The journey towards customer-centricity in Danish companies

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If you only read one thing...

> *"There are many advantages to a customer-centric approach, but here's the big one: customers are always beautifully, wonderfully dissatisfied, even when they report being happy and business is great. Even when they don't yet know it, customers want something better, and your desire to delight customers will drive you to invent on their behalf."*
>
> - Jeff Bezos in letter to Amazon shareholders

"The customer is always right" has been a business mantra for well over a century, but the term is perhaps loosing its adequacy in framing the importance of the customer. Along with the rise of the digital arena, the voice and opinion of the customer has become evermore important and has led to a new paradigm of "customer-centricity". From this perspective, an obsession with *understanding* and *connecting with* the customer is the main driver of not only where the C-suite should take the business next, but also the overall strategic direction of the company and the culture within it.

Customer-centric companies start with the customer and work backwards from there. They know that in order to survive and thrive the business must be built around their customers, with an ability to continuously respond and adapt to ever-changing needs. Above all, three main attributes stand out in these companies:

- They think 'outside in', look at everything they do from the customer's perspective and understand the economic implications.
- They use their insights to satisfy customer wants in order to create engaging experiences throughout the customer lifecycle.
- They ensure that the entire organization—front, middle and back—is aligned to deliver on its brand promise and customer expectations.

With this report, KPMG Denmark has taken a look at the state of customer-centricity in Danish companies. One piece of good news is that, in general, companies understand that customer-centricity is imperative and that, in many cases, they are beginning to create a mission around this agenda.

At the same time it is also clear—perhaps not unsurprisingly—that many companies struggle to find a viable path for delivering on their ambitions for customer-centricity. Specifically, key findings show that:

- Many companies find value in improving data governance and better anchoring ownership and accountability for data throughout the business units. This exercise is difficult, but critical for success.
- In general, companies benefit from elevating digital strategic thinking and aligning it better with corporate strategy so that digital initiatives becomes a lever for the business.
- Companies understand that real customer-centricity is becoming a crucial competitive parameter, but surprisingly few work systematically to generate a 360-degree view of their customers. The fallout is blind spots on the road ahead, which should be recognized by the C-suite as a risk.

We wish everyone a good read.

Kind regards,

Asger Christensen
Director, KPMG Advisory

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Theme 1:

A healthy data culture is at the center of customer-centricity

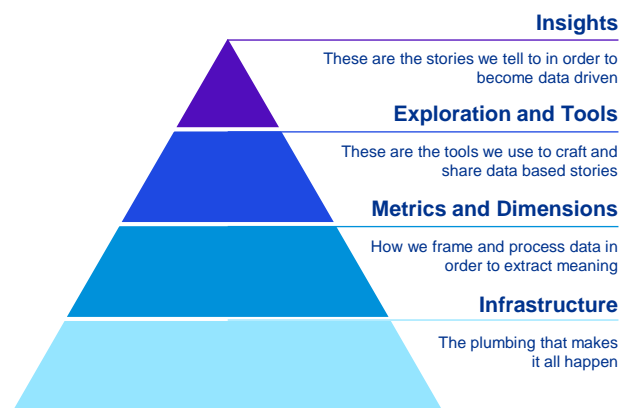## Moving focus from Big Data to Good Data

Going from data to insights is a general challenge. Most companies would acknowledge that they generate more customer data today than ever before. For the aspiring customer-centric company, however, the challenge lies in using that data to proactively serve the customer. This is typically done by designing data-intake to create positive experiences that are meaningful and valuable by & for customers.

Insights
These are the stories we tell to in order to become data driven

Exploration and Tools
These are the tools we use to craft and share data based stories

Metrics and Dimensions
How we frame and process data in order to extract meaning

Infrastructure
The plumbing that makes it all happen

The Data Stack: From data-intake to insights.

What our survey uncovered

Gaps between ambition and reality in the data arena. Interestingly, a large majority of companies acknowledge that they are not at the level of their ambition with regard to data quality and master data management.

Data governance is a maturity journey. The survey shows that many of the companies have a low maturity level in terms of data governance (i.e. processes, roles, polities, standards and metrics). Some awareness of this problem exists in the C-suite, but few companies have a clear plan for how to raise their maturity level.

72%

of the companies that participated in our international survey is preparing to invest significantly in key capabilities, advanced data, analytics, and insights in the next 12 months

Managing your data governance means managing those processes, roles, policies, standards, and metrics that ensure the effective and efficient use of information

Many companies would benefit from…

Exploring whether their data governance maturity-level is adequate. It would make sense for most of the surveyed companies to actively seek to understand their maturity level in terms of data governance and the opportunities that lie in reaching an adequate level—i.e. neither too high or too low.

Crafting a data culture across the business. Generally, businesses should actively strive to promote a culture of commitment to and ownership of data in all business units. Data is the most important building block in understanding the attributes of the customer, and should be made relevant in all parts of the company.

Theme 2:
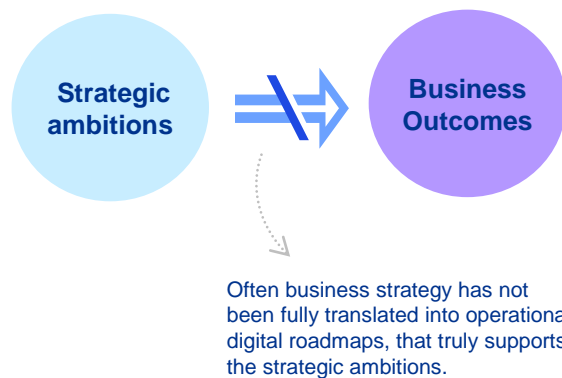# The role of digital strategy and roadmaps

Strategy for a digital era. Strategy plays a pivotal role in the development of the business, and the digital strategy is changing the big moves that enable companies to outperform their competitors.

What our survey uncovered

Digital is often integrated in the business strategy. Typically, more mature organizations have developed a specific digital strategy, but the large majority of companies have stopped short of this step and have merely included digital elements in their corporate or business strategy, e.g. through the formulation of must-win-battles in the digital area.

Implementation roadmaps as a driving force. While not all companies have embraced digital strategy *per se*, almost all companies have a roadmap outlining their near future initiatives. Interestingly, companies also say that roadmaps are not always derived from strategy, but rather from a need to deal with pressing issues.

A fragmented strategy landscape. A third of the surveyed companies say that they see fragmentation or incoherence in their articulated strategic landscape *vis-à-vis* the reality of daily operations.

Often business strategy has not been fully translated into operational digital roadmaps, that truly supports the strategic ambitions.

Only about half

of the companies that participated in our international survey believe they have a good handle on leveraging insights to inform their customer engagement strategy

Most companies would benefit from…

A greater strategic focus on digital. Becoming customer-centric rests on a digital foundation. Without a conscious digital direction the foundation for becoming truly customer-centric is weak. A strategic approach to IT innovation and bringing customer-centricity to the core of the organization will help improve business outcomes.
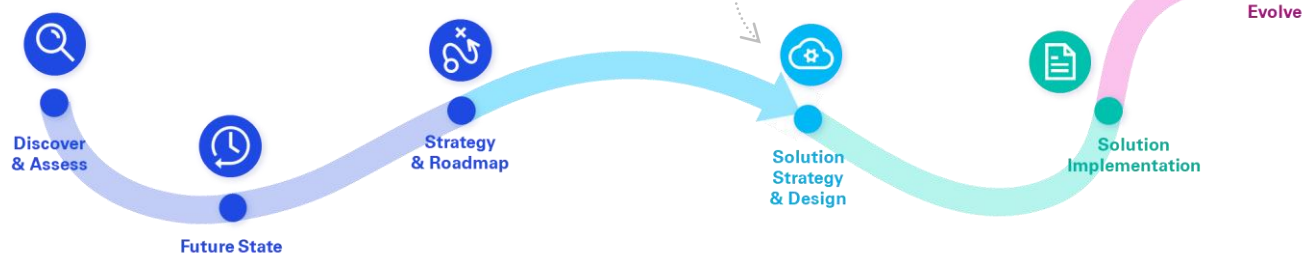
However, many companies appear to root important digital projects not in strategic considerations, but rather in a need to address immediate operational issues. This leaves behind an unfulfilled potential and will, in the longer term, result in companies struggling to meet their strategic ambitions and improve customer-centricity as well as competitiveness on a fast moving market. A

basic understanding of potential strategic gaps in terms of customer-centricity would benefit many respondents and constitute an important navigational asset for the C-suite.

Beginning to create a customer engagement strategy
A customer engagement strategy outlines how a company pursues connections with its customers and what experience the customer should have in dealing with the company—something companies should be conscious of.

Often digital projects starts here without a holistic strategic foundation for customer engagement to inform the individual solution strategy and design choices. This leads to suboptimization where end-to-end process efficiency and effectiveness as well as customer experience suffer.

Discover & Assess

Future State

Strategy & Roadmap

Solution Strategy & Design

Solution Implementation

Evolve

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Theme 3:
Mind the legacy gap

The build-up of legacy in the IT portfolio is almost inevitable.
Ensuring customer-centricity does not mean avoiding legacy altogether, but rather to clearly understand the implications so as to be able to invest proportionately and in a targeted manner in relevant IT.

A note of clarification: Whereas *technical debt* specifically refers to the total rework backlog accumulated by prioritizing workarounds over of new system solutions, *legacy issues,* in the context of this report, is denoted to mean technology, applications or data relating to a previous or outdated system.

What our survey uncovered

Approx. 50% percent of companies report legacy issues to be a challenge. Being customer-centric implies having agility and being able to respond to changing customer needs with little or no lag, but many companies report that outdated systems put breaks on their agility. Thus, the speed with which the business needs to evolve due to external pressures generated by shifting customer preferences outpaces the ability of the IT function to adopt the required digital underpinnings.

Companies feel the weight of keeping legacy systems running. Legacy systems are reported to result in expensive maintenance, data silos, weak security and compliance as well as limits on integration.
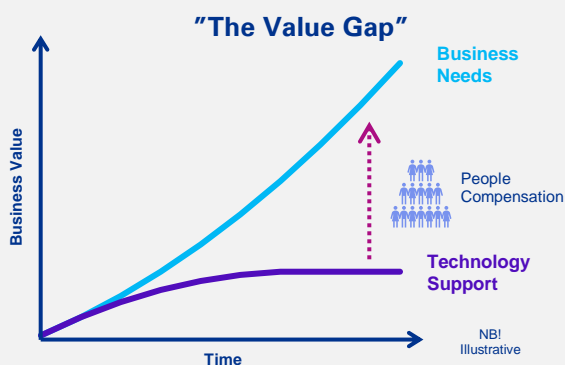
KPMG international survey data shows that

1 in 5

companies are concerned with legacy systems as impediments to success

Run — Innovate
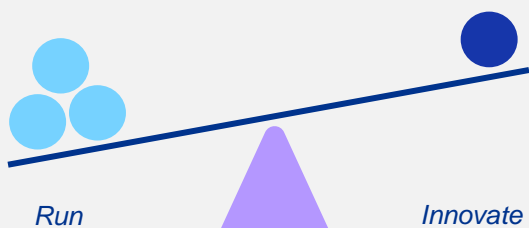
The strategic interest in IT innovation must be anchored at top management to avoid the traditional look on IT as a cost center, which otherwise consequencly will have a negativ impact on the competitiveness

"The Value Gap"

Business Value — Time

Business Needs

People Compensation

Technology Support

NB! Illustrative

Organisations must ensure continious investment in innovation. If not the value gap will increase.

Many companies would benefit from…

Understanding better whether they suffer from legacy-issues. Lack of comprehension of the company's legacy assets can lead to existential challenges when disruptive new competitors build their businesses purely on novel technologies and move fast. The litmus test of whether your company has become too bogged down by legacy assets involves determining if you are gaining agility or losing the ability to act in a swift and impactful manner.

Using their financial muscle to invest wisely in IT. Existing players in a given domain must understand their weaknesses and use their financial muscle to continuously invest in IT innovation so as to not risk becoming obsolete.

Theme 4:
Specific initiatives aimed at enhancing the customer experience

A customer-centric way of doing business is focused on providing a positive customer experience by focusing on what customers need and how they want to interact with your business.

Few companies have all elements in place to make them truly customer-centric, but designing key initiatives from the customer's perspective can enable organizations to meet customer's needs and provide a great experience.

What our survey uncovered

Designing new value propositions for the customer. Most organizations have great ambitions and desires when it comes to digitalizing their business and are looking to incorporate new technologies into their changing end-to-end customer journeys.

Initiatives aimed at customer-centricity most often mentioned by companies were:

- Display of data on demand for the customer
- Development of self-service portals
- Better data infrastructure as a prerequisite for new initiatives
- Better ecommerce
- Development of ecosystems

First things first: data foundation. More than half of surveyed companies reported to be in the process of creating a stronger data foundation. With the foundation in place, companies will greatly improve opportunities for producing customer-centric initiatives.

Most companies would benefit from

Few companies go above and beyond in terms of customer experience. Self-assessing their performance only about

30%

**of companies think they consistently or occasionally deliver beyond customers expectations.**

Democratizing customer data. Becoming customer-centric requires centralized access to customer data and insights. A solid data foundation and CRM database can help facilitate better understanding of customers – the golden 360 degree view of customers.

Investing strategically in digital capabilities. To meet new demands, companies need to make digital and technology investments across the business model. Well-chosen and strategically relevant new digital capabilities will be a key business differentiator.

Leading innovation through portfolio management. New digital offerings and capabilities are frequently developed as silo initiatives that lack focus and dilutes impact, resulting in incremental change at best. Instead, companies should steer development through portfolio management of as a part of one integrated roadmap.

Theme 5:
Customer-centricity as a priority within the organization
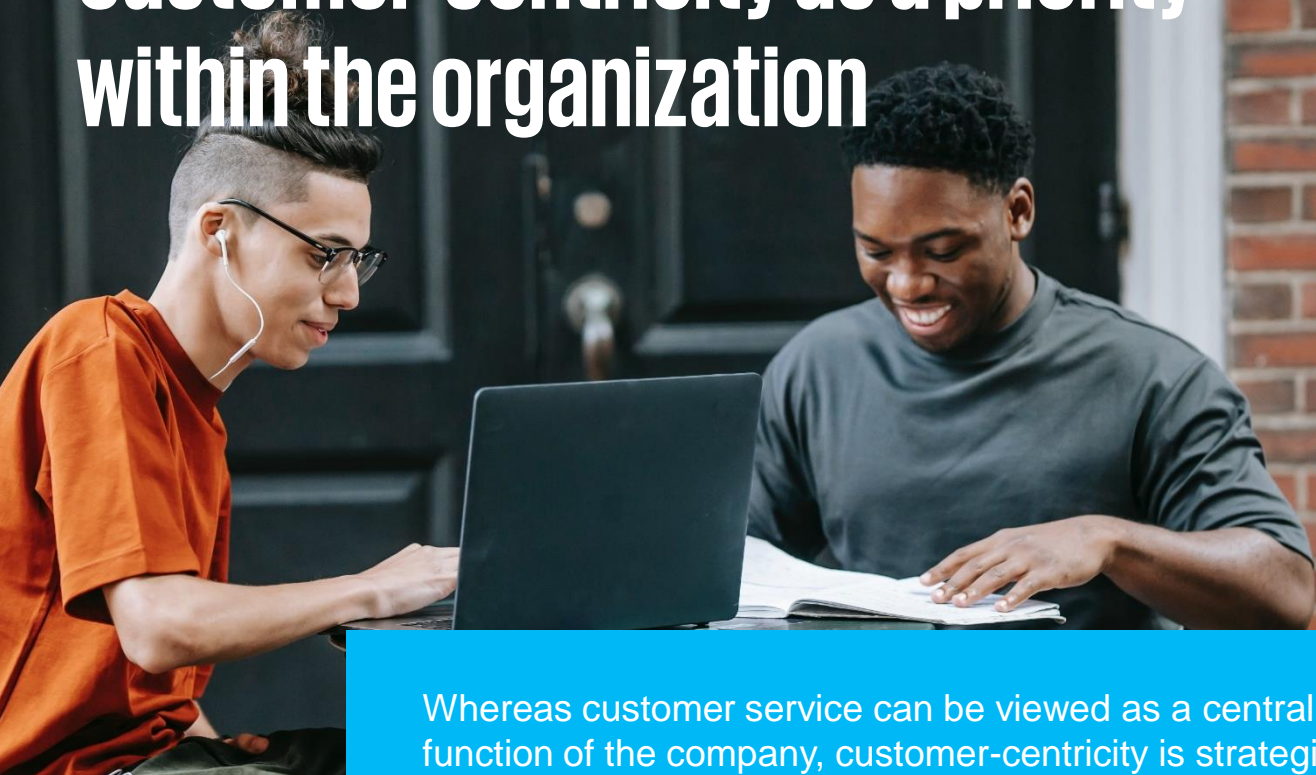
Whereas customer service can be viewed as a central function of the company, customer-centricity is strategic driver aiming to ensure sustainable relevance and growth of the company. Thus, while it has long been a mantra to "put the customer first", customer-centricity entails a shift in paradigm and the opening up of new opportunities for engagement between the customer and the company.

What our survey uncovered

Companies do have ambitions for their the customer-centricity agenda. Approx. 50 percent of companies report that a genuinely customer-centric business is either an express goal or a future state that the company less expressly is working towards.

Generally, aspirations and reality have yet to merge. For example, one large company known for its industry-leading products said its development and innovation division—though technically world class—routinely fails to invite the customer service department into the innovation process. Other companies report the same; often the voice of customer needs and wants is not wholly represented when companies innovate. A missed opportunity.

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7 out of 10

companies in our international survey are making customer-centricity a central part of their strategy.
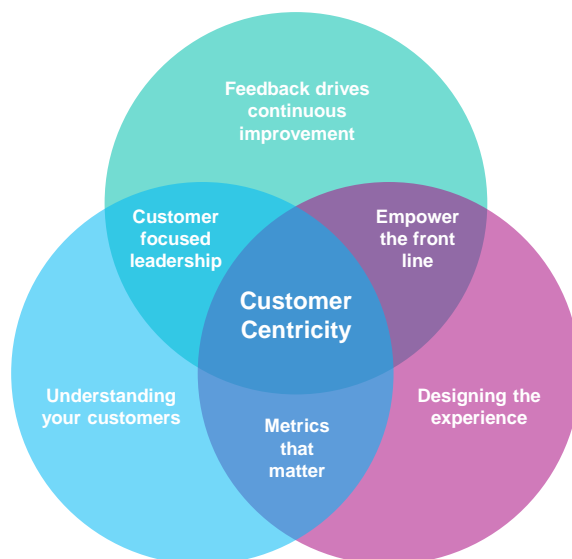
Many companies would benefit from…

Setting direction before taking action.
Many good initiatives exist across the surveyed companies, but very few have an explicit approach to their customer-centricity ambitions or a full view of where they are and where they want to go in terms of the customer-centricity agenda.
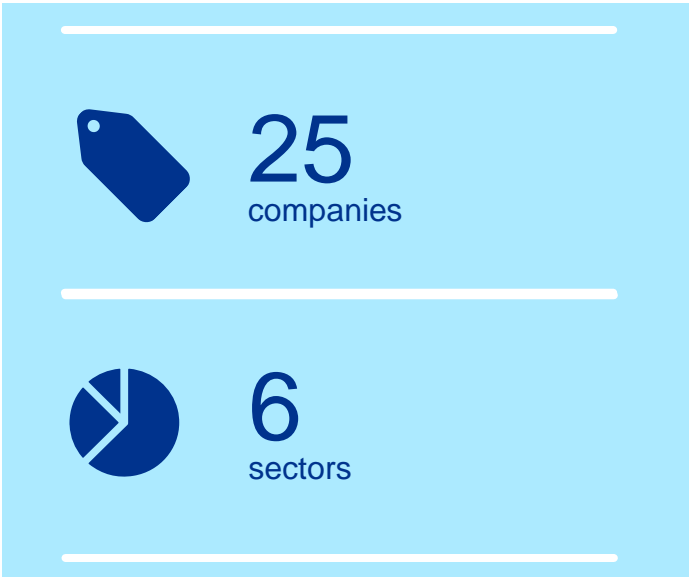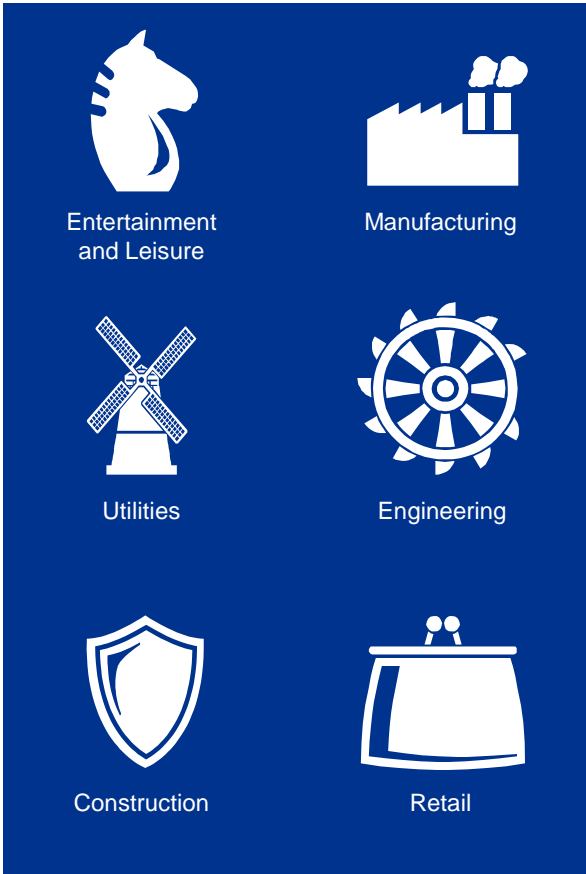
Working consciously to weave 'customer-centric' into the company culture. Many companies have a long way to go in terms of building a culture that embraces that "data is king" in customer-centricity, and to build mechanisms into their organizations that ensure distributed ownership of data in relevant business units instead of a centralized custodianship in the IT department.

Feedback drives continuous improvement

Customer focused leadership

Empower the front line

Customer Centricity

Understanding your customers

Designing the experience

Metrics that matter

Methodology

For the research behind this report KPMG interviewed CEOs, CFOs, CIOs and CMOs from 25 Danish companies across 6 key sectors:

Entertainment and Leisure

Manufacturing

Utilities

Engineering

Construction

Retail

25 companies

6 sectors

Company category	Staff headcount	Turnover
Micro	< 10	< € 2 m
Small	< 50	< € 10 m
Medium-sized	< 250	< € 50 m
Large	≥ 250	≥ € 50 m

Companies consisted of a mix in terms of size. The sample consisted mainly of medium- and large-sized companies, but also included small companies. No representative from micro-sized companies were interviewed as their size and typically smaller customer base allows for a more intimate customer-relationship based less on those capabilities that larger companies must have in order to remain customer-centric.

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We would love to keep the conversation going

Danish companies are ambitious about making customer-centricity a key driver for sustainable development and growth. KPMG's survey shows that the agenda is alive and well, and that many companies are off to a good start—but also that many would benefit from a boost in attention to their strategic approach to the customer-centricity agenda.

At KPMG we understand that developing the company around the customer plays a central role in building a robust business that is ready to take on the unpredictable challenges of the current environment.

This is a conversation that the KPMG Customer & Growth strategy team would love to connect with you on. We are always ready to visit you—or welcome you at our location in central Aarhus—for an informal exchange about customer-centricity and what it means for your business.

Contact us

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