



Tomorrow's experience, today

2018 KPMG New Zealand Customer
Experience Excellence Report



July 2018

kpmg.com/nz



Welcome...

Tomorrow's Experience, Today celebrates the global organisations that are harnessing a true customer-centric approach and adapting new capabilities to create customer experiences that lock in an advantage today and in the future.

This year's global study builds on the eight years of work from our global customer experience centre, which for the first time covers 14 countries (including New Zealand).

The leading global enterprises in our study, including New Zealand's Farmlands and Air New Zealand, demonstrate how the quality of customer experience maps to value – the top 50 brands studied deliver revenue growth that is 50% larger than the bottom 50% and EBITDA growth that is 202% greater.

These global organisations are responding to today's reality where new experiences, new competitors and new business models are continuously resetting customer expectations. They also lead the adoption of a host of new technologies such as artificial intelligence, machine learning, bots and predictive analytics, all which radically change the engagement and interaction experience with customers.

The leading global organisations such as Singapore Airlines, Alipay, Topdanmark, Taj Hotels Resorts and Palaces, Apple, Marriot, Lush, KLP and QVC combine mastery of the fundamentals of customer experience with the ability to command a first mover advantage by seamlessly integrating technology into customer experiences.

These organisations are capable of putting new customer experience into practice – leveraging deep knowledge and understanding of the customer to predict future experience needs and then making these experiences a reality today.

Our study provides insight into the DNA of leading practice Customer Experience Excellence across Six Pillars; Personalisation, Integrity, Expectations, Resolution, Time and Effort and Empathy. Critically, there is insight into how these organisations are creating customer-centric organisations and adapting organisational models for the future while having the ability to balance commercial outcomes and experience expectations.

This report gives an extremely rich slice of consumer insights so that New Zealand organisations can adapt to the changing customer experience landscape. It recognises and celebrates New Zealand's leading organisations such as Farmlands, Air New Zealand, Kiwi Bank, New World and ASB. Importantly, New Zealand organisations are demonstrating that we have the ability here to match the world's best. Technology and innovation are driving an increasingly connected global economy, which results in New Zealand organisations having to compete more than ever before with global, multi-national competitors. In order to stay relevant and prosper, New Zealand organisations must change and adapt to proactively meet customer expectations.

Our view is that excelling at customer experience, to build trust, loyalty and economic value, is a challenge New Zealand CEOs must embrace – it's too vital to success and moving too fast not to be treated in every CEO's top 3 areas of focus. This New Zealand report explores many top-line findings and introduces readers to the global study and eight years of research. However, there are many more insights to share and we welcome any conversations that help you to shape future customer experiences and make New Zealand prosper.

Simon Hunter
Partner, Advisory

KPMG New Zealand Customer team



Dylan Marsh
Customer Lead

Working across a number of sectors I help businesses design and deliver relevant customer experiences that drive engagement, and result in sustainable customer relationships.



Baxter McConnell
Customer Experience Lead

My focus lies at the intersection of business and psychology, helping clients to create economic value through customer-centric solutions. Internationally and in New Zealand, I have worked with global leading brands to gain insights into how customers feel, what they expect and what they want in the future to drive top and bottom line growth.



David Clay
Customer Profitability & Analytics Lead

Understanding customer behaviours and the commercial performance of products and channels is my focus. I specialise in understanding the customer experience, profitability and pricing to inform large scale transformation initiatives.



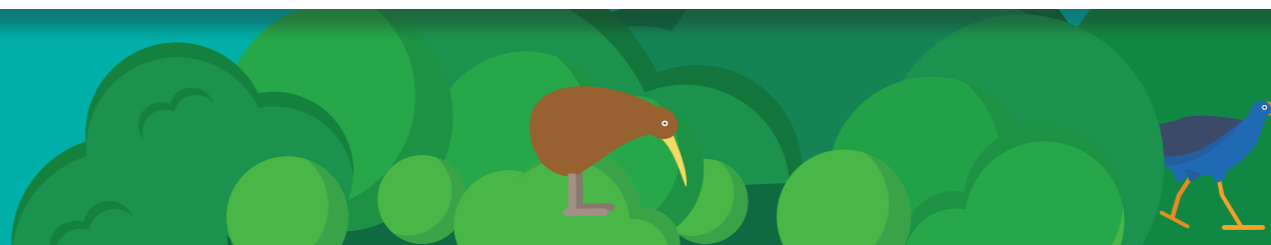
Rachel Hunt
Customer Profitability Strategist

With a background in institutional banking, I've developed insights on customer profitability in order to drive improvements and inform strategic transformation in this sector. I work with businesses to continually align to changing customer preferences, developing ways to maintain an edge.



Markus Poppe
Customer Experience Strategist

I work with clients to understand the KPMG Customer Experience Excellence methodology and apply it to their customer insight mechanisms. From this I develop insights for client's customer segments and products in order to increase profitability.



About this research

KPMG’s Customer Experience Excellence Centre is an international think tank, dedicated to turning global customer experience best practice into effective business results.

KPMG has drawn on its Customer Experience Excellence Centre methodology, supported by the centre’s eight years’ experience in the field, in its analysis of the customer market experience.

Research for this survey was carried out in December 2017 via an online research survey sent to a nationally representative customer sample. To be able to answer questions about a brand, respondents were required to have interacted with that brand within the previous six months. 2504 consumers commented on 124 Kiwi brands.

At least 100 respondents per brand were required for that brand to be included in the final research results. 62 brands made the cut, and KPMG New Zealand also conducted primary research on selected companies from each of the sectors during the first months of 2018, to gather further customer experience insights.



Financial services



Grocery retail



Non-grocery retail



Restaurants and fast food



Logistics



Utilities



Telecoms



Travel and hotels



Entertainment, leisure and logistics

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KPMG Global Customer Research:



8 years of ongoing research



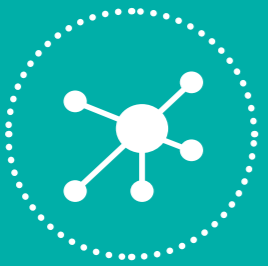
170,000+ consumer interviews



2,300 cross-sector brand reviews



2 million+ consumer valuations



14 markets covered by 2018

Customers were asked to respond to questions relating to each pillar for each brand they had interacted with in the previous six months. Brands were then assigned a score out of ten for each of The Six Pillars and these were combined to give an overall customer experience score, followed by an evaluation of each brand's delivered customer experience.

Targeted questions enabled a more in-depth exploration of respondents' brand experiences when interacting through different channels i.e. online, by phone or face-to-face. Customers were also asked to indicate how likely they were to recommend a brand (Advocacy) and to repurchase (Loyalty) from them.

This analysis is therefore based on quantitative research data, verbatim customer feedback and various brand interviews. Together, these elements offer a detailed snapshot of New Zealand's customer experience performance. The characteristics of the New Zealand market were then compared against global trends identified by the parallel research of thirteen other markets, and incorporated into KPMG's international, large-scale customer experience study.

Research results were channelled to give an assessment of Customer Experience Excellence (CEE) in New Zealand and to prepare a State of the Nation performance analysis. This includes a ranking of New Zealand brands by Customer Experience Excellence score as awarded by customers. This report presents the Top 10 customer experience brands and shines a spotlight on both global and New Zealand customer experience insights across key industry sectors.

The Six Pillars are the DNA of every outstanding customer experience and the fuel that powers fast business growth. As the fundamental components of an ideal customer experience, The Six Pillars are the core structure around which this research is built.

The Six Pillars of Customer Experience Excellence

For almost a decade, we have measured The Six Pillars of Customer Experience Excellence, deriving information from millions of customer evaluations on thousands of brands. We found that the leading organisations demonstrate mastery of these pillars and are outstanding at all of them.

Through more than two million evaluations across multiple markets, six fundamental components of every great customer experience have been identified and validated – these are The Six Pillars of Customer Experience Excellence.

The Six Pillar model of customer experience best practices was developed to provide a precise, usable definition of the kind of emotional outcome a successful experience needed to deliver. This came from issues with defining and explaining customer experiences, plus associated measures such as NPS or CSAT. While these concepts remain useful for describing the symptoms of a successful experience, most organisations found they did little to direct or define what good results look like. Understanding customer best practices was largely anchored in case studies and anecdotes, rather than scientific rigor.

The pillars are inextricably intertwined, and when combined, provide a powerful mechanism for viewing how well customer experience is delivered across channels, industries and company types.

They are rooted in human psychology and motivation, are relevant across business-to-business (B2B) and business-to-consumer (B2C) companies and are as meaningful to employees as they are to customers.



Personalisation

Using individualised attention to drive emotional connection.

Personalisation is the most valuable component of most experiences. It involves demonstrating that you understand the customer's specific circumstances and will adapt the experience accordingly. Use of name, individualised attention, knowledge of preferences and past interactions all add up to an experience that feels personal.



Integrity

Being trustworthy and engendering trust.

Integrity comes from consistent organisational behavior that demonstrates trustworthiness. There are trust-building events where organisations have the need to publicly react to a difficult situation, and trust-building moments where individual actions by staff add up to create trust in the organisation as a whole. For all customers, it is the degree to which the organisation delivers on its promises that is consistently top of mind.



Expectations

Managing, meeting and exceeding customer expectations.

Customers have expectations about how their needs will be met, and these are increasingly being set by the best brands they have encountered. Great organisations understand, deliver and – if appropriate – exceed expectations. Some are able to make statements of clear intent that set expectations ("never knowingly undersold") while others set the expectation accurately ("delivery in 48 hours") and then delight the customer when they exceed it.



Resolution

Turning a poor experience into a great one.

Customer recovery is highly important. Even with the best processes and procedures, things will go wrong. Great companies have a process that not only puts the customer back in the position they should have been in as rapidly as possible, but also make the customer feel really good about the experience. A sincere apology and acting with urgency are two crucial elements of successful resolution.



Time and Effort

Minimising customer effort and creating frictionless processes.

Customers are time-poor and increasingly looking for instant gratification. Removing unnecessary obstacles, impediments and bureaucracy to enable the customer to achieve their objectives quickly and easily have been shown to increase loyalty. Many companies are discovering how to use time as a source of competitive advantage. Equally, there are clear cost advantages to saving time, as long as the other pillars are not compromised.

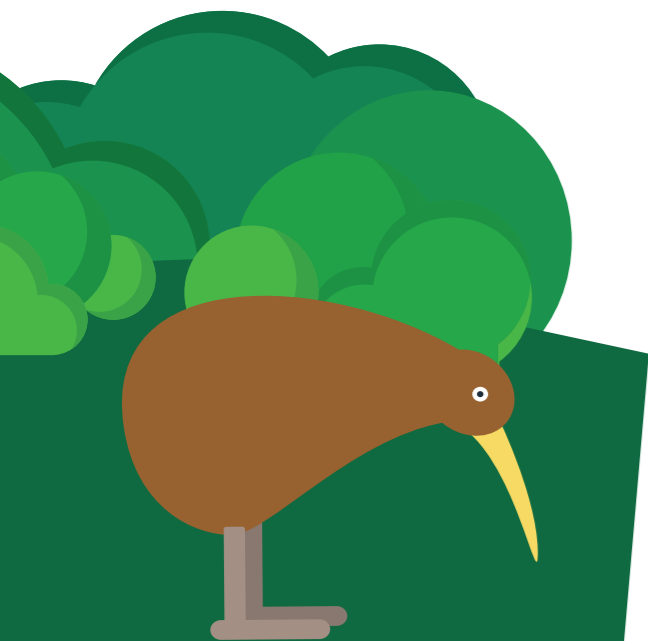


Empathy

Achieving an understanding of the customer's circumstances to drive deep rapport.

Empathy is the emotional capacity to show you understand someone else's experience. Empathy-creating behaviours are central to establishing a strong relationship and involve reflecting back to the customer that you know how they feel, then going that one extra step because you understand how they feel.

Trending in New Zealand



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“Top 10 brands by perceived consumer value are 3x more likely to be a Customer Experience leader.”

KPMG New Zealand
2018 CEE report

Our in-depth review of Customer Experience in New Zealand explored over 124 New Zealand brands against the Six Pillars of Customer Experience Excellence. From our analysis, four key trends became clear:

Customers embrace brands that show a distinctive Kiwi personality

Defining what is or is not a ‘Kiwi’ personality can be a tricky task, especially to Kiwis themselves, but when you look through the data a combination of factors can be seen working together for successful brands in the New Zealand market.

Customers interviewed about the leading New Zealand organisations, articulated a strong sense of pride in the brands they associated with. This pride was found to be highly correlated with positive trends towards loyalty for that brand. When you look at the top three brands (pg.16-21) there is an element of this Kiwi personality that goes beyond a name: It’s an organisation’s drive to personalise and customise offerings that resonates with the New Zealand consumer.

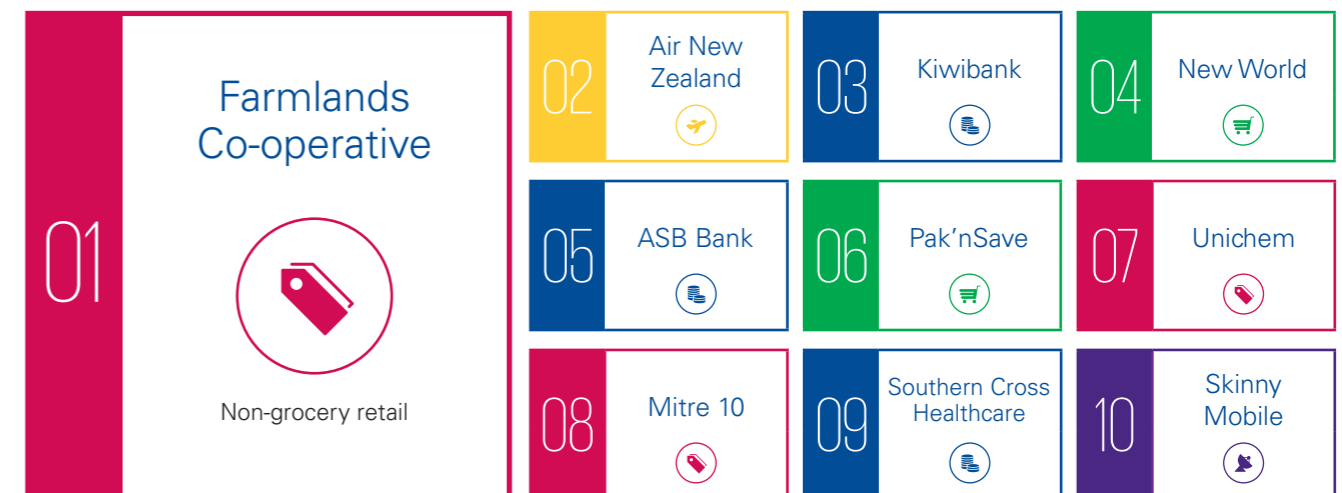
A uniquely personalised experience expresses a value placed on the customer from the organisation. In the best cases, how a customer experiences a service or product is part of how the brand innovates and enacts their core purpose.

Personalisation is the most important pillar in customer experience excellence for the New Zealand consumer. It’s akin to hosting someone well, coupled with an ingenuity to alter something standard in order to meet the current need.

New Zealand companies need to master digital experiences

With accessibility to international distribution chains that are now quicker than the national postal system, and the rise of Kiwi made digital exports, the expectations of Kiwi consumers have shifted. Customers cited the desire for experiences that are straightforward, employees who are responsive and situations that do not keep them waiting.

Leading CX brands in New Zealand



There can be a desire to capitalise on all new digital trends, but the key for organisations in the New Zealand market is to focus on the digital pathways that create an experience reflective of brand, while being frictionless for the customer. The time and effort put into face-to-face interactions must be replicated through online efficiency and omni-channel experience.

Customer needs in New Zealand are changing rapidly

With only a one in four chance that our population growth will decline by 2060 (Statistics New Zealand) changing demographics and new global competitors are increasing the pressure on New Zealand companies to adapt to changing customer needs.

As customers age and more people migrate from overseas, customer preferences begin to shift. For example, one older New World customer wrote that as a single, older person she liked New World because she could buy individual fish compared to other stores where she had to buy an entire package of fish. This better suited her needs as she couldn't eat the package of fish on her own and saved money despite the more expensive cost per unit.

The idea of importing a favourite product or buying duty-free is starting to dissolve as the global economy becomes more interconnected every day. With Amazon's recently launched 'International Shopping' Kiwis can shop over 45 million products that ship from the United States.

Customers are voting with their wallets for the companies that deliver exceptional customer experiences

Globally, the correlation between increased consumer willingness to pay and customer experience has never been clearer. As we see leading New Zealand brands differentiating in the market by delivering exceptional experiences, we also see revenue increases from the value added – proving this global trend is true to our context. Forrester has quantified the potential economic value in their annual Customer Experience Index. They show that with an annual incremental revenue increase of \$2.44 per customer for 'big-box retailers' and \$8.27 for traditional retail banks, this value-add equates to total revenue improvements of \$244M per big-box retail company and \$124M per traditional bank, based on average number of customers per company.

Of all New Zealand consumer responses, brands that were perceived by consumers as offering excellent value were three times more likely to be a leader (top 10 overall) in customer experience across the Six Pillars. This relationship between creating value for the customer and a company receiving value from the customer is not just a short term economic benefit, but is also reflected in customer loyalty. New Zealanders have pride in the brands they connect with, and have a high degree of loyalty to the brands that provide personalised interactions and outstanding experiences in our changing market.

– KPMG New Zealand Customer Experience team

The economics of customer experience excellence

Many organisations believe that treating the customer well must have a positive impact on commercial outcomes. This year we tested this belief using actual data. Our analysis provides reinforcement that incremental commercial benefits accrue from steering the organisation to invest in a competitively superior customer experience.

In terms of revenue growth, EBITDA and overall customer experience excellence progress, we also see a positive story for the customer experience leaders when compared to the customer experience laggards. Whilst at the high-level we can be very confident that customer experience drives the commercial outcomes of a firm, just being nice to customers is not enough. It is necessary to really understand the economics of achieving customer experience excellence and to understand the true relationship between fixed and variable costs when it comes to delivering a superior experience.

This is more than simply linking customer experience improvement to customer value. It is understanding the structural costs of delivering the current experience versus the structural costs of delivering the target experience.

In the new world, where customer journeys are becoming a significant component of organisation design, it has become much easier to relate costs to experience. The top companies understand this and are improving their customers' experience and reducing their costs to serve by designing unnecessary costs out.

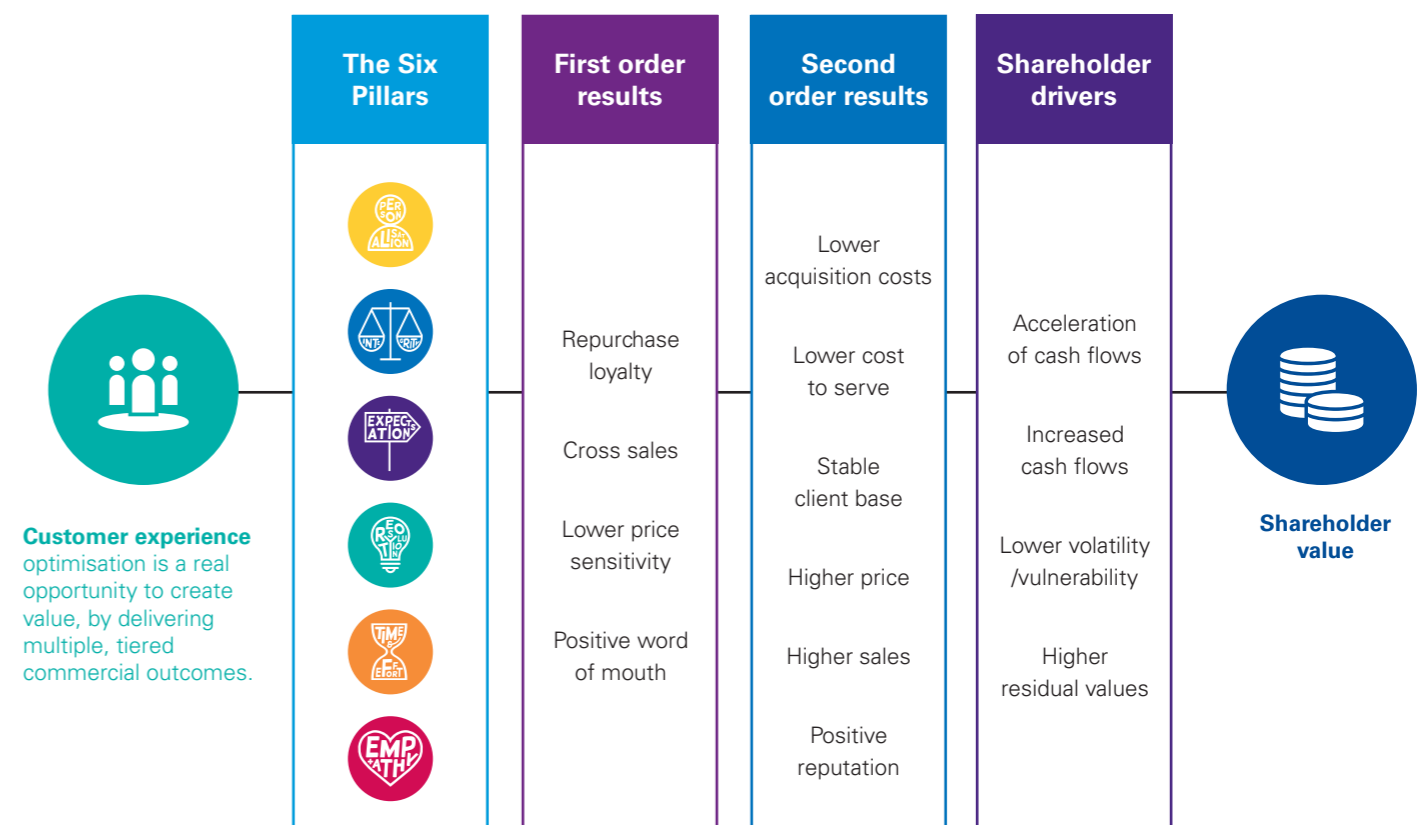
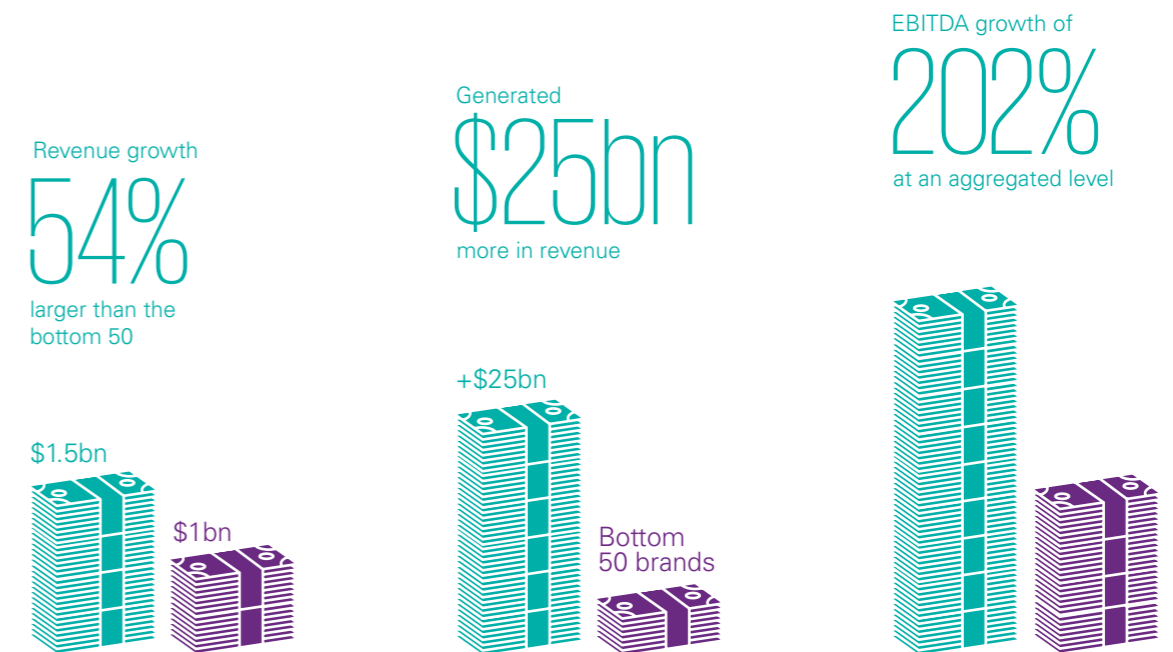
The leading companies in our research demonstrate a clear understanding of the link between the quality of the experience being delivered and value created. They use return on investment (ROI) modeling to enable the prioritisation and optimisation of the initiatives that will drive the customer experience. They also understand whether the customer experience they are delivering is under- or over-engineered financially.



...are more likely to report greater profitability than their competitors if they are 'customer-centric'.

Source: KPMG Global Customer Experience Excellence Report, 2018

The financial analysis we conducted this year between the top 50 brands and the bottom 50 shows that the customer experience masters have:



New Zealand results

Of The Six Pillars, New Zealand performs best on Time and Effort. Our analysis shows that many companies are successfully using Time and Effort, and Personalisation, as a source of competitive advantage in the local market.

As in many other countries, customers in New Zealand are time-poor and are increasingly seeking seamless interactions. By removing unnecessary obstacles and red tape, New Zealand brands allow customers to achieve their objectives quickly and easily, boosting positive customer engagement as a result.

Empathy - the emotional capacity to show that you understand and care about another person's experience - is the weakest of The Six Pillars, both in New Zealand and the other thirteen countries as well. Strong performance on Empathy requires brands to have a deep and comprehensive understanding of their customers' lives and circumstances, allowing them to reflect back to customers that their feelings and experiences are recognised and understood.

New Zealand customers' needs and expectations are best met by brands within the Financial Services sector, such as retail banks and insurance companies. With an average score of 7.30, this sector is leading the field on customer experience, and outstripping the national average by 5.5%.

With a summer beach being less than a days drive from a busy ski field, Kiwis are often on the move and keeping in touch is a must. However, Telecommunications is New Zealand's worst performing sector, scoring 7.8% below the average. This is an issue not only relayed by customers on an individual level, but a growing concern we are hearing from businesses. A notable exception in this sector is Skinny mobile (page 28) who achieved a top 10 ranking by understanding a niche youth market.

New Zealand Pillar Performance (maximum of 10 points)



New Zealand Sector Comparison (maximum of 10 points)



Customer Experience Excellence (CEE) scores

Compared against international best practices and customer experience performance in other countries, New Zealand brands are delivering good customer service. Achieving broadly similar results, half (50%) of the brands included in this study score between 6 and 7, with an overall average CEE score of 6.92.

Based on the eight years of research undertaken by KPMG's Customer Experience Excellence Centre, a brand is often considered "outstanding" with a CEE score of 8 or more, although cultural and contextual factors need of course always to be taken into account so that this score can slightly vary from one country to another.

45.2%

CEE score above 7

54.8%

CEE score below 7

4.8%

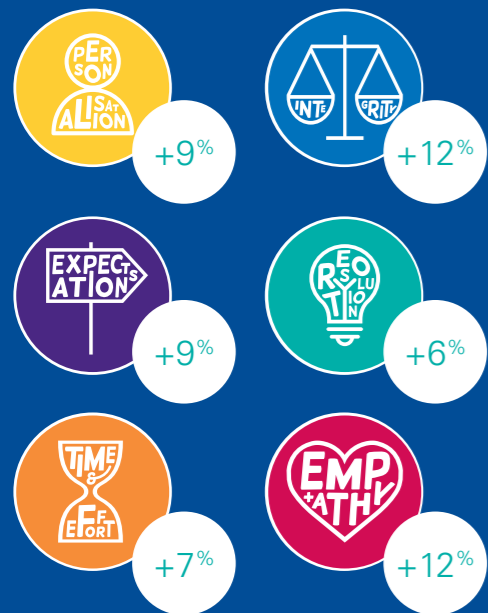
CEE score below 6



Case Study

2018 NZ CEE brand ranking: 1st

The Six Pillars:
Scores vs Industry Average



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“I went in for two specific items and the assistant knew exactly where they were. They were side by side in a logical order. I was served by a smiling, capable staff member and felt I was a valued customer.”

Farmlands Customer

Farmlands Co-operative Society

Farmlands has been an important part of rural communities for more than 50 years, providing agri supplies and services nationwide. It is New Zealand's largest co-operative by member base, servicing over 65,000 shareholders across various farming disciplines and farm sizes.

Farmlands' success in customer experience can be attributed to their focus on their number one customer: the Farmlands shareholder. Their shareholders are valuable not because they are stakeholders, but because they are their loyal and repeat customer base. These shareholders rely on Farmlands for all of their farming needs, knowing that they will always deliver.

There is an intimacy in the relationship the Farmlands brand has with its customers. They gain trust by being honest and open, and by making communication a two way dialogue.

“We don't just ‘market’ to our customer/ shareholders, we communicate constantly with them – the good, the bad and everything in between.”

Farmlands
CEO, Peter Reidie

By staying close with their customer, they have a strong alignment between customer expectations and what they deliver.

Farmlands has a new purpose “to reinvent the Farmlands Cooperative Spirit, ensuring our shareholders' future success is at the centre of everything we do.”[†] Farmlands are delivering on this with new focus on customer, and operations better tailored to their shareholders' interests. They have divested in divisions that do not suit, while providing more ‘whole of business’ opportunities for shareholders by leveraging the scale of the co-operative.

Their stores' way of working combined with their agri-focused people allow for a high level of service personalisation and flexibility. This is where Farmlands truly distinguishes themselves from any other customer experience. Customers trust that no matter how unique their needs, Farmlands staff will understand their situation and go above and beyond to meet them.

[†] Farmlands Annual Report 2017

“The most compelling ‘product’ we have to offer is the quality of our people – Farmlands' staff. It is their knowledge and experience and advice and concern that cement enduring customer relationships.”

Farmlands
CEO, Peter Reidie

Farmlands' stores are specially designed to suit their customers' unique needs with drive-through bays and room for vehicles and trailers. Customers praise their wide range of stock catered to all farming requirements, making Farmlands a one-stop-shop. When visiting Farmlands, customer service and personalisation is taken to the next level. Not only do employees excel at the fundamentals, such as knowing customers by name and what their business is, but employees often know customers so well that they will already have what the customer needs waiting before they step foot into the store.

What ties all of Farmlands' offerings together is the Farmlands card, a credit account that allows shareholders to consolidate all purchases across their services, and across an extended network of 7000 card partners. Shareholders have one monthly bill, and are rewarded through rebates and their ‘choice rewards’ points system. Additionally, any transactions are as simple as asking for an item to be put onto their account.

Farmlands extended commitment to customers can be seen through their interwoven presences as part of New Zealand's local communities. Their sites comprehensively service New Zealand's farming areas whether large or small, each carrying their own unique stories. Farmlands also understands the variations of farming across New Zealand's provinces, with different solutions to suit unique climates and challenges faced.

“As a co-operative, we were formed by New Zealand's rural communities and we recognise and value the power of staying close to our communities.”

Farmlands
CEO, Peter Reidie

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“We try to anticipate the needs and wants of tomorrow's customer, on the one hand by expanding the base of our knowledge and analysis of the industry we are a key part of, so we can see what's heading down the track towards us; and on the other hand by staying close to our customer/ shareholders so we find ourselves on the same page in terms of what ‘needs and wants’ actually are.”

Farmlands
CEO, Peter Reidie

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“Excellent company to deal with. Has so many partners now which makes my accounting work much smoother, one bill to Farmlands which pays multiple companies.”

Farmlands Customer

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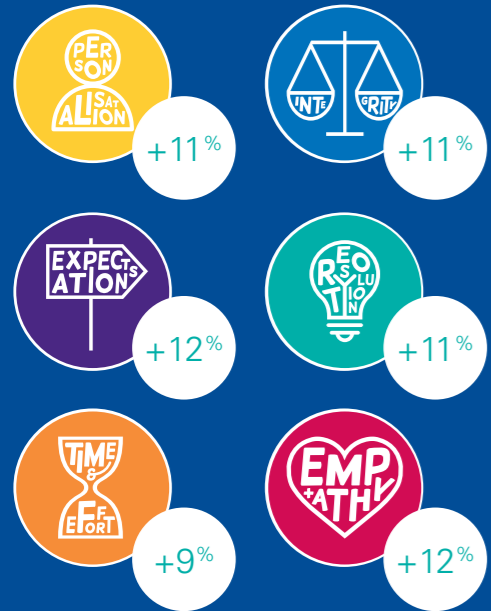
“They know who you are, so you don't need to bring out your card too often.”

Farmlands Shareholder

Case Study

2018 NZ CEE brand ranking: 2nd

The Six Pillars:
Scores vs Industry Average



Air New Zealand

Air New Zealand is New Zealand's national carrier and a publically listed company, with the New Zealand Government as their largest majority shareholder. Air New Zealand operates passenger and cargo flights in the domestic, short haul international and long haul international markets.

They're held in high regard by Kiwis – a direct product of Air New Zealand's decision to position itself as one of the most customer-centric companies in New Zealand. Under the leadership of Sir Ralph Norris, the company went through a dramatic culture shift from "we fly planes" to "we fly people," catapulting Air New Zealand from the brink of insolvency in 2001 to one of the most innovative and profitable airlines in the world.

"We have a really clear internal sense of purpose which is to supercharge New Zealand's success. Our purpose is bigger than flying people from point A to point B – it's about connecting New Zealand with the world."

Anita Hawthorne
General Manager of Customer Experience

Sir Ralph engaged Air New Zealand's top 800 leaders in discussing and acting on insights from customer feedback and observations, to find out what customers valued and what they hated about the flying experience. They identified that customers loved the friendly, outgoing and slightly tongue-in-cheek humor that typifies Kiwis – and this provided the catalyst for change.

Staff were empowered to exhibit their warm, welcoming Kiwi personalities, and place the customers at the heart of everything they do. Over twelve years later, this customer-centric mindset is more ingrained than ever, with consistent top-notch customer service. Air New Zealand continues to lead the airline industry with customer innovations such as the Airband, a device which tracks the progress of children traveling unaccompanied and sends updates to nominated guardians; and the Biometric Bag Drop, designed to speed up the check-in process.

In addition, the customer is embodied in the safety videos and announcements that Air New Zealand produces. New Zealand's star rugby players, spectacular scenes of New Zealand landscape, and references to famous movies made in the country add excitement and ingenuity to the Air New Zealand experience, crowning it a clear winner in the New Zealand brands that customers identifies with and feel affiliated to.

Air New Zealand has been ranked as the global "Airline of the Year" for the fifth consecutive year by AirlineRatings.com – no small feat given the hyper-competitive global airline environment.

Many customers who ranked the brand highly were impressed by the friendliness and warmth of the cabin crew, who went the extra mile and took note of their personal needs.

"Airlines are highly operational and therefore susceptible to events beyond our control such as adverse weather. It is how you act in these moments that distinguishes your brand. We've been continuously looking at ways to enable our customers to self-serve and take control of their travel experience during a disrupt. This means they can get in touch with us at a time and in a way that's convenient for them."

Anita Hawthorne
General Manager of Customer Experience

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"My last experience with Air New Zealand was very good. My partner became ill on the flight and the air hostess was so helpful, getting him extra drinks and anti nausea pills and checking on him regularly"

Air New Zealand Customer

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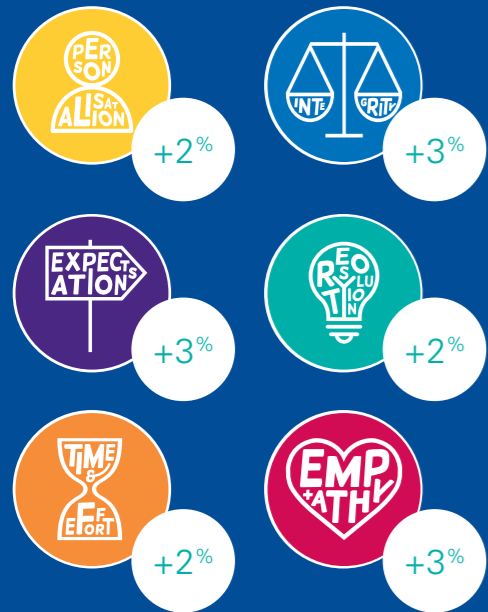
"We were very happy with the down to earth service, the whole experience was drama free."

Air New Zealand Customer

Case Study

2018 NZ CEE brand ranking: 3rd

The Six Pillars:
Scores vs Industry Average



Kiwibank

Formed in 2002 by NZ Post, Kiwibank positions itself as “a bank that provides real value for money that has Kiwi values at heart, and that keeps Kiwi money where it belongs - right here in New Zealand”. Kiwibank’s customers strongly identify with this sense of purpose, which distinguishes Kiwibank from their Australian-owned competitors.

Their aim to serve New Zealanders is reflected in Kiwibank’s high scores across the Six Pillars, ranking third place overall and first in the financial services sector. Pillars Kiwibank scored exceptionally strong in were Personalisation, Empathy and Integrity.

Kiwibank’s focus on culture and personal connections is a key driver behind their high score for Personalisation. Kiwibank utilises their network of NZ Post locations to provide localised, personalised services. This resonates strongly with their customers, who are proud of their support for their local bank.

“They are thorough, helpful, polite, and genuinely interested in my needs. They are friendly and make me feel very welcome.”

Kiwibank Customer

Trust and Integrity was another highlight for Kiwibank. Kiwibank employees are known for being authentic and upfront about what they can do for a customer and what they cannot do. Rather than a product focus, Kiwibank take a more holistic approach to staff metrics and incentives. Kiwibank see themselves as “of New Zealand for New Zealand” and show this through their “It’s ours” marketing campaign which reinforces public trust.

Kiwibank’s commitment to creating exceptional customer experiences is visible across the organisation. This includes investment in everything from digital innovation to transforming the company’s operating model to be completely centred on the customer. An example of commitment to customer innovation is their “Future You” platform that was launched last year by Kiwi Wealth. This online retirement planning tool helps members not only make informed decisions about their retirement, but also understand why they should make certain decisions, and has been recognised internationally for leading innovation using augmented reality.

As macro-environmental factors arise, such as Kiwibank’s branch network potentially becoming smaller (due to lower mail volumes and, therefore, less NZ Post foot traffic) Kiwibank will have to adapt and innovate to continue to be a leader in customer experience. However, they are well positioned to take these changes in stride, with an exceptionally loyal customer base who are proud to bank with an iconic New Zealand institution that provides outstanding service.

“Kiwibank makes a conscious effort to give their people a licence to bring their personality to work and customers appreciate that. It is an intangible quality, but often captured in customer comments such as ‘the Kiwibank person spoke like a normal person’.”

Mark Stephen
Kiwibank CEO

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“I don’t understand why all Kiwis aren’t with Kiwibank but go with Australian banks. I am trying to persuade them to change one by one”

Kiwibank Customer

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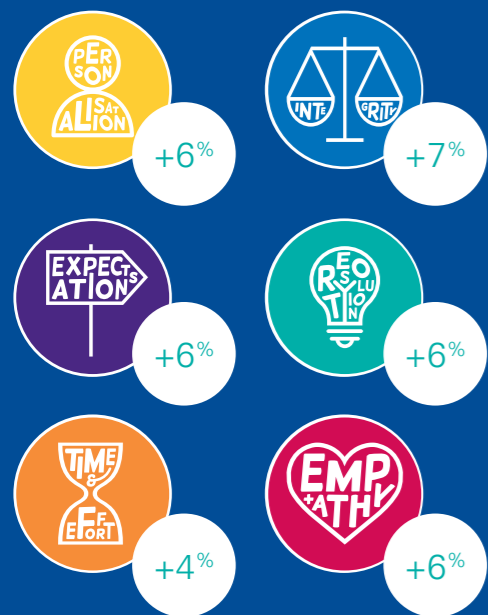
“This particular branch has sensational staff who are not only friendly and helpful but professional... you get to know them and the service is uncomplicated”

Kiwibank Customer

Case Study

2018 NZ CEE brand ranking: 4th

The Six Pillars:
Scores vs Industry Average



"I have shopped regularly here for years. Staff are pleasant and very helpful. Prices are competitive – especially their good specials."

New World Customer

New World

Founded in 1963, the New World supermarket brand now includes over 140 independently owned and operated retail grocery outlets, connected through either their North Island or South Island Foodstuffs co-operatives. This structure enables New World's store owners to leverage the resources of a large organisation to better serve their customers' needs, while providing an experience tailored specifically to their local community. It is a tribute to the co-operative ownership structure that New World not only ranked first in New Zealand's CEE Survey for the grocery retail sector, but also joined three other co-operatives (Farmlands, Mitre10 and PAK'nSAVE) in the overall top ten.

New World is known by many Kiwis for their well-loved customer engagement campaign, the 'Little Garden' collectibles programme which is run year-on-year. These eco-friendly collectibles bring joy to adults and children alike. Another popular initiative began in 2017 when a \$0.05 refund was given to customers who brought their own reusable shopping bags. This not only delights environmentally conscious shoppers, but is also in line with the organisation's corporate responsibility strategy, which seeks to "constantly strive to serve the community better."

In addition to positioning themselves as a retailer who do the right thing, New World has made a real step-change towards becoming a truly customer-led and data-driven business. Understanding customer behaviour, wants and needs is a top priority, and they have invested in customer insights initiatives such as tracking Net Promoter Scores (NPS), a measure of customer satisfaction, and their Clubcard programme. By the end of 2016, one million actively engaged Clubcard members were scanning their loyalty card on an average of almost two thirds of all sales. These efforts allow New World to continually further its everyday customer experience through the refinement of its service and product offerings.

New World further recognises that valuing their customer's time and effort is an important part of the customer experience. To minimise the effort required to choose from New World's product selection, New World ran their own Beer & Cider Awards for the third year running and Wine Awards for the 14th year running in 2017. Customers' time and the importance of staying relevant were key drivers behind New World's emphasis on giving more flexibility to customers by launching 'iShop New World,' their mobile shopping app, providing a 'click and collect' or 'click and deliver' service.

ASB Bank

Formed in 1847, ASB Bank is a subsidiary of the Commonwealth Bank of Australia, offering a range of financial services, including retail, business and rural banking, and funds management and insurance. ASB strives to deliver outstanding customer service, maintaining an innovative nature to consistently better the user experience. Their products are built with a customer focus, aiming to make everyday banking a fast and simplistic process.

ASB was an early pioneer into digital experiences for their customers and continues to be a digital leader today. Their digital journey began by being the first New Zealand bank to offer internet banking in 1997 (FastNet Classic) and mobile banking in 1999 (ASB Mobile). Current customers recognise ASB as an innovator, with a strong reputation for their user friendly app and exceptional customer service.

This innovative culture suggests why ASB scores highly in Time & Effort – their technological advances allow customers to communicate with them with ease and when it suits them. In 2016, they launched ASB Virtual, a contactless payment system supported by Android phones, allowing for faster transactions and limiting the need for customers to carry cards. More recently, ASB designed a digital assistant, Josie, which supports ASB teams with its small-to-medium business customers. Josie is built off an artificial intelligence enabled platform to answer and respond to customer questions.

ASB maintains trust by ensuring a strong human connection to customers alongside their future digital improvements. This can be seen through the highly personalised in-store experience where staff help customers familiarise themselves with ASB's digital channels. They show customers how to sign into their accounts and best help themselves online going forward. It's this holistic approach which communicates the integrity of their services and encourages a high degree of loyalty with many customers bank with ASB for decades.

"ASB has worked hard to ensure our customers receive an experience that is consistent with their expectations and the promise our brand sets. We are never satisfied with the status quo and are constantly searching for ways to improve."

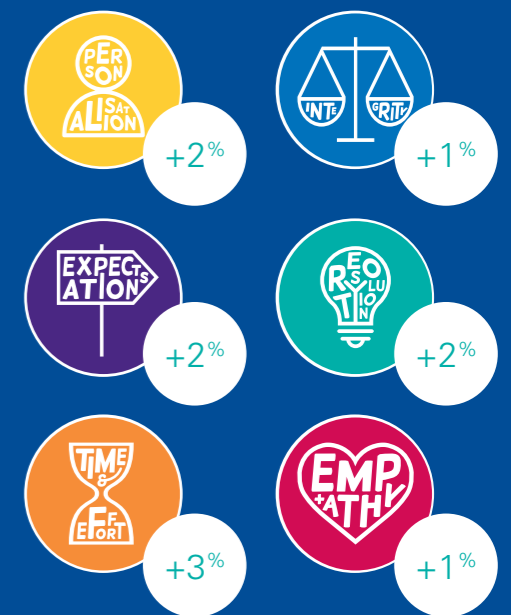
Simon Tong

Executive General Manager, Digital, Data & Brand

Case Study

2018 NZ CEE brand ranking: 5th

The Six Pillars:
Scores vs Industry Average



"Just a brilliant bank. Personal service in branch is great."

ASB Customer



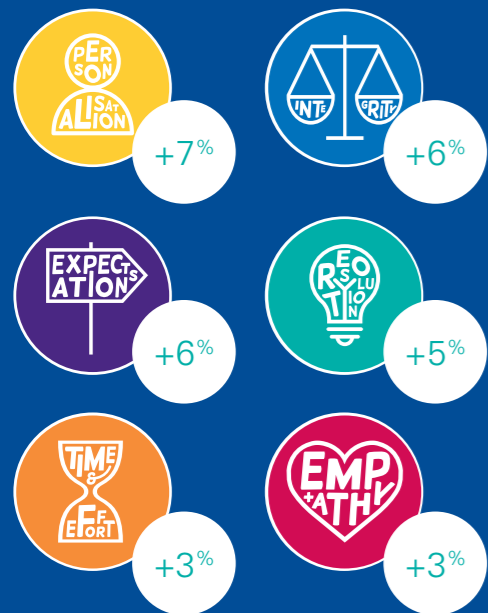
"ASB has been our main bank for twenty years. We always have a great experience with them, especially service."

ASB Customer

 Case Study

**2018 NZ CEE
brand ranking: 6th**

The Six Pillars:
Scores vs Industry Average



"I do my regular shop here as they're the best for price and range."

PAK'nSAVE Customer



"I did my Christmas shopping there and won a new BBQ. This was a great and memorable experience that I have told everyone about."

PAK'nSAVE Customer

PAK'nSAVE

Founded in 1985, PAK'nSAVE is a chain of 57 discount retail grocery locations. Although traditionally comparable in layout and fittings to a 'food warehouse', in recent years PAK'nSAVE has invested heavily in branding and refurbishment programmes. Placing sixth in New Zealand's Customer Experience Excellence (CEE) Survey 2017, PAK'nSAVE has demonstrated a unique ability to exceed customer expectations whilst still living up to their policy of 'New Zealand's lowest food prices' (as proven by Consumer Magazine confirming PAK'nSAVE's provision of the cheapest supermarket shopping in New Zealand for the last 15 years).

PAK'nSAVE realises that their customers' world is changing. Rising household debt, 1-in-3 families having a solo parent and less planned and more frequent shopping habits have necessitated PAK'nSAVE to live up to their position as a retailer who knows New Zealanders well. But seeing the world from their customers' perspective requires more than strong brand choice, convenience and a consistent store experience. At Christmas, Stickman – the company's iconic mascot – became 'the Host with the Most for Less' reflecting the chain's empathetic respect for busy families who need to get all Christmas supplies in one place. To relate to their customers' everyday needs, PAK'nSAVE is also driven to personalise the grocery experience by launching their loyalty programme: 'Sticky Club'. This allows them to get the right shopping content to the right person through personalised deals and communications.

PAK'nSAVE knows that exceeding expectations is linked to the feelings and occasional memories created by the shopping experience. This is demonstrated through recent campaigns, such as on their birthday, where 'Stickman' creates a celebratory atmosphere where both staff and customers dressed-up for photographs with Stickman as 'the superhero of low prices'. For customers who prioritise healthier and environmentally-focused choices matters, brand standards have been introduced and PAK'nSAVE has sold an ever increasing range of both Fair Trade and free range products such as coffee, tea, chocolate and bananas. PAK'nSAVE has also placed emphasis on their support of Environmental Choice - the official environmental label in New Zealand, while also launching their 'NZ Made' marketing campaign focused on 'low prices on stuff made here'.

Demonstrating a commitment to their communities, PAK'nSAVE continues to support the Breast Cancer Foundation by selling pink grocery bags, raising awareness for men's health issues alongside the Movember Foundation, and donating an average of 1.5 tonnes of food per store each month to foodbanks, schools, community groups and food rescue organisations.

Unichem

Unichem is a nationwide network of over 290 pharmacies that provide prescription services, over the counter medication, health services, products and advice. It is the largest pharmacy brand under the Green Cross Health parent group, which has a strong commitment to the health and wellness of New Zealand. Its high rank in the survey is reflected in respondents' comments that note its friendly and knowledgeable staff as well as convenience provided by prescription and delivery options. It is a leader in New Zealand's non-grocery retail sector, receiving 2nd place.

Unichem positions themselves as health professionals – a trusted source of support and advice beyond simply a retailer of pharmacy products – through their 'expert care + advice' offering, and insightful medical knowledge demonstrated by staff.

Customers love the extent of care given and praise staff's ability to connect the right products and advice to suit each customer's specific health issues. This is shown in Unichem's high score in Personalisation, reflecting the level of individual and tailored support provided. Unichem staff are renowned for their friendly attitudes and commitment to happily go out of their way for a customer, with many elderly respondents valuing the extended time and support that staff give to them when they need it. Unichem customers also trust that when they go to Unichem, staff will be respectful of their privacy.

Unichem's Living Rewards loyalty programme has been a big hit with customers. With over 1.5 million members, Living Rewards members love being able to collect points on purchases and receive personalised, member-only deals.

"Our Living Rewards programme, provides us with insights about our customer's preferences and purchasing, helping us improve the relevance and personalisation of our communications and offers. We also utilise direct customer feedback via Customer Radar, a real-time customer service tool which gives each pharmacy the opportunity to turn poor interactions into great ones."

Debbie Yardley, Group Manager
Customer Experience and Communications

Unichem leverages an owner-operator model, where an enormous level of community empathy is visible. In many instances, customers establish strong connections with team members, who understand and connect with their unique individual needs. Customer excellence is demonstrated through health services such as vaccination services, prescription reminder services and, in some pharmacies, prescription delivery.

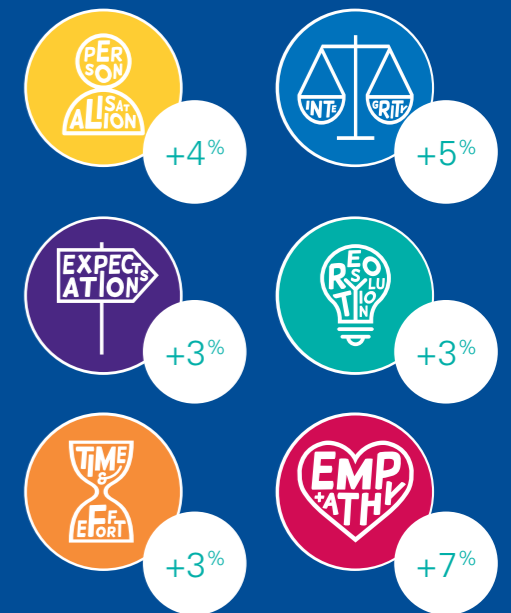
"Our pharmacists are the health coaches in their community – there to keep people well, offering care and advice throughout their lives, not just help to treat them when they are sick."

Debbie Yardley, Group Manager
Customer Experience and Communications

 Case Study

**2018 NZ CEE
brand ranking: 7th**

The Six Pillars:
Scores vs Industry Average



"I have been with them for years. Friendly and efficient."

Unichem Customer



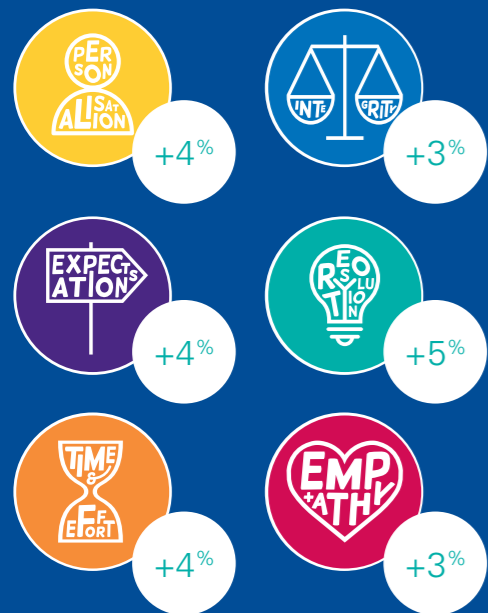
"I find the service professional, friendly and supportive. The times I have been it has had a pleasant, relaxed feeling about it and I am always served by non-judgemental people."

Unichem Customer

Case Study

2018 NZ CEE brand ranking: 8th

The Six Pillars:
Scores vs Industry Average



"Probably my favourite store. I have never met an unhelpful staff member, and always look forward to going to my Mitre 10."

Mitre 10 Customer



"I find the staff at Mitre 10 to really helpful and informed. They know their products and can give good advice."

Mitre 10 Customer

Mitre 10

Mitre 10 is a prominent New Zealand retail chain, specialising in hardware and trade supplies. It was established in 1974 and is a New Zealand owned and operated co-operative with over 350 stores nationwide.

Mitre 10's co-operative model gives each individual store's management the autonomy to create personalised experiences that resonate with local customers. Stores embrace the distinct culture of their regional area, hiring local staff who genuinely know and understand their customers.

Mitre 10 puts considerable time and effort into understanding their customers. By utilising captured data as a primary insight tool, they are able to understand behaviour drivers and in turn proactively meet their customers' needs. They break down customer journeys to eliminate friction points and create personalised service for distinct customer types.

This approach is not limited to the customer, as Mitre 10 recognises the value of empowering their team members, examining ways to remove the friction of store processes to create mutual benefit for customers and staff.

"If it's a pain point for our customers it will be a pain point for our team as well."

Andrea Scown
General Manager Retail Operations

Mitre 10 maintains multiple points of engagement with its customers, connecting to the DIY attitudes of New Zealanders through their 'Easy As' instructional videos and connecting through their social channels.

Customers are continually impressed by Mitre 10's product offerings and their in-store and online shopping experience, while those specifically in the trade of building and construction have recognised the ease of doing business - often serving early morning customers before store opening times.

"We have a very strong, insights-oriented customer experience programme that is centred around understanding what our customers' expectations are today and what their expectations will be tomorrow. This programme utilises a combination of qualitative and quantitative research to understand what our customers feel from the moment they first connect with us, and all the way through their customer journey. We believe that you cannot excel at customer experience with a "one size fits all" customer strategy."

Jules Lloyd-Jones
General Manager Marketing

Southern Cross Healthcare

Southern Cross is a group of independent health-related businesses, comprising of New Zealand's largest health insurance provider with over 860,000 members, and a charitable trust that operates 19 hospitals and medical facilities, which provided over 75,000 treatments last year.

Southern Cross health insurance customers are delighted by the organisation's fast and efficient processing of claims, convenient digital platforms and helpful service in difficult times. Responders feel that Southern Cross Health Society, the health insurance business, consistently delivers a personalised service that's about the individual, through remembering names and providing support that is applicable to the member's unique situation.

In an effort to save their customer's time and effort as well as to enable them to engage through their preferred channels, Southern Cross Health Society has made significant digital investments to streamline the process of buying insurance and making claims, with more than 80% of claims now submitted electronically.

The new website 'My Southern Cross' has allowed easier access to client details as well as transparent information on Southern Cross's own performance and results.

Southern Cross wants to partner with Kiwis to advance their health and wellbeing.

To help accomplish this, Southern Cross is continuously adapting services and facilities that support the unique needs of New Zealanders, all across the country. For example, a new chemotherapy delivery service in its Rotorua hospital was developed to help reduce the need for locals to travel for treatment.

Customers no longer simply want peace of mind from their insurance providers, but to also understand how they can make proactive decisions to live a healthier lifestyle. To meet this growing demand, Southern Cross Health Society is placing an increased focus on helping their members with preventative healthcare, offering low claims and healthy lifestyle incentives. This initiative has resonated well and is reflected in the organisations high score in Personalisation.

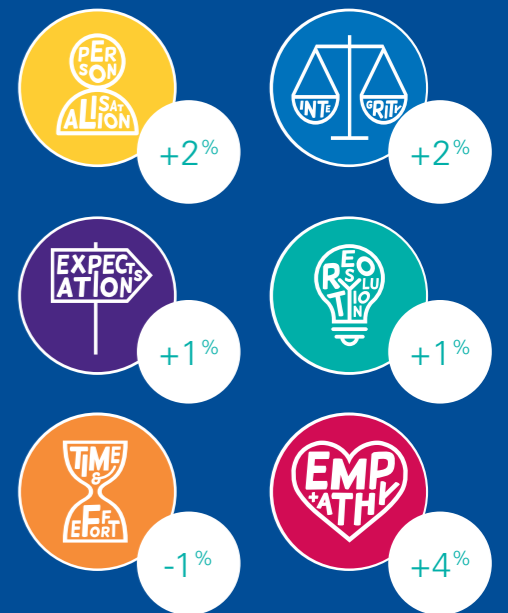
"We found it very convenient to have instant approval and payment when we use approved providers rather than having to claim."

Southern Cross Customer

Case Study

2018 NZ CEE brand ranking: 9th

The Six Pillars:
Scores vs Industry Average



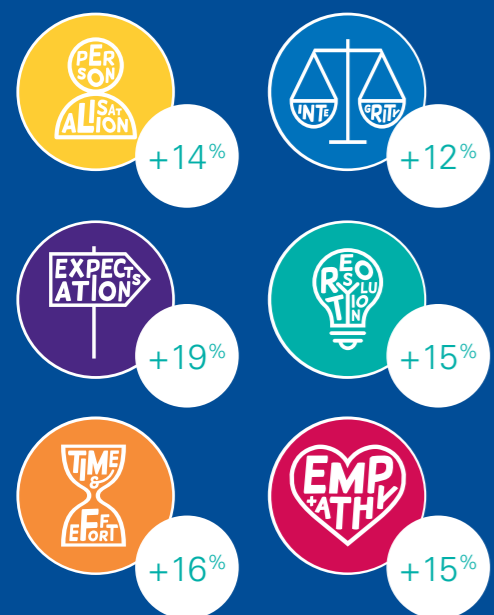
"They were very friendly, helpful and efficient – gave me a lot of confidence, and it was resolved really quickly. Superb service!"

Southern Cross Customer

Case Study

2018 NZ CEE brand ranking: 10th

The Six Pillars:
Scores vs Industry Average



“Brilliant, cheap and affordable
prepay plan options for tight
finances.”

Skinny Mobile Customer



“The last time I topped up
I received 60 free minutes,
it's great when they do these
promotions.”

Skinny Mobile Customer

Skinny Mobile

Skinny Mobile is a prepay-only mobile network subsidiary of Spark New Zealand, aimed at the youth market. Skinny stands out as leader for New Zealand's lowest ranking sector, Telecommunications, due to shaping their services towards this defined market.

They operate a no-frills model where non-essential features are removed to keep prices low. Skinny's business rationale is to strip everything back – customers only pay for what they actually want and are still able to enjoy the wider Spark network and coverage.

Skinny targets a very specific customer segment and understand exactly what these customers' needs are. Customers rave about the great value-for-money deals as well as frequent promotions that give them bonus data or minutes for free. Customer feedback shows a strong appreciation of receiving added value to their existing plans or combos at no extra cost. Skinny has repeatedly shown they deliver what customers actually want through offerings like their 'data binge' feature that gives users access to unlimited data for between 10 minutes and 12 hours. Labelled as 'perfect for any online binging sessions,' this demonstrates the company's ability to relate, stemming from a strong understanding of their user base.

Skinny understands that their target customers are highly active on social media and make a concerted effort to engage with customers via social channels. Skinny almost always replies with a sense of urgency and, when appropriate, brings humour into their social posts, turning informal feedback left through comments into personal connections with their customers. Skinny takes the time to respond to all correspondence and issues, no matter how large or small they may be.

In 2016, Skinny launched Skinny Broadband as well as Skinny Direct, to offer customers a wider range of products under their low price model. Skinny Direct, their online-only product approach, is a further extension of their effort to provide only the most essential services in return for the best possible price to customers who desire convenience via a digital channel.

Skinny is an exceptional example of a company that understands their customer needs and knows how to effectively invest in customer experience. Despite being a low cost provider in an industry that is normally difficult to differentiate, they manage to offer a unique product with the right combination of value, incentives and fun that resonates strongly with their target customers.

Global comparison



personalisation

is the most important pillar
globally for driving loyalty



integrity

is the most important pillar globally
for driving recommendation



Top Pillars in New Zealand

Personalisation
Time and Effort



3

top sectors in
New Zealand



Financial
services



Non-grocery
retail



Grocery
retail

NZ Sector Review

Financial Services

What's happening worldwide
in Financial Services?

Worldwide, as Financial Service brands are becoming increasingly homogenous in the eyes of customers and loyalty becomes more fickle, experience is viewed as a key differentiator and the bar is being raised in terms of what customers expect across the financial services sector. Digital developments mean people expect their bank to provide similar levels of rapidity, reliability and ease of access to what they would get when interacting with other digital platforms like online shopping. Being able to provide this however is no easy feat. There is the requirement to really understand customers' needs and the journeys they go through; to re-engineer processes and the use of and types of technology to enable end-to-end digitisation and seamless experiences; and to use analytics to obtain real insights about customer needs from the extensive data that is held. All of these are imperative for a financial services organisation and will help to ensure products, service offerings and experiences are designed to meet the needs and expectations of customers and move the organisation from product-centricity to customer-centricity.



Financial giants in Asia lead the way in driving enhanced customer experience
(Singapore)

DBS bank in Singapore has transformed itself with a customer-focused experience innovation strategy and used digitisation to obtain scale and become one of the region's leading digital banks. DBS uses analytics, cloud computing and artificial intelligence to simplify and improve customer experience.

Financial institutions in New Zealand are having to adjust their customer experience offerings to deal with the continued pressure facing the sector. These pressures are driven by industry disruptors, heightened consumer expectations and the increased focus coming from the industry's regulatory bodies.

Whether you are a bank, an insurance company or a wealth provider or manager, the expectations of putting the customer at the centre of everything you do must be forefront of everything, together with appropriate transparency and disclosure.

The sector is also responding to new customer expectations around environment and social responsibility. There is a reduced tolerance towards unethical investments and lending to unethical industries and demand for sustainable and fairer corporate behaviours. This again drives the sector to review and amend their traditional suite of products and service offerings to meet the expectations of their customers.

The disruptors

We see both non-traditional tech companies and financial and data-driven start-ups driving disruption in the sector. Alipay and Apple Pay have appealing customer propositions and banks here are choosing to partner to stay on the right side of the wave. The smaller start-ups are seeking to disrupt the customer value chain in a number of ways, such as payment processing, product and service selection, budgeting services and financial advice, and provide data-rich, leaner operating models in doing so. This forces sector incumbents to rethink their products and service offerings and the mode in which they are offered. It also forces the incumbents to reassess their operating models and whether part of the customer value chain can be outsourced through partnership arrangements for example.



Financial giants in Asia lead the way in driving enhanced customer experience
(China)

In China, Alipay are continuing to be a strong disrupter to the financial services sector. Once the domain of major banks, personal payment and financial services are now being offered in an integrated manner, alongside Alibaba's other consumers.

What's happening next?

There is an attitude to change

The sector is responding to the challenge. Banking organisations appear to be leading the way in responding to the new imperative of enhanced customer experience and getting closer to the customer, and have the attitude for change. But it is taking time and investment and requires, for many, a change in which the organisation is structured and/or operates. Insurance providers are using online channels for customer ease in offering products and using data to select/deselect risk. The wealth management sector has been making inroads in providing more transparent information to its investors and offering new financial advice services and tools in response to customer needs and, more importantly, regulator demand. This will continue to be a focus for this sector and the demands on it will only continue.

Investment is needed

The ability for financial services organisations to respond to the changing demands on the sector will only be enabled with the right investment. All organisations face the challenge of balancing the increasing cost of regulatory compliance, with the need to invest for innovation, with the requirement to continue to provide adequate returns to shareholders. Finding the right balance is difficult but essential. It often requires difficult conversations to be had with key stakeholders and consideration of joint venture or partnership models to ensure an organisation is able to remain relevant to customers.

Strongest pillars



Integrity

New Zealand financial institutions are showing customers they stand for something beyond profits. They show concern for their people, the communities they are a part of and the environment we live in. They want to act in the best interests of their customer as they know it will drive customer loyalty.



Time and Effort

Financial institutions have all pushed focus towards giving time back to the customer. Reducing waiting times, creating opportunities for customers to help themselves at their own pace, along with reducing the number of 'steps to satisfaction', are all ways in which financial institutions have been able to streamline their experience. Organisations are determined to make things easier for their customers and this is being recognised.



"I use my mobile banking app most days. It is extremely well put together and it makes me feel in control of my banking."

New Zealand Bank Customer

NZ Sector Review

Retail Industry

What's happening worldwide?

Better connected customers

While it may seem as it will be harder to capture the attention of the consumer, in reality this is leading to more opportunities to engage and deliver in the retail sector. Today's customers are better informed and better connected, which has seen success come to brands that use multiple channels to build understanding and listen. There is also an opportunity to show brand agility through these channels when interacting with the views of the customer.

New retail

We are seeing an era of 'New Retail,' as standalone online shopping models are becoming integrated omni-channel experiences that are fully customer-centric. The back end structural differences behind online and retail supplies are eliminated, bringing increased flexibility and a consistent experience regardless of how the consumer chooses to interact. These new interactions are causing retailers to better recognise the touchpoints their brands are exposed to – all the ways customers see, hear, try, buy or otherwise interact with your brand. Each point is a chance to influence the individual, whether it is to begin brand awareness or deepen an existing connection.



Brick and mortar isn't dead, as Amazon proves it has ways to evolve
(USA)

Amazon, the international e-commerce giant, is entering brick and mortar channels with innovative technology. This comes to life in Amazon Go stores, where customers can seamlessly shop without having to stop at a checkout counter. It shows that offline retail can offer a significantly superior level of customer experience when technology is applied.

The continued rise of the conscious consumer

Today's customers have a well-developed sense of what is authentic and what is solely intended to drive sales. With this, honesty and authenticity have emerged as the attributes that matter most to customers. Consumers, more than ever before, are holding brands to a higher standard.



Lush connects with consumers on what matters
(Netherlands)

Customers of Lush in the Netherlands say they love the product, love the people and love the mission. It is a campaigning brand that communicates its purpose and its pursuit of ethical relationships with its people, its customers and the planet. From spearheading anti-animal testing campaigns, to working to minimize packaging or using ethical sourcing methods, customers in the Netherlands feel that each aspect of the Lush experience reflects their own personal values and the moral code that guides the business.

What's happening in New Zealand?

From traditional to omni-channel

While many New Zealand retailers have invested in digital channels, many still struggle to provide the fluid levels of experience that customers are demanding. For Mitre 10, who scored 8th overall in this year's CEE report, creating great omni-channel experiences is a top priority. More and more Mitre 10 customers prefer to first research and review product online then see and feel the product in person, and ultimately make a purchase in store. Mitre 10 strives to dissect and understand these behaviors through customer journey mapping, with the goal of creating a frictionless buying experience.

New World is another strong leader, delivering a digital grocery experience that rivals those of many international supermarkets. New World's mobile app makes it efficient for customers to quickly and easily shop online, having their groceries delivered or ready for pick up in store. New World collates customer shopping information and preferences, resulting in a personalised and more efficient experience as the service is utilised.

What's happening next?

There are many exciting opportunities that will shape the next generation of consumer retailing, with the most significant of these lying at the mixing point of data and digital. In this modern age, most New Zealand organisations have access to broad and valuable sources of data, both internally and externally – more so than ever. The challenge is not in sourcing this data, but being able to understand how to trust the data and pull out the insights, to then anticipate the future trends and proactively create customer focused solutions.

Companies are able to realise the benefits of more digital and technology based solutions with increasingly low investment costs. These can be used to save customers time in store, to impress them into purchase or create new experiences they won't find elsewhere. The real value in a digital investment will be realised when solutions can be married to the personal data that makes up a retailers customer base. From here there is potential to build unique experiences that are aligned and truly personalised to the individual. In grocery it can be building meals and diets to suit, while in fashion retailing it can be virtual wardrobes and looks made to match.

While a digital transformation may seem like a fix to stay relevant, caution must be applied as many large digital investments fail. This is often due to trying to go digital simply for the sake of going digital, rather than starting with a human problem and mapping a digital solution to fit. With these shifts, retailers with low digital maturities will be hit the hardest as these new iterations become the operating norm.

Strongest pillars



Personalisation

Individualisation requires customer data, and lots of it, to power customer insights. Paradoxically, in this age of privacy concerns, customers are increasingly reluctant to provide it.

When customers do provide data there are two types of insights that drive personalised individual experiences: Unique knowledge about the individual customer, and Contextual knowledge about the customers' circumstances. The combination of these two enables personalised experiences, even when two unique customers trigger the same response.



Time and Effort

Customers expect a smooth experience at all parts of the sale journey. They don't want to be made to wait, and they shouldn't have a multitude of steps to take to reach their goals.

Customers want to be communicated to openly and honestly, being made weary of pitfalls and educated about what they are purchasing. Savvy customers can read straight through a weak proposition, and are easily driven away by a bad experience.



"If I want to buy something from a store, I will look at their app/ website first and if I don't like what I see I won't go to the store."

New Zealand Retail Customer

NZ Sector Review

Agri Business

What's happening worldwide?

No more one-size-fits-all customer

Worldwide, respondents to the 2018 CEE reporting proved that when it comes to food, we're pickier than ever before. Food consumers today care more than ever before about understanding where their food came from; how it was produced; and who the people are who produced it. Gone are the days of just maximising production and being able to stay in business.

In order for New Zealand companies to stand out in a globally competitive environment where real-time pricing transparency drives commoditisation, food producers must shift to a consumer-focused, value based culture. To accomplish this, agri-food organisations have to change from delivering to an average to creating solutions that fit the specific desires of an individual. However, this level of variability comes with a cost, so success in markets depends on organisations doing the work to identify the right consumers for the right products, including specific product attributes and the unique story behind where the food came from.



Fairlife
(USA)

In the USA, Fairlife milk stands out for providing a premium customer experience in a historically commoditised, price-sensitive marketplace. Fairlife accomplishes this by understanding the key product attributes that consumers care about and communicating them in a way that resonates. These key product attributes include how the milk is ultra-filtered, providing consumers with significantly higher levels of protein and calcium than a typical serving of milk. Another key attribute is the brand identity – which strongly promotes animal well-being and sustainable farming. By the end of 2016, Fairlife was in 76,000 US outlets and had a 79% increase in dollar sales versus prior year, all while selling their product for more than double the average retail price of milk.

What's happening in New Zealand

No industry is more vital to New Zealand's success than agriculture, being the life blood and identity of many rural New Zealand communities, that without it would not exist. At the core of agriculture are the consumers to which farmers and producers serve. However, the consumer is changing, and for agribusiness companies to continue to thrive, they must change as well.

Having a customer-centric attitude is not new in the agribusiness environment. New Zealand's major rural co-operatives are built and focused with their shareholder customers front and centre. Relationships are built on trust and a mutual understanding of operating environments, looking for win-win outcomes. We are seeing strong examples of customer focused business with companies like Ravensdown, who are widening their appetite for innovation and prioritising sustainability initiatives, with the goal of providing long-term benefits for their customers, shareholders and other community stakeholders.

What's happening next?

Shifting to a customer focused culture

For agribusinesses to understand and deliver great customer experiences, the entire value chain, from investors to farms to retail, have to work together to understand consumer needs. Farmlands Co-operative is in the business of doing just that. In order to help New Zealand farmers prosper, they recently refocused their organisational strategy to centre around their customers:

“To reinvent the Farmlands Co-operative Spirit, ensuring our shareholders' future success is at the centre of everything we do. To achieve a meaningful reinvention demands that we become relentlessly customer-focused... We try to anticipate the needs and wants of tomorrow's

customer, on the one hand by expanding the base of our knowledge and analysis of the industry we are a key part of, so we can see what's heading down the track towards us; and on the other hand by staying close to our customer/shareholders so we find ourselves on the same page in terms of what 'needs and wants' actually are.”

Colm Hamrogue

Director, Strategy and Communications

This customer-centric culture enables Farmlands to deliver an exceptionally high level of personalisation to their customers, which in turn creates a high degree of customer loyalty and commitment to the organisation.

While New Zealand's exports are worth a considerable \$60 billion, unfortunately no more than 12% of this is realised on shore before the farmgate, while the estimated value of these exports at retail may be closer to \$250 billion. In order for New Zealand agri-food producers to create and capture more of this value, they must undertake a similar shift by seeking to better understand their consumers' preferences. By doing so, farmers and producers can grow and deliver products that are aligned to the attributes that consumers care about most. By combining a consumer centric attitude with the New Zealand agri-sectors' appetite for innovation, there is the potential for New Zealand to emerge as leading providers for the next generation of consumption. This enables everyone in the value chain – including farmers, processors and exporters, industry good organisations, councils, Māori trusts, iwi and service providers – to create more value by better meeting future consumer expectations all over the world, which in turn helps all of Aotearoa prosper.

Strongest pillars

**Empathy**

A strong level of understanding between company and customer, driven by an emotional alignment. Agribusinesses know what their customers want, why they need their offerings and know what's critical, taking ownership of issues as they arise.

**Integrity**

New Zealand agri-business players are among the best when demonstrating a high level of integrity towards customers. Many are long established companies which have acted in the best interests of their customers for decades and maintain a strong 'do as they say they will do' attitude.



“Good tasting food and helpful staff, it would be nice to have easier access to what is in the food though.”

2018 CEE respondent, commenting on a New Zealand food retail business



“Good choice and have more organic products, but prefer to find more local food.”

2018 CEE respondent, commenting on a New Zealand grocery retailer

Creating the customer-centric organisation of the future

“59 percent of CEOs believe agility is the new currency of business.”

KPMG Global CEO Outlook Survey, 2018

In the old days, when the primary thing CEOs wanted to achieve was consistent, low-cost output across their increasingly complex manufacturing processes, the traditional 'division of labour' approach was an unmitigated success.

But, in this day and age – when even manufacturers are trying to think less like manufacturers – the old organisational paradigm is no longer enough.

That is because today's businesses are no longer centered around the manufacturing line – they are centered around their customers.

Today's organisations are striving to be organised around ideas, concepts, individualised designs and unique personal experiences. In this world, success goes to those that are the most interconnected, intertwined and creatively juxtaposed. The winners recognise that it's about ecosystems, not functions; relationships, not divisions; and journeys, not structure.

The problem is that the vast majority of today's leaders still manage functionally, not cross-functionally. With commercial advantage now going to those that are the quickest to develop quality connections both internally and externally, the need for a centrally organised and unifying set of principles that both encourages collaboration and drives towards the overarching mission and vision is critical.

The challenges for CEOs and decision-makers will be considerable. Indeed, they will need to have one foot in the present and one in the future – and be able to shift their weight from one to the other – if they want to stay ahead of the game.

In this report, we leverage our consumer data to help CEOs and decision-makers bridge that gap – to find their footholds in the present and the future. We provide examples of how the leading firms are crossing this divide. We explore how they are addressing the need to not just connect things today, but to connect to the ideas and technologies of the future to gain competitive advantage.

What we found was that the firms that provide the highest-rated customer experiences tend to be those that excel across all of The Six Pillars of customer experience excellence. And they are often the ones that structure their internal and external connections to align against four key attributes:



A commitment to excellence and competitive superiority



High levels of staff engagement and employee experiences that connect with the customer experience



An obsession with high-quality execution



Clarity on the economics of experience

Obviously, there are no silver bullets for creating a more connected business. Rather, it requires organisations to take a holistic approach – to consider the organisation as a system with multiple connections that each need to be managed, nurtured and harmonised. It is the whole, not the parts, that matter.

We believe that – if organisations hope to prosper in tomorrow's customer-centric business environment – they will need to overcome the limitations of the 18th-century organisational design. And they will need to start thinking more holistically about how they embrace the technologies of the future to deliver tomorrow's customer experience today.

“Life event drift and the redefinition of life stages affect not just customers, but employees too. These shifts are changing the rules for almost every organisation and impact the way they think about culture and the overall management of change. As such, the roles of managers and leaders are evolving rapidly.”

KPMG Global Customer Experience Excellence Survey, 2018



Fragmenting customer journeys



Customers are increasingly 'mixing and matching' as they unbundle and then reconfigure their buying experience to suit their individual needs. Organisations that react to the connected consumer and enable customers to re-bundle in unique and personalised ways are beginning to achieve a market advantage.

The arrival of the internet has enabled customers to create their own customer experiences. It has been particularly true of the travel industry where customers have long been able to unpick components such as flight, hotel, car hire and transportation.

More recently, customer configuration has also hit the retail sector. Customers may walk into a physical store for information, but then purchase online and have the product delivered and installed (if necessary), all at a time of their choosing. The process may involve several different entities, but it is seamless to the customer.

The reality is that this digital democratisation of the purchasing process is fragmenting what has historically been a stable and predictable process.

The leading organisations in our research are those that are connecting their customer in unique and exciting ways by developing a network of ecosystem partners that enable and empower the customer to bundle services and products in ways that suit them best. These organisations realise they cannot do everything themselves, but they can create an integrated environment where consumers can construct seamless journeys using the power of connected digital technology.

Taking top spot in Australia, Singapore Airlines (SIA) can attribute their success to their ability to get closer to their customers and understand their needs and requirements at each stage of the travel life cycle. This has meant looking beyond the touchpoints that are managed or controlled by Singapore Airlines to understand how value is being added to the end-to-end experience regardless of who actually delivers the experience.

Investments into a customer experience management (CEM) system have allowed the company to listen and react to the customer's voice as they moved through this unbundling and re-bundling process. This, in turn, uncovered opportunities to improve their passengers' experience across multiple touchpoints. One of the areas it identified was a need to catch up with their digital experience. Recognising the emergence of the 'ultra-connected traveller', SIA set about creating an app that reconnected and re-bundled different components of the on-board and pre-boarding travel experience for the benefit of its customers.

Here in New Zealand, food retailer New World aims to integrate both online and instore shopping. Examples include delivering healthy dinner kits, and instore demonstrations with competitions to inspire and incentivise customers to participate with the brand. Customers in New Zealand note that the brand demonstrates its Integrity through fair trade and a strong environmental focus.

Rebuilding and integrating customer journeys is a process of aggregation, selecting appropriate partners, orchestrating them and then presenting the options to customers in new and exciting ways. Many of the leading organisations in our research are using this re-bundling process to create a cohesive whole that delivers on the brand promise.

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“If I want to buy something from a store, I will look at their app/website first and if I don't like what I see I won't go to the store.”

New Zealand retail customer

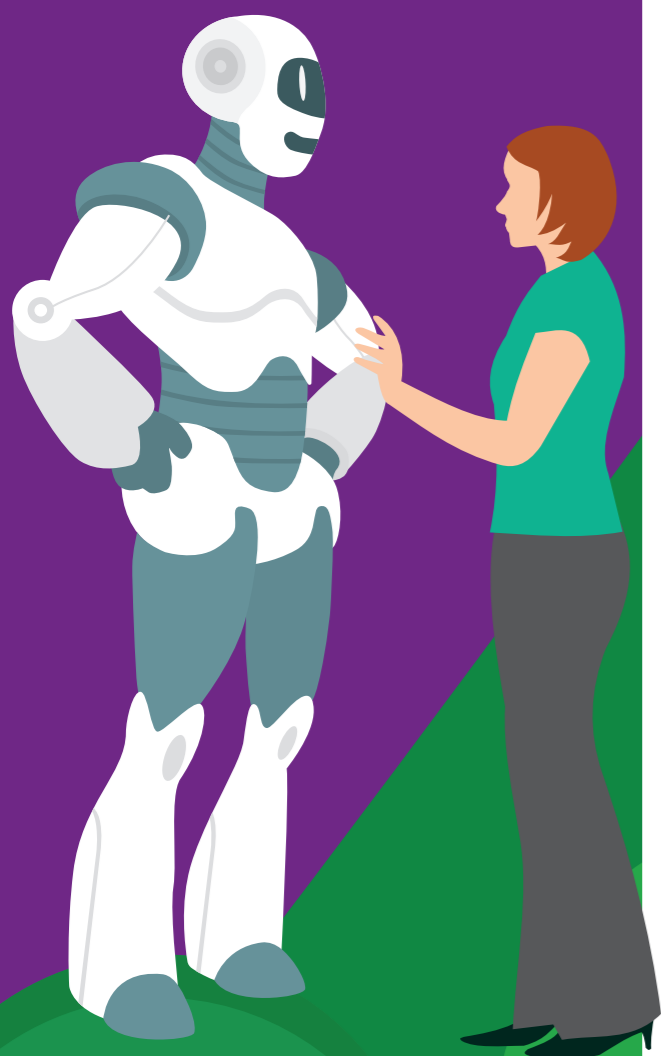
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“We want to ensure that customers feel that their voice is being heard and that their concerns are being addressed, both online and offline.”

Jules Lloyd-Jones

General Manager Marketing at Mitre 10

Understanding tomorrow's customer



While digital applications continue to automate existing processes, they are increasingly being designed to solve a number of life problems. What life problems can be solved by new technologies? To find out, it is first necessary to understand the evolving customer. And to do that, the leading organisations are using deep customer understanding to design tomorrow's experience today.

The dominant thinking paradigm for organisations is 'inside out' – viewing the world through the lens that has historically brought success for most organisations. But the disruptive nature of technology and today's discontinuous geo-demographic trends means that this lens has become limiting for a company's growth.

The paradigm that is proffered instead is 'outside in' – where the lives and needs of the customer come first and are used to shape the strategy of the organisation.

While these two approaches are often presented as alternatives, our experience suggests that the leading organisations use both lenses simultaneously. They recognise that – if they want to get to where the customer is going before their competitors – they need to be able to predict customer needs before they emerge.

Generational surfing emerges

To understand the experience customers will expect tomorrow, organisations will need to look at millennials, Generation Z and their respective parents at the same time. Being able to interpret the interdependent changes and their impacts is called 'generational surfing', a process of focusing on demographic drivers of customer needs.

The process is founded on the recognition that life stages are shifting and extending, and life events aren't as reassuringly predictable as they once were. While certain life stages may be enduring, the way different generations approach and move through them is showing signs of change.

For companies, this evolution means anchoring everything you do to your customers and looking afresh at their motivation, attention, connection, watch and wallet to anticipate their needs, behaviours, trade-offs and choices as they move from one life stage – or wave – to another.

Understanding these life event 'drifts' can help businesses anticipate changing needs and preferences and can help companies ride the waves of change.

The 'Baby Boomer Echo Effect'

For the first time in many generations we are seeing parents being educated by their children rather than the other way around – a phenomenon known as the 'Baby Boomer Echo Effect'. The most obvious example is where digital, social media and advanced technologies are adopted first by millennials who then introduce them to their parents. In fact, the boomer parental group is significantly influenced by their offspring, perhaps more so than any previous generational demographic.

The challenge for businesses seeking to capitalise on this demographic effect is to deliver a mobile, unified and digitised customer experience that is affordable, sustainable and meaningful. Artificial Intelligence (AI), chat bots and virtual agents, voice synthesis and a range of machine learning technologies provide a platform

for engaging this group in a way that resonates with their worldview.

Looking at the leading companies, our research indicates there are four areas where technologies are playing a significant CX role:

- Equipping employees with the tools and information to successfully resolve customer inquiries at first point of contact
- Delivering high levels of customer personalisation and engagement throughout the customer journey
- Pre-empting customer problems using remote diagnostics and internet-enabled technologies
- Improving customer interaction and complaint resolution by enabling multiple mechanisms for contact.







For many organisations, there are significant barriers to adopting and getting value from these technologies. Silo-based organisations, systems that reflect historic silos, legacy infrastructure and limited resources all need reconnecting in new ways.



"Authenticity is especially key unlocking the wallets of customers of all ages. Millennials are having a deep impact on the generations that came before them (Boomers, Gen X etc.) as well as the one that comes next: commonly referred to as Gen Z."

KPMG Global retail trends, 2018

By 2019, millennials will outnumber baby boomers. As a generational demographic, they have several defining characteristics:

-  They are extremely connected to their mobile devices; their rite of passage is no longer their first car, but their first smartphone
-  They use social media apps to communicate
-  They value convenience and personalisation
-  They are mobile and would happily move between companies if they found a better combination of value and experience elsewhere
-  They are predisposed to dealing with companies that are both purposeful and meaningful to them as individuals and the values they hold
-  They are reticent or less inclined to trust the established institutions

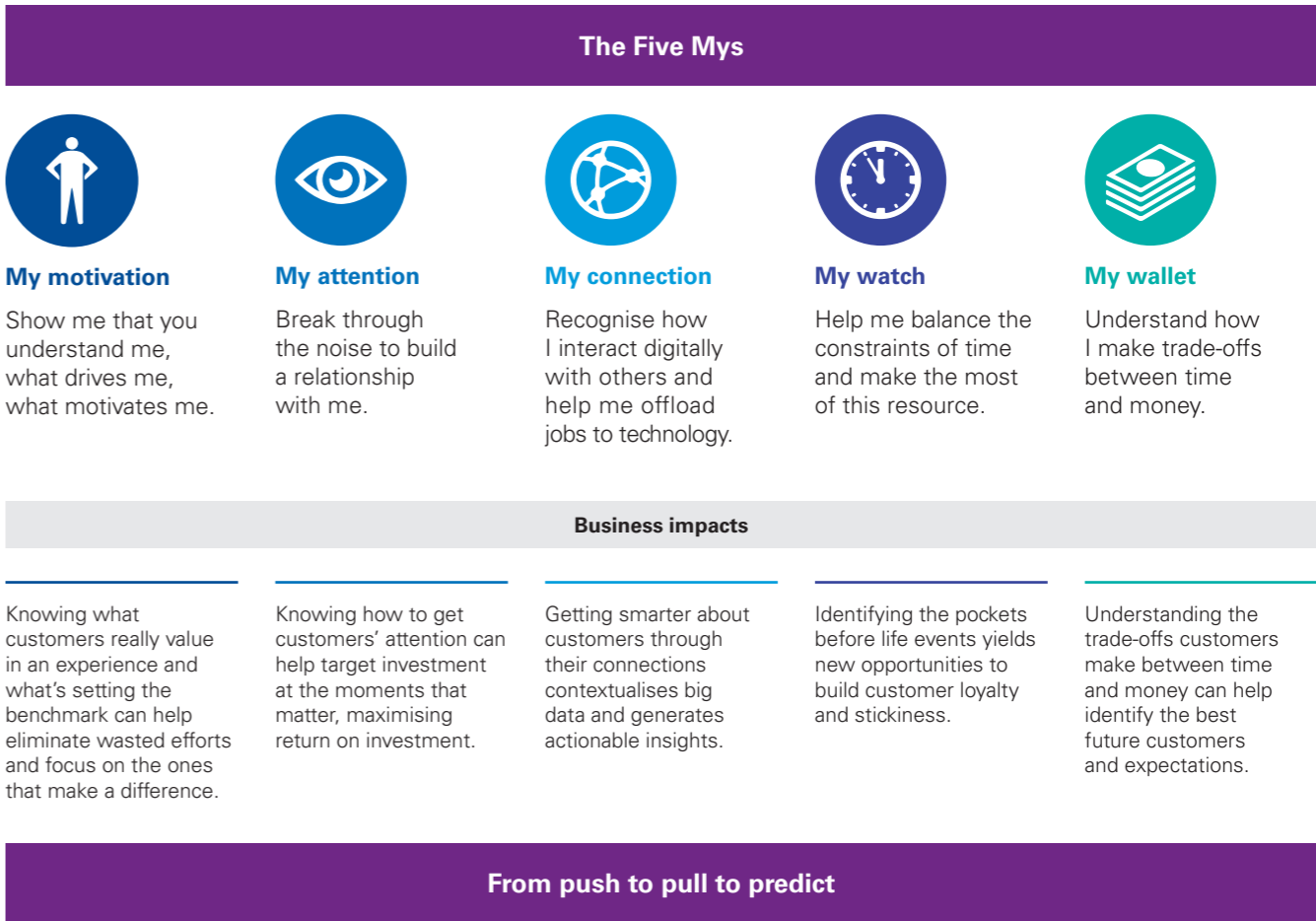


“...believe that their brand needs repositioning to meet the needs of millennials.”

Source: KPMG CEO Outlook, 2018



Through a multi-dimensional lens called The Five Mys, organisations can gain insights that navigate the complexity of consumer decision making. Each of the Five Mys in isolation tell only part of the story: together they can help provide companies with a clear picture of the collective influences on today's customer and how those affect decisions, preferences, choices and spending.





CUSTOMER EXPERIENCE CHECKLIST

Welcome

Do we recognise the customer from the start?
Can we see their previous interactions quickly and easily?
Are we able to see their omni-channel experience – have they just been on-line and called as a consequence?
Are our people trained to greet and manage the interaction in a way that suits the customer's personality?

Engage

Do our people know how to listen well?
Do they have the questioning techniques to uncover the 'meaning' behind the words?
Do we have the emotional intelligence to respond with the psychological response the customer is looking for – reassurance, sympathy or urgency?
Do we track digital pathways to provide insight for customer experiences online?

Respond

Do we make it easy for customers to update their preferences?
Do we capture personal data in a way that enables its careful use in the future?
Are we available to respond when and how our customers want us to?
Do we have a central record of all insights pertaining to this customer?
Can we quickly and remotely access information we need about a customer?
Do we understand the segment they loosely fit into?
Are our communications to customers required and desired?

Solve

Do we make it easy for our people to go the extra mile?
Do we empower them to make sensible judgements?
Are our people clear on the boundaries of their empowerment?
Do our people have the detailed product and technical knowledge required to solve frequent issues?
Do we recognise our people when they are 'heroic' in fixing things for the customer?
Do we collect and use feedback to improve things for the customer?

Close

Do we practice next-issue avoidance?
Do our processes enable transparency with the customer?
Do our people know the follow-on processes well enough to accurately set customer expectations?
Is our close warm, friendly and personal – or a standard "have a nice day?"
Do our values resonate into our customer satisfaction programmes?

Particularly in New Zealand

Are we testing and trialling new technologies?
Do we review our customer experience data and dependencies often to enable smarter systems?
Do we have a view as to the customer life problems we can fix?
Are we developing our digital spine – uniting front, middle and back office and enabling customer self-service?



Today's customers are better informed, better connected and more demanding than ever before. Customer experience is overtaking price and product as the number one brand differentiator. Organisations are investing record amounts on customer-related initiatives, but not all are seeing a credible return on investment.

Customer strategy

Using innovative approaches to growth strategy, product development and new business models, KPMG helps clients on their customer and market strategy. Our accredited strategy practitioners help organisations answer the questions such as 'what to aim for' (strategic investment) and 'where to play' (market and brand strategy).

Customer experience

Using the KPMG Customer Experience Excellence Centre that has led this research, we create winning customer experience strategies. This includes customer journey redesign across digital and non-digital channels, customer loyalty and mastering CX economics to maximise customer lifetime value.

Customer profitability

KPMG's Customer Profitability team can take the traditional P&L of any business and derive insights into the hidden problems and opportunities. We accomplish this by using our multi-dimensional profitability tool to identify the most profitable combination of customers, products and channels.

Marketing, sales and service transformation

The KPMG team can help you to digitally enable and transform the effectiveness of your marketing, sales and service functions to create a connected enterprise – integrating front, middle and back office operation – to enable a more agile and responsive business.

Customer-centric organisation

KPMG's customer team can help you to cohesively mobilise your business around your customers. We do this through operating model optimisation to empower employees to proactively and efficiently serve customers.

Customer pricing, analytics and insights

KPMG's customer analytics solutions and decision engines can help you to understand customer and quantify customer insights. This includes leveraging customer experience insights to create more economic value through value-based pricing strategies.

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