”. This is one of the lower scores and shows that companies believe they have more work to do in this area. This kind of reorganisation challenges the status quo and requires strong and committed sponsorship from the highest levels of the organisation.

It is certainly easier to address “single departmental” initiatives first (for example, loyalty and marketing initiatives), and these are currently higher priorities than cross-channel improvements where only 7% of companies are currently working on this aspect of Customer Centricity.

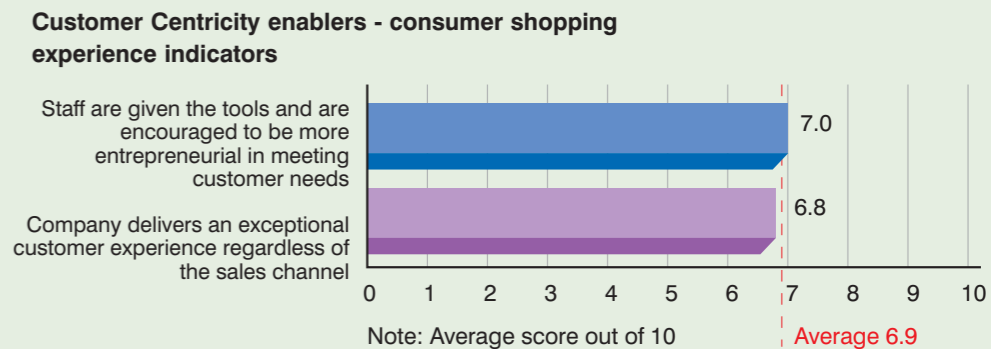
Increasingly businesses are making every effort to capture customer details at all points in the sales process in order to build up a single consistent view of the customer across all channels and how they want to buy

Q10 How would you rate your customers' overall experience?

How does addressing the three foundations of Customer Centricity: Metrics, Processes and Channels lead to a more satisfying and mutually beneficial customer shopping experience for internal and external customers?

The ultimate result of each of the customer centric enablers we have explored in this research should be to provide a better customer experience. We were keen to see how far companies had progressed towards this goal and so asked them to score themselves out of 10 on two key indicators. It is worth noting that these customer experience indicators score highest of all the indicators under review - potentially good news for the customer!

Successful companies reap benefits by constant investment in satisfying and improving their customer shopping experience



“From a marketing angle we’re focusing on target marketing and CRM. The company is still a bit ‘Old School’ and doesn’t understand that customers are getting more savvy. Head Office has invested a lot and has given us a lot more ownership.”

Group Marketing Director,
Hospitality Company

Top scoring at 7.0 was “**Staff are given the tools and are encouraged to be more entrepreneurial in meeting customer needs**”. The level of sophistication of the tools varies from a cultural one where members of staff are allowed to make their own decisions in an informal way, through to proactive marketing tools to allow staff to access customers’ purchase history and sell to them in a personalised way.

The second indicator, “**Company delivers an exceptional customer experience regardless of the sales channel**”, scored 6.8. This area was a focus for companies and they believe they have moved a long way to providing a consistent service in all their sales channels although they recognise that there are still significant improvements to be made.

There is certainly a virtuous circle whereby companies that invest in satisfying and improving their customers’ shopping experience become more successful and are then in turn able to continue investment. Moving from acceptable to exceptional often involves a structural change and requires Board level sponsorship to drive the necessary change across the four Customer Centricity enablers.

Getting the business aligned and agile

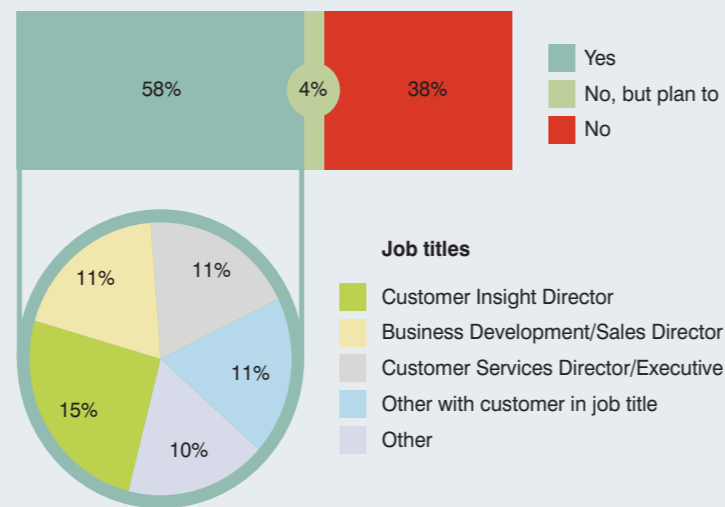
Having discussed the core enablers that help companies deliver an exceptional customer experience further insight can be gained by considering, firstly, how a business organises itself to better serve its internal and external customers' needs (**Alignment**) and, secondly, how easy is it for a business to adapt to changing market conditions and customer engagement (**Agility**).

Building the customer centric organisation is often a case of 'chicken and egg'. Once companies have begun to see the benefits of a customer centric approach they may reorganise in order to better align themselves with internal and external customers. Alternatively, they may set up a new customer centric organisation first and then start to implement customer centric strategies. Either approach ideally requires a customer champion executive within the organisation.

Q11 How is the company organised and structured to meet your internal and external customer needs?



Do you have a customer champion or someone responsible for representing the customer? If so, what is their job title?



Currently, 62% of companies have a customer champion or someone who is responsible for representing the customer. This is either someone who is already in place or they have plans to appoint someone to this position. The remainder, 38% of companies, are without a customer champion and have no plans to change. However, a number of these companies explained that there were several people in the organisation with some responsibility but many articulated feelings of dissatisfaction and either duplication of responsibility or omissions.

The types of job titles and functional areas that take on the customer champion role vary by company. In 15% of the companies interviewed the most popular title was Customer Insight Director, or similar. Another 11% had appointed a Customer Services Director or other executives and a further 11% of the companies had a role with Customer in the title (other than Customer Insight). Then interestingly Business Development or Sales Director was a popular role to take on the customer mantle with 11% of companies, but this was mainly in B2B rather than B2C organisations.

“No-one specific [is customer champion] ultimately it's in marketing and there are no plans to change this.”

Customer Insight Controller, Department Store Retailer

A significant number of businesses have sought to achieve increased customer focus by reorganisation using a customer champion or Customer Insight Director

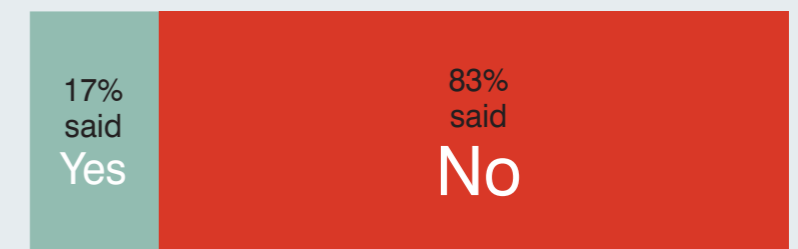
We also wanted to know if companies have reorganised so that specific individuals/teams are responsible for servicing the different customer segments. For example, some buying and marketing teams are aligned by customer segment rather than by product categories. The research established that this type of organisational alignment is much less common, with only 17% of the companies who have appointed a customer champion having moved towards this type of organisational realignment with different functional structures for different customer segments. Indications are that this new structure will gain in popularity, but it is a major change and in recessionary times companies are reluctant to reorganise on this scale.

“We don't have a customer champion or someone responsible for representing the customer at the moment but there are plans to change this.”

IT Director, Fashion Retailer



Has your organisation aligned specific individuals/teams to service the different customer segments?



Base: 23 companies that have appointed a customer champion

company out of 10 regarding the statement, “Have traditional organisational barriers between buying groups, marketing and channel management been removed and are now aligned to customer needs/wants”, the average score was 6.2. It was the second lowest score of all the Customer Centricity indicators studied and indicates that this is an area that requires much more careful thought and planning. Also there were indicators that companies have informal processes and structures in place to help achieve better alignment of key functional areas with customer needs, but they do not have a formal structure to make this happen. This would be the next stage as highlighted by one major supermarket retailer.

“There's not one area [for a customer champion], there are several people and it sits in different areas. We have an understanding that it's not working. It's daunting, we need to change it but we don't know how yet. Like a lot of organisations there is a lot of change going on at the moment.” *Head of Retail Development, Supermarket Retailer*

A company's first step towards a customer centric organisation and business alignment is to install a customer champion (most likely a Customer Insight Director). However, we believe that further work needs to be undertaken to really prove that aligning the total business using customer segmentation does deliver greater value and benefits to both the customer and the business.

A compelling fact from the survey is that, in nearly half of the companies surveyed, systems, processes and people are NOT considered to be aligned to serve the needs of internal and external customers in the most agile way

Q12 How long does it take the company to adapt to changing customer requirements?

We asked respondents how easy it is to implement changes in their business to adapt to varying customer requirements. We wanted to know exactly how long it would take to implement several specific examples.

The results are diverse and show a marked difference in the agility of different companies. At the most extreme, introducing a **new range** takes some companies just a week, while others can take as long as 77 weeks. In fact, in all the situations we explored there are some companies that are so agile they can turn around the changes in a couple of days while others take nearly two years to fully implement these changes across the business.

“ Usually 6 to 9 months (to introduce a new range or service across one or more channels). Because all of our products are produced abroad, we need to get a consistent message and to ensure the 250 years it took to develop the brand is reflected in the whole process. ”

UK Business Manager, CPG Company

The two scenarios we explored that would take longest to implement are opening a new **sales channel**, e.g. a transactional website (which averages 23 weeks) and

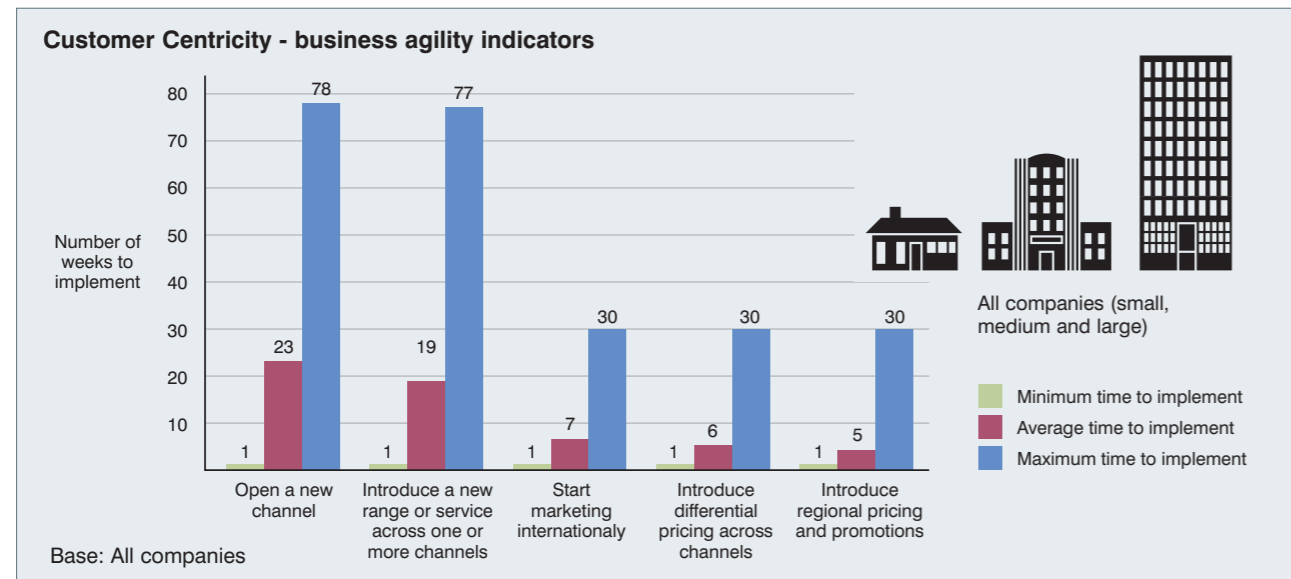
introducing a **new range or service** across one or more channels (which averages 19 weeks). Both of these projects are significant and tend to require a dedicated project team and additional resources rather than just using existing staff.

The greatest agility was in introducing **regional pricing and promotions** (an average of 5 weeks) and starting to market internationally (an average of 7 weeks). These are both strategies where companies are likely to have had some practice doing something similar (e.g. opening in another country), and this experience helps speed up the process.

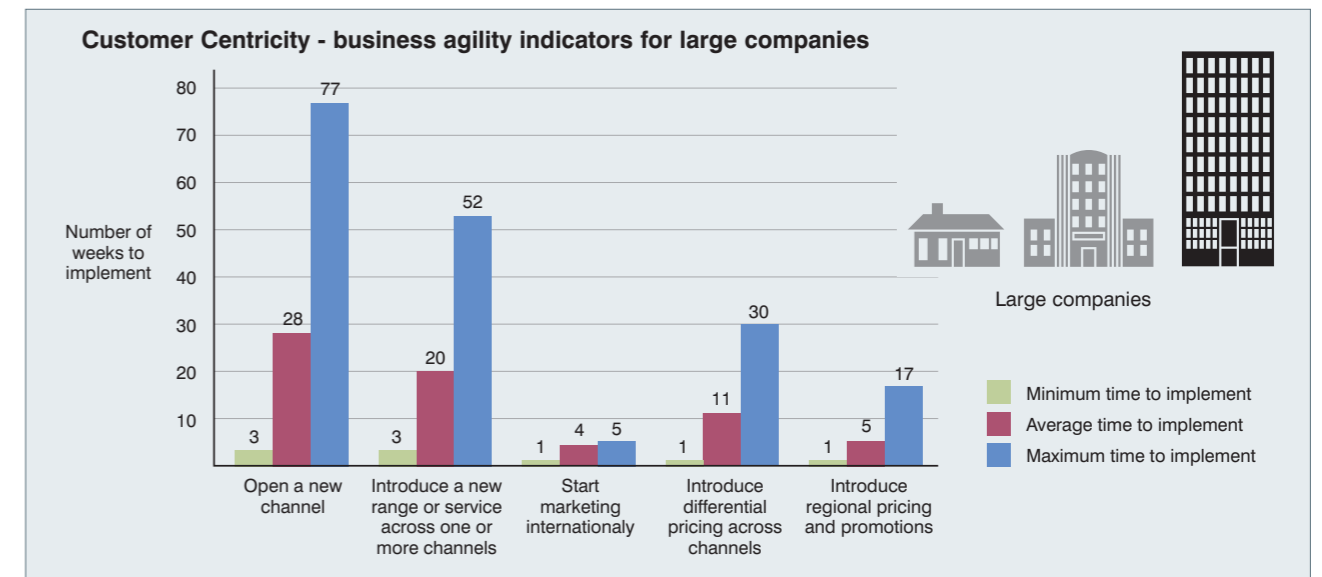
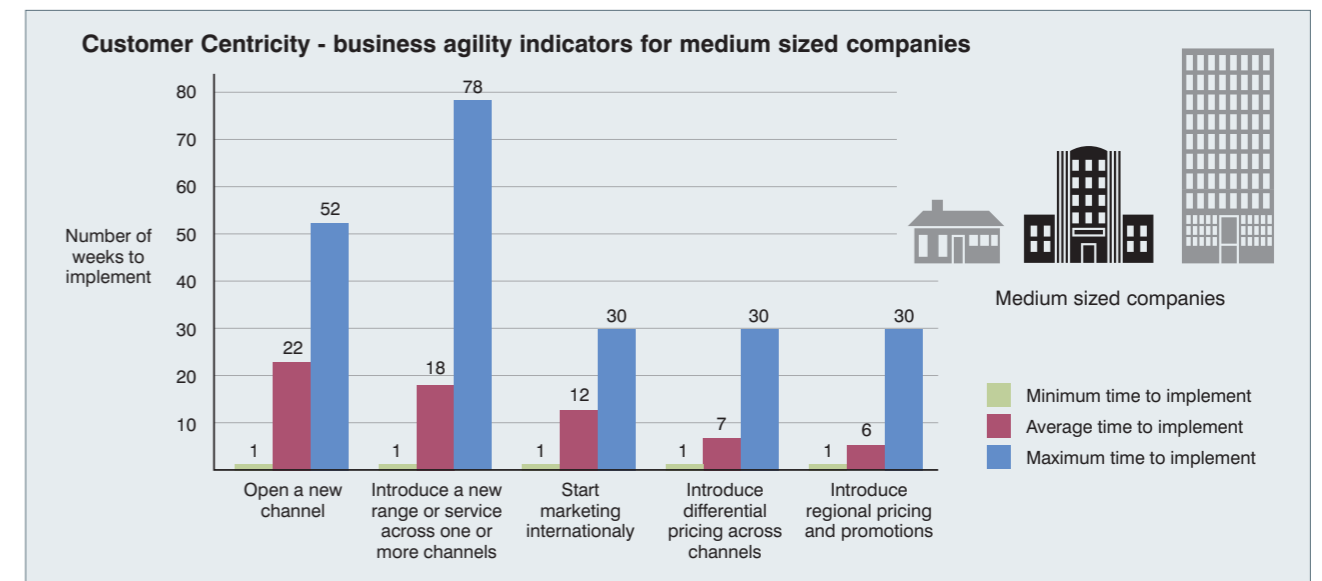
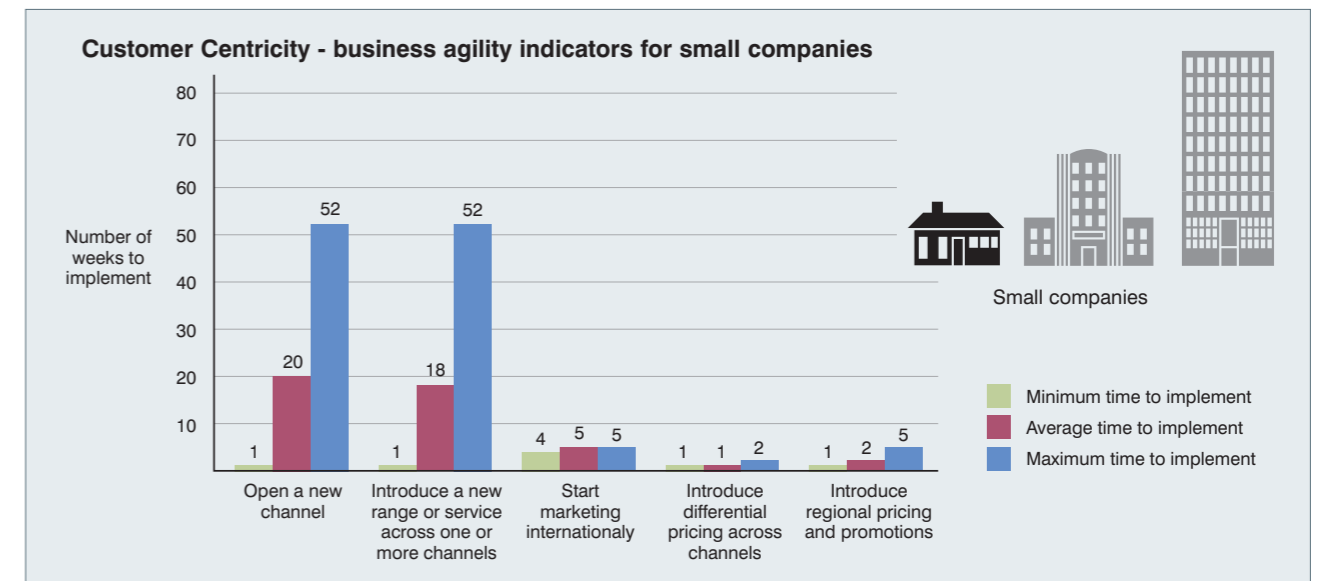
As might be expected, small companies are more agile than medium sized and large ones. However, medium sized companies are less agile than large ones for the business changes discussed in our survey. A small company takes an average of 2 weeks to introduce regional pricing and promotions, medium sized companies take 6 weeks and large ones slightly less at 5 weeks. Our survey demonstrated that economies of scale and leaner processes are more evident in large companies than in the medium sized ones.

“ It depends on exactly what it is. If it is a process nuance it will take 2 months. If it is a major change it will be 6 to 8 months. ”

Head of Global Retail Operations, C-Store Retailer



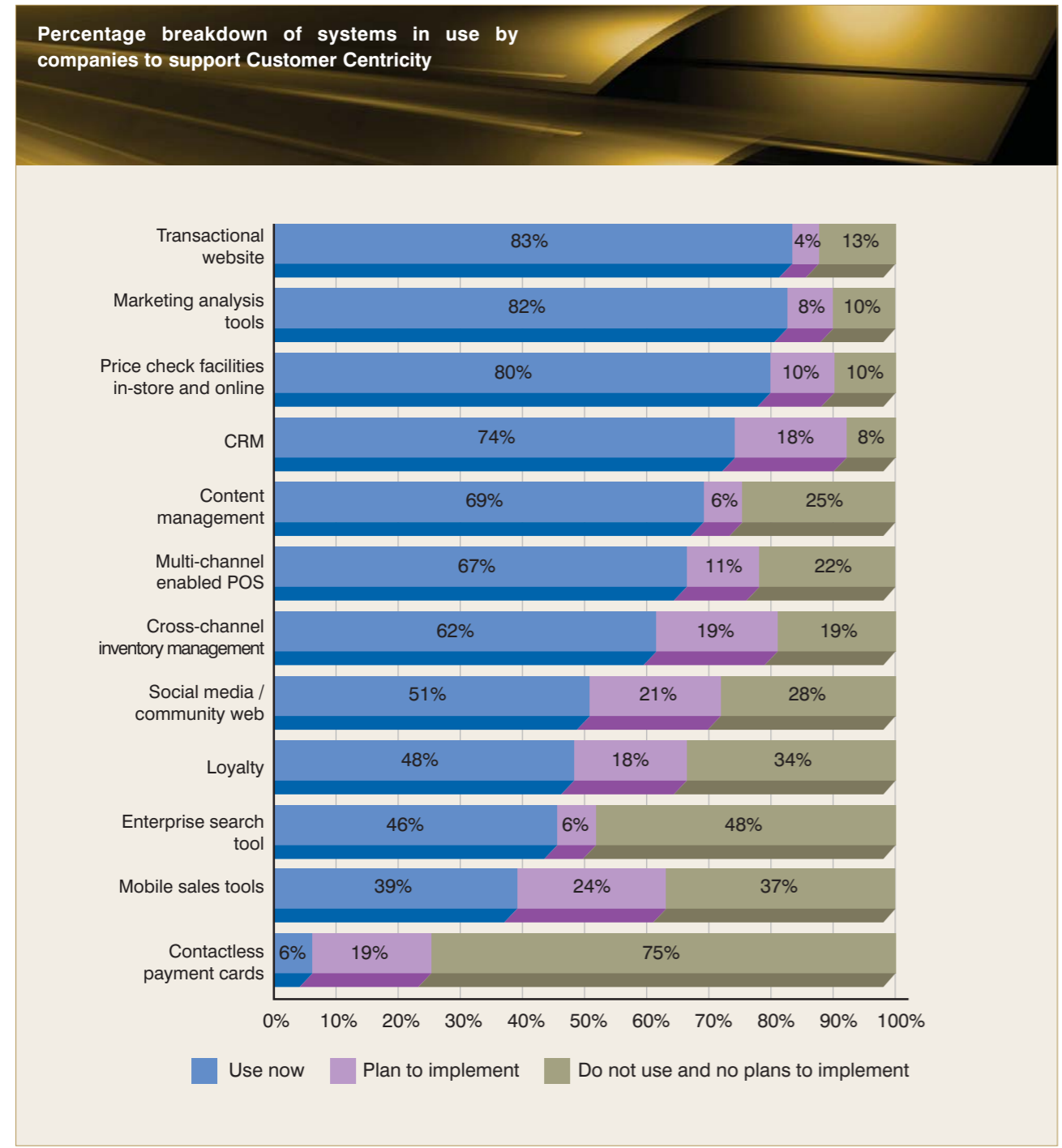
Customer Centricity is not just about changing the whole business to focus on the customer and their needs, it is also about the ability to do this quickly and effectively



Using technology to advance Customer Centricity

As part of the survey we identified 12 systems or technologies that help companies become more customer centric when used in line with their customer centric strategies. We discovered that there is wide variation in their use across the companies interviewed. The top three are transactional websites, marketing analysis tools and customer relationship management solutions.

83% of companies had a transactional website, with a further 4% planning to implement a transactional website. The balance of 13% had no plans to implement such a website and interestingly the proportion between B2B and B2C companies without transactional websites was fairly similar.



Marketing analysis tools are next in importance; these were used by 82% of companies, with 8% planning to implement them. This was another critical must-have technology, as with these tools companies are much better positioned to communicate, predict and track results with their customers.

74% of respondents highlighted that they have Customer Relationship Management (CRM) systems implemented with a further 18% planning to use them, making this the most widely installed application for the medium term. Without some kind of CRM system, or loyalty scheme equivalent, it is impossible to market and manage your customer base effectively. Further, a CRM system enables the move towards managing a single view of the customer and when utilised in conjunction with marketing analysis tools ensures that customer centric initiatives can be implemented and analysed for effectiveness.

The technology with the least traction was **contactless payment** cards, currently in use by only 6% of companies, although a further 19% have plans to use them. The growth in this area is significant and one to watch and evaluate for the future.

The technology on the rise and one that clearly supports Customer Centricity is **social media**, currently being used by 51% of respondents (mostly in a low key experimental way) with a further 21% planning to use social media, such as Twitter, blogging and Facebook.

Finally, **cross-channel inventory systems** are becoming essential for retailers needing to optimise stock across all channels: used now by 62% of companies, with a further 19% planning to start.

All businesses are different, so the technologies being used by other companies are not necessarily essential for all companies. Nevertheless, the toolkit (see panel) is worth serious consideration by those companies looking to align their systems with internal organisational structure and become more customer focused.

The essential Customer Centricity Systems Toolkit

If we consider the must-have Customer Centricity systems, those that are either being used or planned to be used by at least three quarters of our survey group are:

- **CRM (92%)**
- **Marketing analysis tools (90%)**
- **Price check facilities in-store and online (90%)**
- **Transactional website (87%)**
- **Cross-channel inventory management (81%)**
- **Multi-channel enabled POS (78%)**
- **Content management (75%)**

Businesses are not making full use of technology to support their customer centric initiatives

In summary

The research highlights that Customer Centricity is a priority for companies and that inherently there is a link between success and being more customer centric. This is seen by organisations that are actively transitioning from purely product centric to a balanced combination of product centricity and Customer Centricity; appropriate to their business model. Also, companies are very aware that they need to appoint dedicated resource as the customer champion and where this has already been done there is a direct correlation between seeing improvements in all areas measured by this survey.

Undoubtedly instant and widespread online access to information is altering **the balance of power** and customers now engage with companies across all available channels. To service this sea change in behaviour companies need to be far more **aligned and agile** in meeting their customer needs and the research identified that this was an area that needed much improvement.

Customer Centricity is a complex issue that doesn't lend itself to "sound-bites" or instant prognosis. It has an inherent complexity that requires a **structured problem-solving approach**. Charteris' **customer centric enablers** provide a vehicle for businesses to constantly challenge and address customer needs.

Technology has an important role to play in meeting these needs and the widespread adoption by companies of **core customer technologies** is all part of the drive to be more customer centric. However, it would appear that there is still reluctance to experiment and implement less proven technologies by business users responsible for the customer strategy. A much more proactive role within the business needs to be taken to understand the potential benefits of **new technologies** in serving their customers better.

The recent Government report, **Digital Britain**, sets out Britain's place as a global leader by undertaking to ensure that every home in the UK has access to **broadband services** by 2012. 60% of companies interviewed thought this would be very positive for them.

The next evolution of the internet, **Web 3.0**, means that these **challenges will be magnified**. As always, the companies that adapt to these challenging market conditions will be the most successful.

What Next?

We hope that you have found this research interesting and informative and that it has provided some insights as to the progress of similar types of organisations. If you are looking currently at this important subject then the main areas to trigger and move the debate on within your organisation are:

- Do you have consensus at Board level on what Customer Centricity means to the business?
- Do you have dedicated resource to champion the customer?
- Do you strive for a single view of the customer?

- Do you measure your processes for customer value-add?
- Do you consider you organisation is sufficiently agile to meet changing customer demands?
- Do you have the technology in place to maximise your customer centric initiatives?

If your answer to any of the above questions is YES then Customer Centricity is important to you and the business. It may be that this survey provides sufficient data to progress further but if you need to benchmark or would like to know where the business needs to focus its effort then using the Charteris Insight approach could help. For more information please see the relevant contact details at the end of this report.

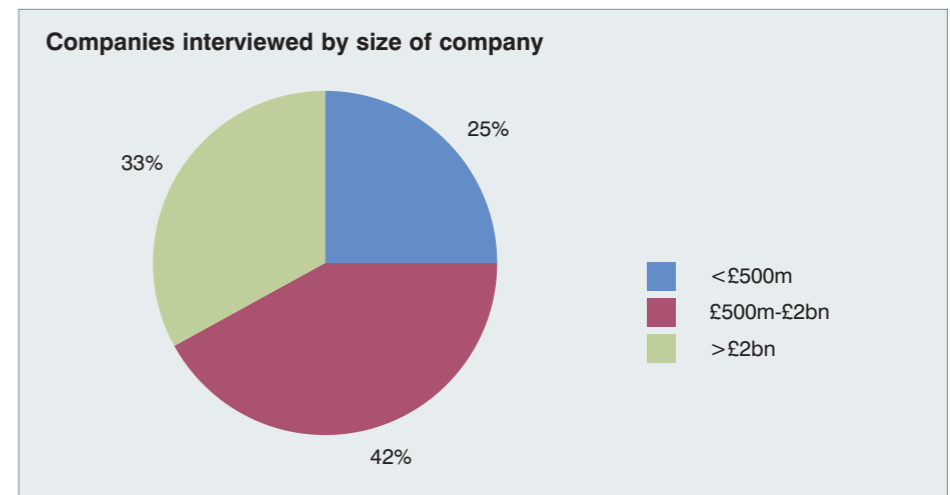
Survey methodology and research criteria

The results of this Customer Centricity research are based on 40 UK respondents. All the respondents are at the director, controller or managerial level. The interviews were conducted from July to October 2009 among B2C (Business to Consumer) and B2B (Business to Business) companies.

The sales of these companies total £135 billion. Of the Retailers interviewed their sales represent 38% of the UK retail or B2C market, so they are a very representative sample. The average sales of the companies interviewed is £3.4 billion.

Companies interviewed by size of company

- Total sales for the companies interviewed came to £135 billion.
- Companies with more than 18,000 outlets participated.
- The survey represents about 38% of the UK retail industry.
- 33% have sales exceeding £2 billion.
- 42% have sales of £500 to £2 billion.
- 25% of companies interviewed have sales of less than £500 million.

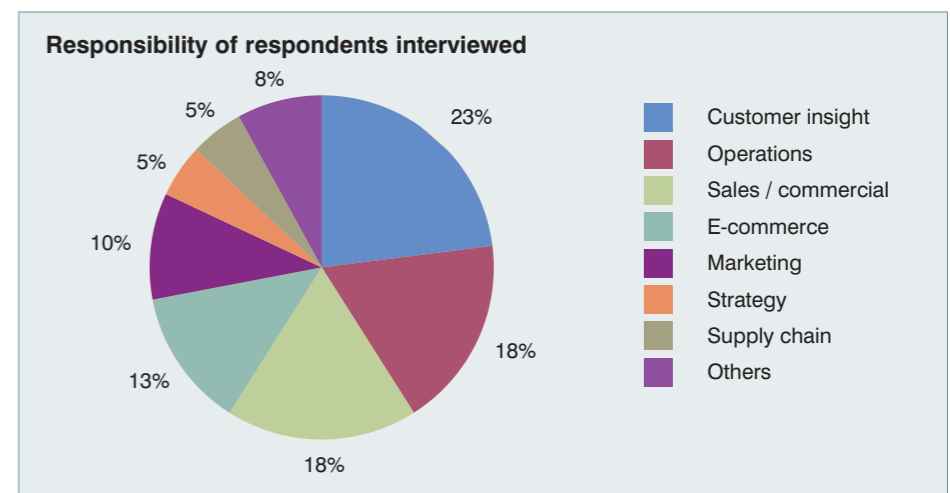


Responsibility of people interviewed

The respondents are senior executives who are responsible for Customer Centricity across the business. What

- 23% customer insight directors or executives.
- 18% operations directors or executives.
- 18% sales or commercial directors or executives.
- 13% E-Commerce directors or executives.
- 10% marketing directors or executives.
- 5% strategy directors or executives.
- 5% supply chain directors or executives.
- 8% other directors or executives including IT and buying and merchandising.

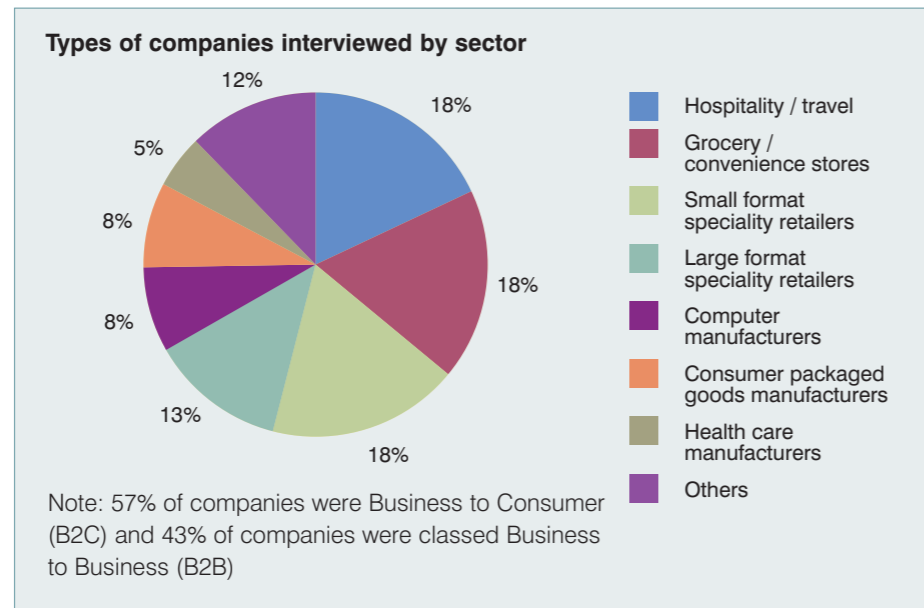
distinguishes this report is that interviewees are senior level business people across all functions talking about Customer Centricity. They comprise:



Companies interviewed by sector

This survey covers a range of businesses selling direct to the consumer and also to other businesses. The split between B2C and B2B companies is a ratio of 57:43. They comprise:

- 18% hospitality / travel companies including airlines, hotel and pub chains.
- 18% grocery and convenience store retailers.
- 18% small format speciality stores including clothing, shoes, accessories, books and photographic retailers.
- 13% large format speciality retailers including DIY, motoring, garden centres and electrical retailers.
- 8% computer manufacturers.
- 8% consumer packaged goods companies or FMCG companies.
- 5% health care manufacturers or pharmaceutical companies.
- 8% other B2B companies, including logistics, car hire and engineering.



To find out more about Charteris and Martec International, please see page 28.



About Charteris

Charteris helps improve business performance by managing change and the strategic application of the latest proven technologies. Our clients include leading retailers and other well-known organisations in Media, Services and Government.

Offering a blend of business expertise and technological flair, Charteris provides the essential bridge between business and technology. Our expertise, our tools and our methods for delivering customer centric strategies have been developed working with some of the UK's most successful brands.

For more information on the survey and how Charteris can help you implement your customer centric strategies, please call Chris Nutt on +44 (0)207 600 9199, or email chris.nutt@charteris.com

About Martec International

Martec International is a specialist retail consulting and training company. We assist retailers to improve their business performance and we help suppliers to retail execute their go to market strategies more successfully.

Our clients include retailers, technology and merchandise vendors, ingredient manufacturers, banks, telecommunications companies and venture capitalists.

If you would like to discuss further details of this report or any of Martec's services please visit www.martec-international.com, email sales@martec-international.com or telephone +44 (0) 1823 333469.

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