Customer Relationship: Can you keep up?

Challenges and practices from European organizations

Study

The Transformation Alliance
The Transformation Alliance

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Like it or not, the business world is changing. And as with any change, there are associated threats that will undermine the company and opportunities that will help it grow.

One such change is the rise to prominence of the customer relationship (CR) function. By this we mean everything that is used to build up a customer relationship, including face-to-face interactions, advertising, customer experiences, any of a wide array of customer relationship management tools (CRM) and the use of social media.

CR is not a new concern, but with accelerated commoditization, the need for differentiating on something other than product, price or operational excellence has become more crucial than ever, and digitalization has fundamentally changed the relationship between companies and their customers.

With these in mind, we wanted to explore the new challenges to CR and examine why some companies are embracing it while others are finding it difficult to become more customer centric.

For the first time, The Transformation Alliance conducted a pan-European study and interviewed 50 CR practitioners from a broad range of industries, each of whom is directly involved in CR, in Austria, France, Germany, Italy and Sweden.

This study presents new insights into CR strategies from those companies that have made the transformation or are in the process of doing so. It is not a ready-made recipe for a successful approach, but an overview of how others have managed, or not, to cope with the challenges related to CR.

Arnaud Gangloff
CEO of Kea & Partners

Rainer Hoffmann
Managing Partner at h&z

Giovanni Meroni
Partner at MBS Consulting

Julia Norinder
CEO of Preera
Contents

05 Executive summary

06 Customer relationship (CR): Why you should care

11 Digitalization of CR versus human interaction

20 Customer knowledge versus customer fatigue

26 Standardization versus customization of CR in increasingly global markets

31 Fixing the fundamentals

34 Customer Relationship in 2020
Executive summary

With shrinking markets and changing consumer behavior fuelled by digital technology, CR has become a crucial differentiator and growth lever. That is a big change in status from something that has long been seen as a necessary evil or add on. Based on 50 interviews with CR executives in five European countries, this study provides an insightful examination of the issues affecting CR. It also gives a practical view of the strategic, organizational and people challenges raised.

In essence, three main dilemmas that affect CR emerged from this study.

Digitalization of CR versus human interaction. Nearly all companies interviewed have embraced the digital transformation and identify tremendous opportunities to build loyalty and accelerate business. However, they also caution that one-to-one interactions will always be essential and that brands need to find right balance between both. Their main concern is to ensure consistency across channels.

Customer knowledge versus customer fatigue. Digital undoubtedly makes it much easier to gather customer data. But some interviewees see a growing danger in over-doing it and inducing fatigue. Companies are still finding their way around this and adapting their interactions to bring more value and relevance for customers.

Standardization versus customization of CR. CR is also affected by the global-local trade-off that other business functions face. Each market requires a different approach and cultural adjustments. Defining frameworks centrally with leeway to adapt them locally is seen as a powerful way to maintain brand consistency while empowering local players.

While 75% of interviewees claim that CR is clearly a top-management priority there is still much to do to optimize the function. Six fundamentals to successfully transform CR were identified.

• Clarify the CR function so its scope and function are clearly organized. Creating a dedicated role with direct reporting to the CEO is a growing trend.
• Improve the internal perception by gaining visible and constant support from top management. The interviewees highlighted levers such as revalorizing compensation and creating career development opportunities.
• Break the silos. As a cornerstone of various departments, CR requires closer and transversal cooperation. Removing organizational barriers is a priority.
• Rethink performance assessments and indicators. Many interviewees found that the change is not truly embedded as long as KPIs are not aligned with the CR strategy.
• Instill a new management culture. Management has to lead the way by demonstrating their full support for CR, valuing new attitudes and developing pride around CR.
• Take a long-term view of CR investments. Although there is still some way to go to change the general mindset about CR the interviewees have seen great progress during the last years, fuelled by a new management generation.
Customer relationship (CR): Why you should care
Why has CR become a pressing issue?

We asked what business challenges companies were facing and why CR has become a pressing issue. Several external changes were highlighted, most of which were common across the different sectors and countries.

Narrowing markets and increased competition
According to our interviewees, the economic downturn has resulted in limited or no growth and increased pressure on costs. Customers, in turn, have lower purchasing power and are now primarily looking for good prices. There is also more competition and it has become more aggressive. For example, established European airlines are facing intense competition from younger and more agile companies, particularly low-cost and Middle Eastern airlines.

New consumer behaviors and trends
The proliferation of online communities and forums that allow customers to share experiences and give peer-to-peer advice are having an increasing influence on buying decisions. In fact, this has gone beyond online communities swapping advice and is now a new mode of consumption. Car sharing or peer-to-peer home rental are examples of this new form of consumption.

The Multichannel reality
Multichannel marketing may make it easier to connect with customers but there is a flip side. While digital channels facilitate immediate communication they have fueled customer expectations in terms of responsiveness. Then there is the need for absolute consistency of messaging and user experience across all channels. Companies with large physical networks, such as banking, insurance, or retail are particularly impacted.

Diminishing customer loyalty
Customers are empowered by the digital world and are in a much better position to pick and choose where they spend their money. The net result is that brand loyalty is being sidelined. Very few businesses are unaffected by this but those in the travel, hospitality and automotive sectors are especially affected. One automotive interviewee reported that the company’s share of loyal customers has decreased from 70% to 55%.
New relationship to brands
Mass marketing is steadily giving way to marketing that is more personalized, leading to a shift in the relationship between businesses and their customers from one-way to two-way.

New and multiple customers
Companies looking to expand their business through new product or service offerings, or by moving into untapped geographies, come into contact with new customers and stakeholders (such as prescribers and influencers) and will inevitably face more diverse and complex CR challenges.

WHY HAS CR BECOME A PRESSING ISSUE?

- Increased competition: 36%
- Declining/tough markets: 20%
- New customers behaviors: 20%
- Multichannel: 14%
- Decreasing loyalty: 12%
- Pressure on costs: 12%
- Personalization and recognition: 10%
- New relations with brands: 8%
- New customers and/or offers: 8%
- Product commoditization: 8%
- Regulatory changes: 6%

Source: TTA survey
Multiple answers have been accepted
How CR can transform your business

The top-4 strategic objectives of CR mentioned by the interviewees are loyalty & retention, differentiation, growth and branding.

WHAT ARE YOUR MAIN BUSINESS OBJECTIVES FOR CR?

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Loyalty &amp; retention</td>
<td>53%</td>
</tr>
<tr>
<td>Differentiation</td>
<td>40%</td>
</tr>
<tr>
<td>Growth</td>
<td>40%</td>
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<td>Branding</td>
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<td>Customer knowledge</td>
<td>19%</td>
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<tr>
<td>Engagement</td>
<td>7%</td>
</tr>
<tr>
<td>Satisfaction/ experience</td>
<td>7%</td>
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Source: TTA survey
Multiple answers have been accepted

Loyalty
Retaining customers by extending the customer lifecycle and by giving them more reasons for brand preference is what companies are striving for. The alternative, hunting new customers, is just too costly and time-consuming.

Differentiation
Building unique market positioning avoids commoditization and price pressure. But when this is not possible, CR can make the difference.

Customer relationship can be the difference between winning and losing business. If there is no real product unique selling proposition, CR is the tool for winning business. (Services executive)
Growth

CR is a key factor in gaining market share and recruiting new customers. It is also used to increase the value of each existing customer by encouraging higher purchase frequency, cross-selling or up-selling. Or as one interviewee put it, customer “intensification” is the best way to generate growth and value in a flat market where cost is no longer a differentiator.

Beyond these three items, the strategic objectives of CR slightly differ across industries and in the B2B and B2C sectors.

Branding

Using CR to strengthen a brand was also identified as a top strategic objective, especially for B2C businesses. In industries with low frequency interactions, such as automotive or real estate, CR is used as a way to follow each customer’s lifecycle and strengthen brand loyalty so that new or additional services can be sold.

For strong or premium brands in the travel, hospitality, retail or FMCG sectors, CR is important in supporting brand positioning. It is also the key to developing engagement with the brand, not only awareness or satisfaction, according to an FMCG executive.

Apart from the external business challenges that are affecting CR, practitioners have encountered three main dilemmas or trade-offs. These are:

1. Digitalization of CR versus human interaction
2. Customer knowledge versus customer fatigue*
3. Standardization versus customization of CR in increasingly global markets

We will look at each one of these in detail.

*Fatigue or weariness – feeling tired of a particular activity/action that you no longer want
Digitalization of CR versus human interaction
We found that almost all companies are changing the way they use digital technology to influence CR, but how much they invest in this and to what extent they feel the pressure to do so is very different.

In some industries, digital technology only impacts customer information but does not disrupt the business model. However, for 31% of people interviewed, especially in travel, hospitality and financial services, it is actually changing the way their companies do business and forcing them to re-think their model and operations.

**ATALWAD and multichannel: trends that cannot be ignored**

Most interviewees stressed that multichannel marketing and the “ATALWAD” trend (“anytime, anywhere, any device”) have brought about the biggest changes in CR linked to digitalization in the last five years.

As stated earlier, digitalization presents a potential threat because customers are now more informed and autonomous. It is easy for them to compare offers from different companies and they are willing and able to share their opinions with others, all of which makes them more volatile and increasingly likely to switch brands.
But digitalization also presents huge opportunities, not least of which are the potential for more personalized and lasting relationships, as well as providing the means for offering extra products or services.

Interviewees across all sectors agreed on the range of benefits brought by multichannel marketing and on the fact that this is accelerated by the use of smartphones, which have become the first touchpoint for the majority of 16 to 70-year-olds. In fact, mobile technology is changing just how customers interact with companies.

Three main benefits of multichannel and mobile marketing were identified in our research.

Benefit 1
Propose new services, especially with apps, and push personalized offers.
For instance, a German multinational travel and tourism company uses mobile to help its customers connect to networks on its ships and, for example, conveniently book spa treatments.

Benefit 2
More frequent touchpoints, interactivity and engagement.
A German retail giant noticed that “for a reasonable development cost our app has had a very positive effect on customer engagement. We made use of a cool digital innovation to develop a new virtual fitting room and this is greatly appreciated by our customers.” Overall, multichannel customers prove to be more brand loyal and make a greater contribution to revenues, as several retail executives confirmed.

Benefit 3
Gaining valuable customer information.
For example, for a French retailer, data gained from geo location, special offers that have been clicked on, time spent on a video or the most recent websites visited provides valuable insights into the interests and preferences of customers. In turn, this means products or services can be adapted so that they are a better fit to customers’ needs.
Challenges on the way to digitalization

While these benefits are real, certain challenges stand in their way. These fall into three broad areas, namely the company brand, organization and people.

Brand challenges
When it comes to branding there must be consistency across all online and offline channels. Whether connecting with customers through a brochure or blog, a website or newsletter, the brand values and messaging must not vary.

A French insurance company has handled this by producing a common, formal framework based on its brand values to ensure that customers are treated in the same way regardless of how they connect with the company. At a telecommunications company in Germany, brand consistency is maintained as a result of the structure of its marketing department, where there is no separation of digital and traditional marketing activities.

Organizational challenges
Digitalization has changed customers’ expectation with regard to how they interact with brands and this in turn has created the need for organizational changes to deal with this. Putting these changes into effect, and making the investments needed to support them, are easier said than done.

“The theory of seamless relationships and responsiveness works well on paper,” said an IT executive in France, “but it’s still very difficult in practice!” In his company, databases are still kept in separate silos and have yet to be linked. This led to the amusing yet embarrassing example of the same customer being sent three birthday wishes on the same day.

Then there is the challenge of responsiveness to customers’ needs. “To date externalization (using a third-party agency) is limited to very basic interactions,” said a French automotive executive, “but how do we deal with the demands of 24/7 CR? This cannot be solved with internal teams.”

People challenges
While using digital technology is second nature to employees who are digital natives, or those who have grown up using it, the digital migrants among company staff need to be supported and reassured about its use. Failure to do so could lead to worsening CR in an environment where customers are more demanding and informed.
"With easy online comparisons, blogs and customization tools, customers are better informed than the staff. It’s a huge change for teams, even a revolution for the oldest ones,” commented a manager from the automotive sector.

There is also a danger in seeing digitalization as a cure-all. “It makes internal and client collaboration easier through new tools,” said an executive from the automotive sector, “but it doesn’t necessarily lead to a better customer relationship. It’s just the tool!”

While these challenges are common to all sectors, there are also some industry-specific issues.

**Industry-specific issues**

**In retail**, for example, a pressing issue is how to integrate digital and physical networks to make it a win-win scenario. In other words, one cannot succeed at the expense of the other.

The main concern for retailers is to ensure that customers come back to the stores through ‘click and collect’ services and to provide online services to make shopping in the stores easier (for example, checking online which local stores have items in stock).

One retailer we interviewed made the strategic choice to always link the revenue generated online to a physical store. In this way, according to the executive, “Salespeople do not see the website as a threat or competition but as an additional advisor for their section.”

**In travel and hospitality**, executives are concerned about how to deal with a multiplicity of touchpoints before, during, and after traveling that enable people to check comments from others, or book flights and hotels, for instance, from a variety of different sites. Another concern is that customer journeys are now much more complex.

According to one travel executive, companies in this sector have to rethink how they operate because the way customers were previously segmented no longer works. There are “stores-only” customers, “paper lovers” and “fully online” customers so there has to be a review of the purpose of each channel. For example, stores deliver face-to-face service based on emotion versus digital channels that are focused on transaction transparency and efficiency.

**In the financial services** sector, interviewees acknowledged that they were often still struggling with fundamental processes affected by digitalization such as HR and IT. While customer advisors have to adopt new tools “branches still work as they did in the past… there has been no true digital evolution,” according to an Italian insurance executive.
Face-to-face interactions that live and breathe brand values

It was made abundantly clear from the interviews we conducted that one-to-one interactions are still, and will remain, essential. This is especially true when high-value purchases are at stake, such as buying a car or in real estate.

CR practitioners are convinced that customers still value personal and individual contact and this is likely to increase as the world becomes even more digitalized. So there is a growing need to identify the most appropriate solution for each interaction and find the right balance between what is relevant from both a customer standpoint and business performance. Basic interactions can be handled with interactive voice server or FAQs, for instance, while others require an advisor or at least the option of human support.

Digital must support human interaction, not replace it. As counterintuitive as it may seem, digital technology can actually make relationships more personalized by making them more informed. "With more customer data available," said an Italian insurance executive, "our agency network is in a better position to interact with customers."

In the automotive sector, cutting-edge digital technology is being used to improve customer service levels and elevate the in-store experience of the brand and the products. For example, staff can be equipped with tablets for on-the-spot customization of services, display virtual showrooms with a broader range of cars or show 3D-presentations. This is also a growing trend in the luxury retail sector. Thanks to mobile applications, sales associates can directly access all historical data about their best clients’ purchases and preferences and adapt accordingly.

Digital also helps to prolong relationships between the supplier and the customer. As one interviewee from the real estate sector put it, "Digital has opened the door to an extended relationship, beyond the transaction, which is very important when you have a low purchase frequency."

And finally, even when direct customer contact is not possible, digital technology provides a next-best compromise. "With videoconference, we will be able to interact with senior customers who cannot go to a branch," noted a French financial services manager.
The Social Media question

Social media is given different priorities by different companies. Overall, only 33% of our interviewees said it was a high-priority issue but looking at it by sector, it is given greater significance by travel and hospitality, FMCG, and media companies. It is less important for those in the B2B sector.

Sentiments over its use are mixed. While for some it is currently a marginal issue, they still clearly see its potential for acquiring and retaining new customers, especially in the travel sector. Others are using it without any actual aim and are simply driven by customer expectations to have a social media presence. As one retail executive said, “There’s not much engagement with our customers. We do it more to just be there as well.”

Overall, the sentiment is that you cannot ignore it because it will not ignore you! So it is an important area, but companies need to define what they expect from it and from that, create and put into action a clear strategy. Surprisingly, most of the companies we spoke to do not have a fully functioning social media strategy but are still struggling to manage their reputation.

Three main challenges linked to social media.

Controlling versus letting go
In other words, accept that while some things can be controlled, others cannot. “We voluntarily don’t have a web moderator,” said one retail executive. “Consumers are free to give their opinions on our brand and products. What’s key is to be credible.”

Defining consistent rules
Make it clear how customer contacts via social media should be handled. “In our company, social media falls between communication and CR,” said one interviewee. “We struggled with it for years until we decided to define a systematic answering process with clear roles and responsibilities depending on the scope or type of requests.”

Defining your territory
More and more companies are realizing that it is simply not feasible to have a presence on all major social networking platforms. This has led them to prioritize the places where a presence would be most beneficial.
The main challenge is to find the right balance between customers’ desires for autonomy and their need for human guidance, and then develop the internal capabilities to provide both.

**Develop additional skills/new jobs.**
Develop multi-skilled CR representatives who can equally serve customers on the phone, via chat, through social media or email. As a hospitality executive put it, “It requires new written and verbal communication skills but it actually adds much value to their job to be able to handle customers across all channels.”

**Create new positions or roles specifically related to CR and digitalization.**
An increasingly important position is that of community manager, but as one French retail executive stated, “One needs to be really careful about their profiles and skills. Interacting with an individual customer is something specific, and being a young geek isn’t a suitable qualification.”

The data miner is another example, but this “no longer only requires technical database skills, but also complex customer analytics skills and the ability to convert data into actionable insights,” said another French retail executive.

Last, there is the in-store product specialist whose role is not to sell but to support customers by providing in-depth knowledge. Having no sales targets to achieve, his sole goal is to enhance relationships with customers. For instance, more than 40 “Product Geniuses” are now present at French car dealerships of a major automotive OEM, with an ambition of deploying 150 in 2014.

**Encourage a digital mindset among employees.**
A “bring your own device” scheme at a German telecommunication company, “encourages employees to use social media for work and strengthens the brand in the eyes of younger people,” said one of their executives.
Think differently about candidate profiles when recruiting new staff. This is especially true in the retail sector. As several interviewees from this sector stated, "We look for personality rather than experience or technical skills."

Training, training, training.
Educate sales staff about the brand and what it represents. "We realized that our advisors barely know the brand values," noted a retail executive. "So the first step to transforming CR has been to make them understand and use these values, to be able to embody them proudly."

Rebalance training programs between technical and product knowledge and soft skills.
Aim for a more customer-centric mindset among sales teams. For instance, one interviewee from a French retail company mentioned that half of their training time has been dedicated to developing soft skills. "It can be as simple as saying ‘See you soon’ rather than ‘Goodbye’," said the interviewee.

Re-work the selling approach around simple, easy-to-understand frameworks.
To support this, give staff a practical toolbox that they can use in their daily work and for ongoing training. As an example, an airline conducted widespread training programs on its “Signatures of Service” that focused on “5 key attitudes” to embody the signature of the brand towards customers (e.g. personalization, valuing, attentiveness, eye for detail, daring). Likewise, at an automotive manufacturer, 4,500 employees in the company’s retail network, including front-line and back-end staff, were trained and coached within a year on the “basics and rituals” of CR.
Customer knowledge versus customer fatigue
Customer relationship management (CRM) and customer analytics tools have been around for about 15 years and are viewed as a necessary part of a successful CR strategy. It is therefore no surprise that the majority of companies we interviewed use CRM systems which have evolved over the years so that they now have some very sophisticated features to listen to customers or track their behaviors.

For instance, one company from the retail sector uses a tool that gives a semantic analysis of all conversations irrespective of the medium used (phone, email, mail, surveys, social media) to better understand their customers’ needs. Similarly, web-tracking systems give valuable information about customers’ online habits that enables companies to fine-tune their online presence.

Not surprisingly, most interviewees are convinced that the future will bring even better tools and new ways to collect quantitative and qualitative information. Big data will become more and more important. In particular, connected objects represent a tremendous opportunity, as long as it is known how to structure and leverage all the data collected.

But despite this, some interviewees claim it is still very difficult to really get to know their customers, especially on an individual basis. “We have lots of sources of information but it’s very difficult to get a complete understanding of a customer and his loyalty, history, family – about 60% of the customer data is missing,” said a French automotive interviewee.

Having the tools and processes is not enough. Then there is the issue of creating a culture of sharing information where previously it has been fiercely protected. “One problem is that sales people have traditionally been very protective of their work which makes it difficult to share information. That needs to change,” said a manager from a
Swedish manufacturer. Many of the companies we interviewed have implemented incentives to get and share more customer data.

Knowing what to do with customer data is also proving to be problematic. It seems that getting large amounts of data is not an issue but analyzing and using it is. As one German travel executive said: “We have an incredible amount of data through our loyalty program, but we don’t really use it as much as we could.”

Customer fatigue

KEY FIGURES

37%

The percentage of interviewees for whom customer fatigue is an increasingly important concern.

- Although there are no real gaps between how B2B and B2C companies view customer fatigue, there are differing viewpoints between companies and the industries they operate in.
- More than 50% of FMCG and financial services companies share this concern, whereas automotive and travel and hospitality executives did not consider it to be an issue.

The risk of customer fatigue is real and greater than ever before. Because there are so many touchpoints through which companies can reach them, customers are simply bombarded with messages that vie for their attention. According to one interviewee, “There are too many messages in consumers’ heads, so you really have to re-invent yourself regularly to stand out from the crowd.”

Fatigue is real, with new customers who often have an ‘I have this already’ attitude.

(Telecommunications executive)
An example of fatigue that we identified through the survey was that while companies need customer feedback, customers might be fed up with answering satisfaction surveys. This is a dilemma that is tricky to overcome, but some companies have started to review their processes. As one interviewee in the automotive sector stated, "We now have shorter satisfaction surveys at the most relevant moments of the customer journey, and we try to carry them out by phone as we want to develop a personal, one-to-one relationship."

The risk of fatigue is perceived as bigger in the high-value customer segment. These customers are solicited not only by several brands within an industry (for example, hospitality) but also by other high-end brands from different industries (for example, travel and automotive).

Another major issue we identified is the diminishing interest in loyalty programs. One reason for this is that customers do not want "fake generosity but clear value-added."

But it is not all bad news! There are still some successful loyalty programs offered by a number of airlines and retailers, especially those that play on status, such as different levels of membership, and non-financial benefits, such as participating in brand events. These events give loyal customers a fuller brand experience and make them feel privileged.

And just as some loyalty programs are effective at offsetting fatigue so is having a strong brand that creates an emotional bond with customers. An executive from the automotive sector noted that their customers really want to have such an attachment to the brand and therefore do not worry about data collection. "There is no more of this 'Big Brother' fear of the brand knowing a lot about them," commented the interviewee.

Another interviewee offered a similar view, saying, "We have a low unsubscribe rate, probably because the brand is strong and has a high 'sympathy credit'. Nevertheless, we are very careful to avoid fatigue."

Co-creation: the future of CR?

While co-creation, the direct involvement of customers and partners in the product creation and innovation process, is currently not a major concern in most companies, it is rising to prominence. Overall, about 20% of our interviewees say it is something they actively think about as a way their company can broaden its offerings and customer base. This varies from industry to industry, with about 65% in manufacturing, 40% in retail and roughly 33% in the automotive sector claiming to harness co-creation as a way to strengthen relationships with their customers. In contrast, very few companies in financial services, travel and hospitality use co-creation. Interestingly, it seems to be more common in the B2B sector than in B2C, with 35% compared to 15% respectively.
Some very prominent companies have been successfully cooperating for years and as a result have developed a broader, and more loyal, customer base.

Developing partnerships with famous users, and having them join clinical trials, is a way to strengthen the brand image and secure a larger customer base, thus creating loyalty.”

(Health sector)

While some of our B2C interviewees see co-creation as only a very remote possibility, the majority see it as less about creating big, disruptive innovations and more about developing lots of small, valuable ideas as a way to engage customers.

For example, a car company has launched a community website allowing fans to exchange ideas about the products and the brand. “Co-creation has very limited scope for the moment,” said an executive from the company. “We use it as a way to animate the community of brand fans rather than a way to develop new products or services,” he added.

A few interviewees are personally more excited by the possibilities of co-creation, with a retail executive suggesting that in the future “we will build our stores not for our clients but with our clients.” A more likely option is the co-creation process with third parties. For instance, a DIY retailer regularly meets with other industry stakeholders such as builders and architects to develop deeper customer knowledge. Armed with these collective insights, together they aim to anticipate what products and services they will offer in the future.
KEY TAKEAWAYS & BEST PRACTICES

There are two main challenges. The first is to implement a “voice of customer” culture, where feedback is valued and seen as a way to improve CR. The second is to manage interactions properly, without being too intrusive.

Create a customer relationship committee.
Institutionalize CR through regular meetings, where CR topics can be discussed at management level. “Having this type of committee in each country,” said a retail executive, “has contributed to raising top management’s awareness of CR and has helped the company to define concrete action plans and regularly share best practices.”

Encourage employees to get closer to clients and listen to them.
Sales and marketing employees of a French retailer regularly meet their clients directly in their houses to get an understanding of “what really matters at each step of their life…when moving into their first house, when having their first kid, when retiring. This helps guide the right touchpoints, and levels of interaction.” In addition, head office closes twice a year and all office staff spend a day in the stores.

Carefully select who you want to talk to, who should talk to them and how.
Aim to handle customers individually, rather than using one-size-fits-all standardized answers. And make your replies timely – delays cost customers.

Measure, measure and measure again!
Identify what needs to be improved and then create suitable KPIs that can be realistically measured. Without proper KPIs in place, continuous improvement is impossible.

Optimize your campaigns.
Do not focus on content only. It is important to target campaigns properly by looking at what key messages should be delivered to each specific target group and via what medium. “By optimizing the frequency of our campaigns, the media used and content, we’re preventing fatigue. Customer satisfaction increases because they’re getting personalized, relevant contact,” said a retail manager.
Standardization versus customization of CR in increasingly global markets
Brands are global, customers are not

There are two contradictory trends, divided along industrial sectors. 

The first trend points to a need for more localization where customers are demanding local products and brands are adapting what they offer to suit the needs of local communities or markets. Examples include China, Brazil and African countries.

On the flip side, there is a trend for more globalization, where irrespective of geographical location, brands offer the same highly recognized products. This naturally involves a degree of standardized behavior among customers, especially the generation Y digital natives.

Two examples concisely illustrate the challenges in the global-local debate and why it is important to carefully consider local cultural factors.

To portray the style and quality associated with France, a French airline uses what it refers to as the “French touch” as an integral part of its brand DNA. But half of the airline’s passengers are not French and each different nationality has its own specific cultural needs. To develop a strong customer-focused culture, the airline’s crews are
trained to manage cultural differences so they can treat their passengers on a one-to-one basis. In addition, local call centers handle local customers’ enquiries.

The second example illustrates the importance of considering cultural differences when doing business in different countries. A German automotive supplier explained the very real differences between doing business in Japan and China. Japanese companies need longer lead times, they are more mature businesses and prefer to make greater up-front investments. They aim to get the product right first time, without the need for later reworking. Chinese companies, by contrast, will compromise product quality for the sake of being very fast to market. These differences are slowly disappearing as a greater number of managers are being educated in global schools and universities, but it is a very slow process.

Global standards but with local flavor

One of the questions we explored in this study was whether there are differences in CR from country to country but we found there is not. In fact, there was general agreement among our interviewees that CR standards have to be defined at global brand level. “Standards are the same, whatever the country served,” commented one German retail executive. They also agreed that the generalized use of CRM systems has contributed to standardization in the way they work globally and therefore how they interact with customers.

Despite these conditions, each company finds its own way to manage the tension between global brand standards and the cultural differences inherent in their international markets. As a French retail executive put it, “Our CR philosophy remains the same everywhere: trust the customer, and be generous when dealing with their requests.”

But some companies fly in the face of convention and instead choose to go the local route. In the opinion of a manager from the German automotive sector, “There are no standards. The local people in charge are totally free to do what they think is best.”

Local organizations always have the responsibilities, but there is global cooperation and knowledge exchange. (Telecommunications executive)
A relatively small number of our interviewees (10%) said they are moving towards more regionalized operations. A German telecommunications company, for example, now has regional sales operations with independent management teams. This gives them the flexibility to visit clients at short notice.

Similarly, a French airline has shifted towards regional call centers where local operators are better able to deal with enquiries from local customers.

Dealing with diversity

With expanding markets, into new regions as well as new customer segments, there is a challenge of working with a more diverse mix of customers. Nearly 25% of the companies we interviewed have to deal with new customers. For them, the challenge is to reinvent CR, because the codes of conduct they previously used are no longer relevant.

While they obviously welcome the new business, high-end brands are faced with the challenge of how to serve their newly affluent BRIC customers, who now represent a significant part of each business. Intensive cross-cultural training, as well as hiring local employees, are two approaches used by different companies.

Extending the brand can pose yet different diversity challenges as the company has to focus on new types of customers. For instance, a major car manufacturer created a separate salesforce in its dealerships for its second brand as this is aimed at younger customers with higher CR expectations compared to the company’s older, more traditional clients.

Diversity is created when moving from one generation to the next. Regardless of the type of business, attracting young people to refresh the customer base is a universal aim. This naturally requires companies to understand what makes the younger generation tick. In some cases, dedicated cross-functional and cross-cultural task forces have been set up to do just this.
The main challenge is to build a global framework not only from the top-down but also from the bottom-up. The aim is to find the right balance between the non-negotiable parts of CR and what should be left to local initiative. This is all the more important in sectors where consumer habits are profoundly local, such as in the construction sector.

Define centrally a common framework of values and attitudes with toolkits that every local organization can work with. Trial the framework in different countries and adapt it to different functions so individuals can use it. For example, several companies interviewed in the travel and automotive sectors have defined very simple models based on key moments or attitudes to encapsulate the relationship between the brand and its clients. These models are usually designed centrally, involving several country representatives. They serve as guidelines and then it is up to local actors to adapt them to their specific cultural needs. Within a defined framework, this empowers employees to use their initiative to the benefit of customers. The framework should be piloted and tested in pre-selected markets before it is rolled out worldwide.

Provide common CR tools to ensure consistency. This is particularly important for retailers with a network of franchisees. Several retailers and car manufacturers interviewed use standardized web pages that franchisees can customize to match local tastes, or standardized Facebook pages and guidelines on the do’s and don’ts.
Fixing the fundamentals
There are six major CR-related obstacles that businesses have to tackle, and these will only be overcome through significant organizational and cultural changes.

**Clarify the CR function itself:**
its role, organization and reporting line

We were frequently asked by our interviewees to clarify what is meant by “customer relationship.” This question alone demonstrates just how unclear its definition and scope are. From company to company, there is no agreement on what it involves, where it starts and where it ends.

CR sometimes exists as a function within sales or marketing but in many of the companies we interviewed the function was scattered across different departments. This was illustrated by a retail executive from France who said that CR is not a “visible” function and that there had been “several changes in my reporting lines in just a few years.”

**Improve the internal perception of CR**

While there is no magic formula that will solve this, there is a growing trend to have a dedicated CR department with a transverse role, often reporting directly to the CEO.

What is clear is that repositioning the function is a pre-requisite to increasing its appeal and effectiveness. Customer service was typically seen as “the call-center handling complaints” which meant that talented employees stayed well clear. Although progress has been made, the reality is that CR is too often neglected and not valued by top management. This is neatly captured by one interviewee who said, “The CEO didn’t visit a call-center in seven years.”

A further issue revealed from our study is that empowering employees, a vital element of effective CR, is difficult when turnover rates are high and salaries low. There are, however, examples of recent initiatives aimed at reversing this problem. A French car manufacturer has a customer service department and makes working there a mandatory step for some new employees. Retaining people is vital when the aim is to build lasting interpersonal relationships with customers.

**Break the silos**

Businesses need to adapt and remove the distinctions between digital and physical, before and after sales, as well as among the different departments involved (for example marketing, sales, customer service and IT) or at least make them work in closer cooperation. “You cannot think channel by channel anymore because customers are not acting that way,” noted one insightful interviewee. Over the longer term, breaking the silos is a vital step to increasing the agility of the organization and its ability to quickly integrate new trends and customer behaviors. It will also be necessary to adapt new tools and continuously improve capabilities and competencies.
Rethink performance measurement and indicators
Clearer, more defined and appropriate KPIs will give a better indication of how CR is doing. A French retailer follows the number of customers who make negative feedback and then calls them to try and win them back. If successful, this is translated into turnover “recovered.” They also monitor the total amount of customer feedback with the view that the more feedback they get, the better it is.

“Feedback is a great chance to improve ourselves and a sign of our customers’ loyalty,” said a retail executive. “If they didn’t care, they wouldn’t take time to write,” he added. Similarly, in the retail and automotive sectors, several companies have already adapted their mystery shopping approaches by adding a more qualitative dimension.

Instill a new management culture
“It’s not in our culture,” was a comment we heard from many of the interviewees. But there are ways to transform corporate culture so that it is has a stronger CR focus. Senior management should be role models and visibly demonstrate awareness of, and commitment to, CR. For example, the management team of one retail company replaces the in-store team for one week each year.

Changes to internal culture can also take place when certain key values and attitudes such as trust, responsibility, accountability and initiative are encouraged by senior management. A cultural change program can be used to establish new core values.

“Less control and more delegation or letting go,” was how one insurance executive put it. “The culture can be changed by fostering initiative rather than execution,” he added. Another interviewee in the travel industry told us: “We want to empower every actor of CR to dare, give them more leeway to adapt to the benefit of customers.”

Identifying CR heroes and building pride among employees are culture changing initiatives that have been used by a number of the companies we spoke to. Communicating the link between an employee satisfaction index, a customer satisfaction index and company profits is a common practice used to underline the importance of CR.

Take a long-term view of CR investments – they will pay off
Despite the potential growth they could generate, long-term CR investments are often sidelined in favor of short-term savings. One interviewee from a cosmetics company gave us an fairly typical example. Despite being the peak season for cosmetics, the logistics department decided to close a warehouse during the Christmas period to avoid paying overtime.
Customer Relationship in 2020
It is clear that CR will become increasingly important, for many of the reasons already stated. With this in mind, we asked interviewees how they foresee CR in 2020. Five key expressions stand out and it is the ideas behind these that will shape the development of CR in the coming years.

**Direct value driver**

CR should be a profit center, possibly the first.

“The best customer relationship will be the one where getting a new customer will cost nothing but generates new customers and sales.”

(Real estate executive)

**Ambassador**

Customers should become the biggest ambassadors of the brand and the first CR representatives.

“Customers will become a community that connects and networks with each other and enables contacts. With this, customers are becoming the brand ambassadors.”

(Services executive)

**Technical and caring**

People who have CR roles should have the technical skills to manage the speed of technological changes while having the soft skills to handle the human and emotional effects of this.

“The true challenge will be to continuously raise the bar and absorb all technological evolutions while continuing to show true empathy and bring emotion and passion.”

(FMCG executive)

**Personalized**

Treat each customer as the individual he or she is.

“We should be aiming to address the needs of each customer individually and go far beyond customer segmentation.”

(FMCG executive)

**Trust, transparency and choice**

Respect the fundamentals of trust and sincerity, and do not force your customers into a tight relationship.

“Be genuine with customers, do not impose your ‘choice’ upon them. In other words, leave it to them.”

(Retail executive)
Methodology

The study was carried out using extensive qualitative interviews about current trends and perceived challenges in managing customer relationships and transforming the organization towards becoming fully customer centric.

We interviewed 50 CR practitioners, each of whom is directly involved in CR, between April and October 2013. Originating in five different countries (Austria, France, Germany, Italy and Sweden) and operating in a dozen sectors, the executives shared their viewpoints on, and experiences of, this important topic. We also included important insights we have gained from our regular project work.

NUMBER OF INTERVIEWS BY INDUSTRY

POSITIVE/FUNCTION OF INTERVIEWEES
Acknowledgments

We are very grateful to the following companies for participating in our survey:

• AB SKF
• Air France
• Akio
• AVL List GmbH
• BMW France
• Bradycorp
• BT Germany
• Citroën
• Club Med
• Collector
• Deutsche Lufthansa AG
• Esprit
• Hussel
• Jetshop
• Kempinski AG
• Länsförsäkringar
• Leroy Merlin
• MAAF
• Monoprix
• Nexity
• PMU
• Renault
• SAS
• SFR Business Team
• Siemens AG
• Skanska
• SPP
• Stadium
• Trygghansa
• TUI Cruises GmbH
• VivaSanté
• Volvo Group Trucks
• Xerox
• Various companies from Automotive, FMCG, Healthcare, Insurance, Luxury, Media, and Retail.

We also want to thank all other companies and The Transformation Alliance contacts that contributed to this study.
About the authors

Christine Durroux
Senior Partner at Kea & Partners.
Christine has over 16 years of international experience in consulting, with a focus on strategy, marketing, transformation and customer relationship development. She works for global companies in different industries such as retail, construction, luxury goods, services and tourism.

Jeremias Koch
Consultant at h&z.
Jeremias is member of the Service Practice at h&z and has strong experience in business excellence, growth and market entry strategies, and innovation. He works with various international clients in the automotive, manufacturing, consumer goods and fashion industries.

Giovanni Meroni
Partner at MBS Consulting.
Giovanni joined MBS in 2000 after completing a masters degree in business economics. He has performed several projects in the media and energy sector. More recently, he has gained strong experience in financial services after being in charge of several projects for the most important Italian insurance companies.

Maria Nilsson
Management consultant at Preera.
Maria has a focus on organizational and business development. She has experience in strategy and business development with focus on operations marketing, sales and project management as well as research assignments regarding innovation. She is certified in Cultural Transformation Tool (CTT).

Miriam-Carena Schmitt
Senior Expert at h&z.
Miriam supports companies in transformation and change management. She develops customized programs related to service excellence, customer orientation and quality improvement. Before joining h&z she was responsible for sales and business development at global players in the telecommunications industry.

Lou Zalmanski
Manager at Kea & Partners.
Lou has a focus on strategy and growth issues, including marketing and customer relationship. She has experience in diverse industries including retail, luxury, transportation and financial services.
The Transformation Alliance

h&z Unternehmensberatung AG
Neuturmstrasse 5
80331 Munich – Germany
Tel.: +49 (0) 89 242969-0
www.huz.de
info@huz.de

Preera
Lilla Torget 5
411 18 Gothenburg – Sweden
Tel.: +46 (0) 31 7509000
Kornhamnstorg 61
111 27 Stockholm – Sweden
Tel.: +46 (0) 8 41074000
www.preera.se
info@preera.se

MBS Consulting S. p. A.
Piazza Erculea 11
20122 Milano – Italy
Tel.: +39 02 89096061
Via del Corso 52
00186 Roma – Italy
Tel.: +39 06 32652707
www.mbsconsulting.it
info@mbsconsulting.it

Casablanca • Dubai • Dusseldorf • Gothenburg • Hamburg • Milan • Munich • Paris • Rome • Sao Paolo • Stockholm • Vienna • Zurich