EXECUTIVE SUMMARY

Are European companies ready for customer centricity?

In collaboration with MV2 Conseil

MV2 CONSEIL
Etudes et Conseil en Marketing

Delivering Transformation. Together.

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Contents

Introduction

Over the past few years, companies have increasingly focused on the importance of customer relationships: numerous studies, articles and white papers have been published on the subject. New subject-specific vocabulary has emerged and new positions dedicated to managing customer relations have been created.

Customer relationships are evolving: they are no longer specific to the tools and structures used to offer products or services to customers. Customer experience is becoming key as it takes into account a customer's feelings and emotions throughout the buying process. Customer centricity is coming to the fore.

So what do we mean by customer centricity? It encompasses customer knowledge, customer experience, customer satisfaction, and above all, customer value. Customer centricity aims to position the customer at the centre of corporate strategies.

European companies have become aware of the importance of developing a customer-centric strategy. In the recent Sopra Steria survey 90% of Marketing Directors stated that they have formalised a customer-centric strategy. This new approach implies a number of changes, particularly in terms of mentality, organisation and method. It may also be subject to some resistance.

How well is this strategy understood? How is it implemented, in terms of organisational structure and dedicated resources? Is it a measured strategy? What difficulties do companies encounter? What is their vision for the years to come?

And finally, how do customers perceive the implementation of a customer-centric strategy? Sopra Steria's ground-breaking new study addresses these questions by bringing together responses from over 900 companies and 700 end consumers in Europe in order to assess their impressions.

Customer-centric strategy is quickly developing into a revolution in customer relationship management and future corporate strategies. It is essential to identify the changes created by this new positioning in order to be able to anticipate what lies ahead.

Objectives and methodology

Sopra Steria, a European leader in digital transformation, has published this independent report on customer-centric strategy with the help of MV2 Conseil. The report is based on surveys of two target respondent groups: a business to business (B2B) and a business to consumer (B2C). All numeric data used in this report is drawn from these surveys, unless specified otherwise.

For the B2B Group, 901 decision-makers were interviewed, of which 463 were IT decision-makers and 426 were decision-makers responsible for customer relationship management (Director of Customer Relationship Management, Marketing Director, etc.). They represent companies with 1,000 to 5,000 employees operating in France, the United Kingdom and Germany. Norwegian companies interviewed had a minimum of 100 employees. Business sectors studied were as follows: Banking, Insurance, Transport, Telecoms, Media and Gaming, Energy and Industry.

The B2B target study was divided into quantitative and qualitative phases. The quantitative phase was based on 889 telephone interviews distributed as follows: 224 interviews in France, 134 interviews in the United Kingdom, 331 interviews in Germany and 100 interviews in Norway. MV2 also conducted 12 in-depth face-to-face interviews, with an average duration of 1.5 hours, completing the full set of 901 decision makers interviewed. Based on a questionnaire similar to the one used for the quantitative interviews, these face-to-face sessions enabled decision-makers to express their understanding of a customer-centric strategy, to describe their stage of maturity and achievements in relation to this strategy, and to contemplate future developments.

The B2C target covered 702 French, British, German and Norwegian end consumers, representative of their respective populations. They were interviewed about all the aforementioned business sectors via an online questionnaire. Similar questions were asked of both decision-makers and consumers in order to be able to assess their respective points of view.

The impressions of these decision-makers and end consumers were amalgamated and analysed to produce the following summary both of how customer-centric strategies are perceived today and of future expectations.

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1 Marketing and Senior Management are primarily responsible for managing customer experience in most European organisations

Customer experience is typically considered a natural extension of customer knowledge, which is managed by the Marketing or Customer Service departments in most European companies. Chief Marketing Officers (CMOs) and Chief Customer Officers (CCOs) interviewed were well aware of the concept of customer experience, which is considered a "traditional" focus within their companies.

By positioning customer experience at the heart of General Management and Executive Committee/Board Level thinking, many European companies consider themselves highly familiar with and attentive to their customers' needs. However, does this development in the organisational structure of Senior Management truly reflect an indepth knowledge of customers?

46%

Of European companies for whom customer experience is represented in Senior Management

80%

Of European companies whose Marketing departments are responsible for customer experience

2

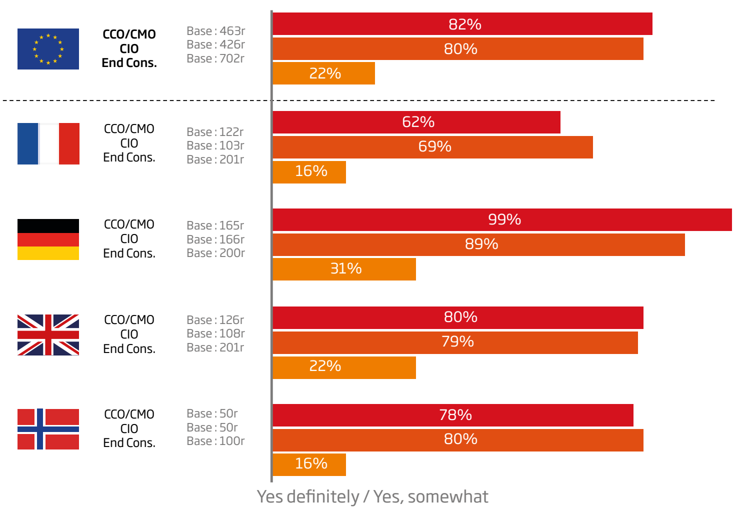
Although companies are under the impression that they know their customers well, the perception of their customers is quite different. This dichotomy says a lot about the disparity between the two perspectives.

More than 80% of European CMOs and CIOs interviewed stated that they consider themselves to know their customers well. However, European customers have a very different impression: nearly 78% responded that they do not feel companies with which they are in contact know them well. The discrepancy noted between a company's belief that it knows its customers well and the entirely opposite impression of these same companies amongst customers is even more striking when we focus on the unique customer concept. In fact, 76% of European CMOs consider their customers to be unique customers, whereas 84% of these customers do not believe they are viewed as such.

Disproportionate ratios between the perceptions of companies and of customers can be explained by their different definitions of the unique customer concept. Whereas companies think they have a comprehensive understanding of their customers thanks to their use of the "unique customer reference", which governs the rules of certain CRM tools, end customers want more than the nominative and individual identification this provides. They expect companies to be able to respond to their needs and potential dissatisfaction as well. If companies were able to anticipate their customers' needs, they would be proactive and more capable of managing customer dissatisfaction.

It is as a result of their annual customer satisfaction surveys that European companies believe they know and listen to their customers. This is, in fact, the tool they rely on most to collect customer data, particularly in terms of identification, and the frequency or type of purchase for B2C companies. However, it is obvious that this approach is no longer sufficient for companies to truly know their customers and to be able to respond to their expectations. Are European companies aware of this change?

(CCO) / (CIO) Do you feel your company knows its customers?
(Customer) Do you feel a company from [name the industry] knows you well enough?



81%

Of European companies conduct an annual customer satisfaction survey

3

Although most European companies claim to have set up a customer-centric strategy, implementation and deployment remain difficult due to a limited vision of what customer-centric management represents.

Nearly 80% of CMOs and 70% of CIOs in Europe stated that they have implemented a customer-centric strategy[1] . However, for most companies, customer centricity is synonymous with customer satisfaction. This strategy therefore represents annual (or more frequent) customer satisfaction survey(s), used by the majority of companies in Europe. As a result of this contact with their customers, CMOs and CIOs have the impression that they know their customers well.

Although priority is given to the continued improvement of this level of satisfaction, customer satisfaction assessment indicators differ from country to country. For example, the key performance indicator in Germany is profitability, in France loyalty, and in Norway and the United Kingdom customer satisfaction.

CMOs and CIOs have common goals but find it very difficult to define a common customer-centric strategy in most European companies.

The difficulty of implementing the necessary change management exacerbates this complexity further for more than 60% of French, English, German and Norwegian CMOs and CIOs. Moreover, budgets allocated to managing customer centricity are virtually non-existent for more than half of all French, English and Norwegian CMOs. In contrast 98% of German CMOs state that they have the financial means to implement such a strategy.

European companies have a hard time measuring and taking into consideration the impact of social media, mobility and Big Data in managing customer centricity. More than 50% of European CMOs state that social media does not play a major role in managing customer centricity. The same is true for Big Data and mobility: nearly 45% of CMOs interviewed do not think that these trends influence their management of customer centricity.

80%

Of CMOs think customer centricity corresponds to customer satisfaction

75%

Of European companies use loyalty as a key performance indicator

81%

Of CIOs state that they have common objectives with CMOs

[1] Customer centricity encompasses customer knowledge, customer experience, customer satisfaction and above all customer value. It therefore aims to position the customer at the centre of corporate strategies.

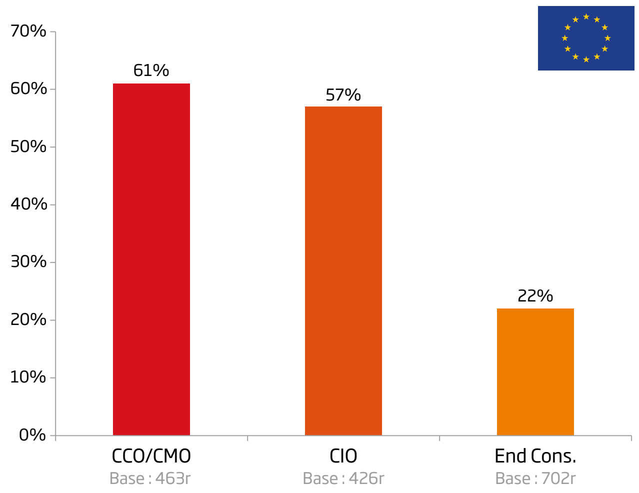
4 Despite an increase in multichannel strategies, companies and customers still fail to agree on the communication methods used, making these strategies counterproductive from the customer's viewpoint.

In Europe, the majority of companies have implemented multichannel strategies to communicate with their customers via a maximum number of media. In spite of these multiple points of contact, customers fail to perceive companies' communication as effective. There was a difference of almost 40 percentage points between the company and customers' perception of the organisation's ability to satisfy customer requests across the different communication method used. This shows a clear discrepancy between the communication vehicles used by companies and a customer's impression of accessibility. In fact, only 22% of customers in Europe believe that companies provide an effective multichannel customer experience, and this applies to all market sectors studied.

Looking more closely at communication means, there are significant differences between what customers want and what companies implement. Multichannel strategies are inconsistent with targeted customer media usage and companies must provide multichannel communication that responds to the diversity of customer profiles. They must also be able to identify new communication methods, such as SMS, maintain traditional media such as mail, and develop digital exchanges through email communication: 92% of French customers would like to contact companies by email, but 60% of companies admit that they do not provide them with this method of communication.

The complexity of multichannel strategies is clear, with increasingly significant customer expectations and the need for strategic consistency across all content. Interoperability between types of communication and cross-channel marketing is a growing challenge for companies. Contrary to silo marketing (multichannel), cross-channel marketing simultaneously addresses all distribution and information channels in order to benefit from the interactions and synergies that may exist between these channels.

(CCO) / CIO) Do you feel your company offers a consistent customer experience across all communication channels?
(EC) Do you feel a company from [name the industry] has implemented a system that allows them to follow up on your request efficiently across channels?

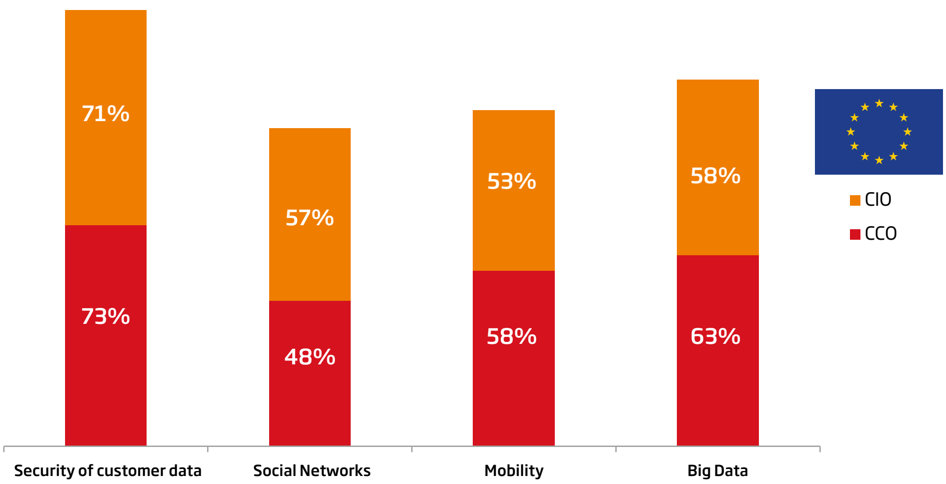


5 In the coming years, protecting customer data will be the main challenge for companies across all sectors. However, investments related to developing loyalty programmes or interoperability between "devices" remain significant.

European companies are aware that customer data security will be the major challenge over the next three years. This is, of course, related to the exponential increase in information exchanged on social media, thanks to a rapid increase in the availability of affordable "devices". In turn, this contributes to the Big Data phenomenon. Companies are therefore directly confronted with digital evolutions that have an impact on their customers.

They find themselves in a transition period, which can be seen in marketing and IT budget planning. In fact, CMO investments for the next three years are focused both on developing loyalty programmes and on interoperability between communication channels. CIOs must at the same time continue to maintain the performance of their CRM tools, of "Knowledge Management"(KM) or "Contact Centres", but will concentrate the majority of their budget on solutions related to social media and mobile app development. CMOs and CIOs seem therefore on their way to optimising their customer-centric strategy. Furthermore, with the rising enthusiasm for customer centricity within a large number of European companies, it is foreseeable that reconciliation between companies and their customers could become reality.

(CCO) / (CIO) In your opinion, over the next three years, what will be the top challenges that would keep you awake at night?



Conclusion

The customer has never occupied such a strategic position within European companies as in the past few years. New subject-specific vocabulary has emerged (customer relationship, customer proximity, customer experience, etc.), new IT tools have been developed (CRM, KMS, etc.) and new positions created within organisations. Customer profile data has become the crux of corporate strategy, as well as the most important asset for companies to protect.

It is for this reason that those responsible for customer experience are usually represented in the Senior Management of European companies. Unfortunately, in spite of this managerial awareness, customers have a poor impression of companies' understanding of their needs. Companies must, therefore, now respond to a new development in the customer knowledge field: customer centricity.

This recent approach aims to place the customer at the heart of corporate strategy and is considered by most European companies as an extension of customer satisfaction. However, this interpretation only takes into account part of the meaning of customer centricity and makes for incomplete corporate strategies. The majority of European companies stated that they have formalised a customer-centric strategy. They rely primarily on customer satisfaction surveys for contacting their customers on at least an annual basis. However, these surveys do not make it possible to collect and reference information on the customer experience in real time. In spite of the generalised use of these studies, certain companies are aware of their limitations and are beginning to turn to new performance indicators, such as loyalty or Net Promoter Score (NPS). This is further reinforced by the fact that the quality of this new data remains unreliable. Few European companies are currently able to measure the impact of social media, Big Data and mobility on the management of their customer-centric strategy.

European companies are in a paradoxical situation. They all use multichannel strategies for communication in order to encourage interaction with their customers. Unfortunately, customers do not see the efforts invested in this strategy and tangible contradictions exist between the means implemented by companies and those expected by customers. Companies must therefore identify and understand their customers' use of media, depending on their profile, and be sufficiently flexible in order to quickly readjust their multichannel strategy to improve performance as perceived by their customers. Companies face a growing challenge of how to manage increased interoperability between communication methods and the development of cross-channel communication in order to benefit from customer data circulating across all of their media.

Managing customer centricity in Europe is just beginning. During this transition period, CCOs and IT Directors are becoming aware of the major role they have to play within their organisations. This is already visible in three-year investment plans, as IT Directors plan to allocate budgets to social media solutions and mobile app development, while maintaining customer data specific IT tools (CRM, KMS, etc.). CCOs will simultaneously focus on interoperability between communication channels and continue to develop customer loyalty programmes. In addition to budget, companies face a variety of other challenges: managing and measuring the impact of mobility, social media and Big Data must be fully integrated into customer-centric strategies. Processing this explosion of data and, above all, guaranteeing data protection for customers, are among the key corporate priorities of the future.

About Sopra Steria

Sopra Steria, European leader in digital transformation, provides one of the most comprehensive portfolios of end to end service offerings in the market: Consulting, Systems Integration, Software Development and Business Process Services. Sopra Steria is trusted by leading private and public organisations to deliver successful transformation programmes that address their most complex and critical business challenges. Combining high quality and performance services, added-value and innovation, Sopra Steria enables its clients to make the best use of information technology.

About MV2 Conseil

MV2 Conseil is the leading independent French Institute of Marketing Surveys. It supports its clients from data collections to qualitative and quantitative strategic surveys with high added value, both in France and in international markets.

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