



# Competing for growth

**Creating a customer-centric,  
connected enterprise**



KPMG Customer Advisory

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# Introduction

Omnichannel is one of the biggest management buzzwords of the digital age. But while multiple cross-channel interactions are important for customer engagement, they alone are not enough for companies to compete in today's environment. Especially when profitability is at stake.

At a time when poor customer experience can go viral in a matter of minutes, companies can live or die by the way they deliver services, respond to issues and manage customer expectations. Indeed, CEOs themselves feel a growing responsibility to represent the best interests of their customers, according to KPMG International's 2017 CEO Outlook Survey.

I believe the key to growth lies in the ability to design and deliver compelling, seamless customer experiences, which require alignment across the front, middle and back office. They need to be connected with five stakeholder groups: customers, business functions, employees, partners, and the digital ecosystem.

Many CEOs concur. Fifty-five percent said they have aligned their middle- and back-office processes to support a more

customer-centric approach to front-office operations. Their goal is simple: to deliver profitable customer experiences.

This report focuses on the value of being a customer-centric organization and the steps to achieve it. With insight from our 2017 CEO survey and KPMG-commissioned Forrester research of more than 1,200 organizations, we address how to look beyond omnichannel interactions to build a connected enterprise. Such an enterprise can help you navigate the challenges of digital disruption, compete effectively in a rapidly evolving marketplace and drive profitable growth.



## Julio Hernandez

Lead Partner of the KPMG Global Customer Center of Excellence and Customer Advisory Lead for KPMG in the US

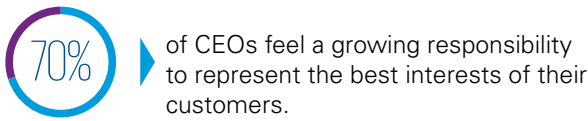


## View from the top

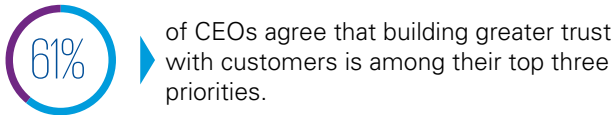
CEOs understand that customer-centricity leads to growth. This is beginning to filter into their organizations.

### View from CEOs\*

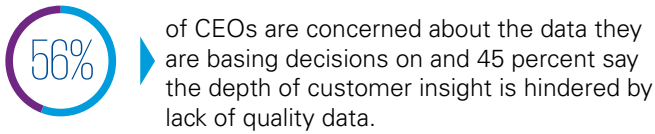
Representing the interests of customers



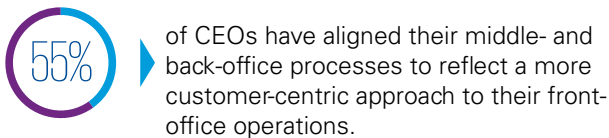
Building trust with customers



Depth of customer insight



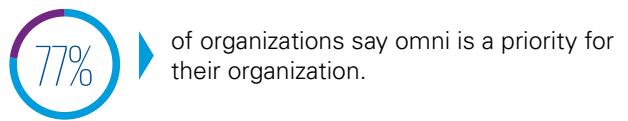
Aligning the organization



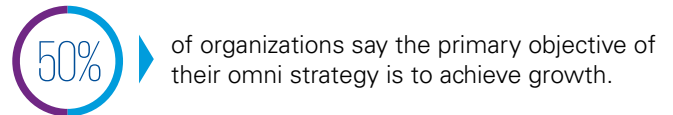
Source: \**Disrupt and Grow, 2017 CEO Outlook*, KPMG International.  
\*\*Commissioned study conducted by Forrester Consulting on behalf of KPMG International, July 2016, of 1,290 global professionals involved with omni strategy decisions at their companies.

### View from technology and omni business leaders\*\*

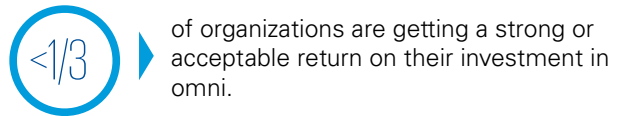
Investing in core customer capabilities



Generating growth



Return on investment



“When transformation is driven from the top down we regularly see better business results. CEOs need to help their organizations break down the internal silos so that they can get things done on behalf of the customer and achieve growth.”

— **Julio Hernandez**  
KPMG in the US

# How can you stay ahead of rising customer expectations?



Today's customers are connected; they are demanding, empowered and informed with unlimited information and choice. Yet, 38 percent of CEOs say they are not leveraging digital as a means to connect to their customers as effectively as possible.<sup>1</sup> Considering the digital world we live in, that means a call to action.

This new environment has created a fiercely competitive marketplace where brands must transform rapidly to meet evolving customer expectations. Disruption has become pervasive; challenging business models, legacy products and entire industries. Even the most highly regulated markets and companies are no longer immune.

Therefore, delivering on the customer imperative for a connected experience requires organizations to be responsive, resilient and closer to their customers than ever before. The ability to understand and meet customer expectations is a primary driver of growth, as confirmed by our research.

To survive and thrive, organizations must continually understand and manage the expectations of their customers — as well as the partners who engage those end customers — and create differentiated experiences that go beyond multichannel interactions. These expectations span four key experience attributes:

1. **Brands** must be perceived as trustworthy, attractive and differentiated from their competition.
2. **Products and services** must be relevant, transparent and consistent.
3. **Customers' interactions with a company** must be personal, seamless, frictionless and timely.
4. **A company's people** must be truly customer-centric: knowledgeable, reliable and empowered.

“Disruption has become pervasive, challenging business models, legacy products and entire industries. Even the most highly regulated markets and companies are no longer immune.”

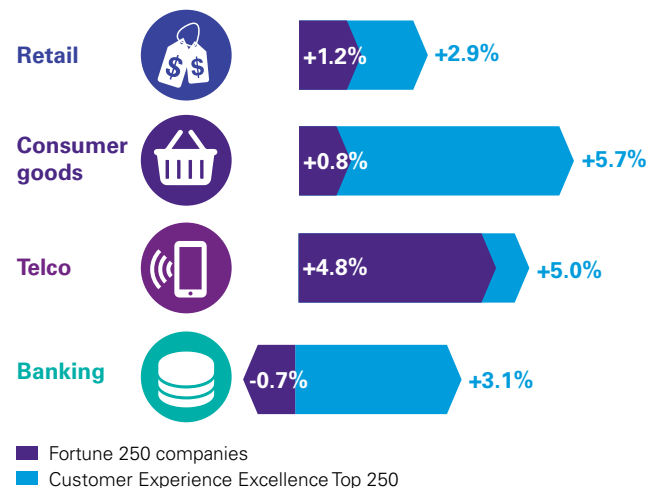
Businesses must put the customer at the center and elevate customer experience as a competitive differentiator. However, the ability to consistently align the experience expectations with experience delivery has proven a critical and enduring challenge, according to our research.

This struggle is largely because too many organizations are focused on solving their front-office issues without aligning their middle and back offices to execute and deliver on their customer promise. They're facing obstacles like customer data that's buried in different business units, products and pricing that vary across channels, and supply chains that can't meet the commitments made to customers.

### Customer centricity drives sales growth

According to a 2016 study from KPMG Nunwood, companies that are more customer-centric have higher sales growth than companies that are not customer-centric.

#### Sector revenue growth rate (2015–16)



Source: Fortune 250 list data (2015, 2016); Nasdaq revenue data; Customer Experience Excellence in the US — KPMG Nunwood 2016.

<sup>1</sup> *Disrupt and grow, 2017 CEO Outlook*, KPMG International.



# Becoming a connected enterprise

















High-performing organizations recognize that to become truly customer-centric — and deliver experiences that create value for both the customer and the company — they need to get connected. That means connecting to their customers with compelling value propositions, opportunities and interactions. It also means connecting their front, middle and back offices to execute the customer growth agenda effectively and efficiently while also connecting and aligning with their channel and business partners to jointly deliver on commitments to customers. Lastly, it means staying connected to market dynamics and digital signals.

KPMG refers to this level of maturity as the connected enterprise and it goes far beyond channel harmonization.

According to our research, high-performing organizations are getting connected by making significant investments across eight connected enterprise capabilities. They are doing this to a greater degree than less mature organizations. These connected enterprises are able to understand what customers need and value, and they achieve it by delivering the intended experience profitably. They also have the responsiveness and resiliency to evolve with the changing consumer and competitive landscape to consistently deliver on their customer promise.

Experience attributes	Connected enterprise capability	Description
 <b>Brand</b>	 <b>Product, pricing and customer strategy</b>	The ability to deliver relevant, valuable and consistent products, services, experiences, pricing and offers that are targeted to their intended customer segments.
	 <b>Experience centrality</b>	The ability to design and deliver a seamless and personal customer experience that continually meets evolving expectations across all physical and digital touch points to drive engagement, satisfaction and loyalty. Experience centrality applies to prospects, customers, employees and partners.
 <b>Products/ services</b>	 <b>Responsive supply chain and operations</b>	The ability for a customer to select, receive and return products/ services when, where and how it is convenient for them and in a way that is enabled through advanced, analytics-driven demand planning, inventory management and distribution.
	 <b>Partnerships, alliances and vendor management</b>	The ability to effectively leverage third-party entities to increase speed to market, reduce costs or supplement capability gaps to deliver on the customer promise.
 <b>Interactions</b>	 <b>Advanced data and analytics</b>	The ability to harness and use data, analytics and insights to engage and execute in a thoughtful and orchestrated manner across all touch points while also protecting customer data integrity, privacy and security.
	 <b>Technology architecture and enablement</b>	The ability to leverage technology systems and expertise to effectively and efficiently deliver cross-channel experiences, provide employees with enabling tools and synchronize with partners and the broader digital ecosystem.
	 <b>Seamless commerce</b>	The ability to deliver a convenient, secure transaction experience that meets customer preferences while ensuring payment technologies are integrated and provide a consistent experience across channels.
 <b>People</b>	 <b>Organization alignment and people capability</b>	The ability for an organization to marry outside-in customer perspectives with inside-out experience management processes and capabilities, including top-down executive vision, cultural alignment, matrixed and agile organizational structures and integrated, aligned performance management.

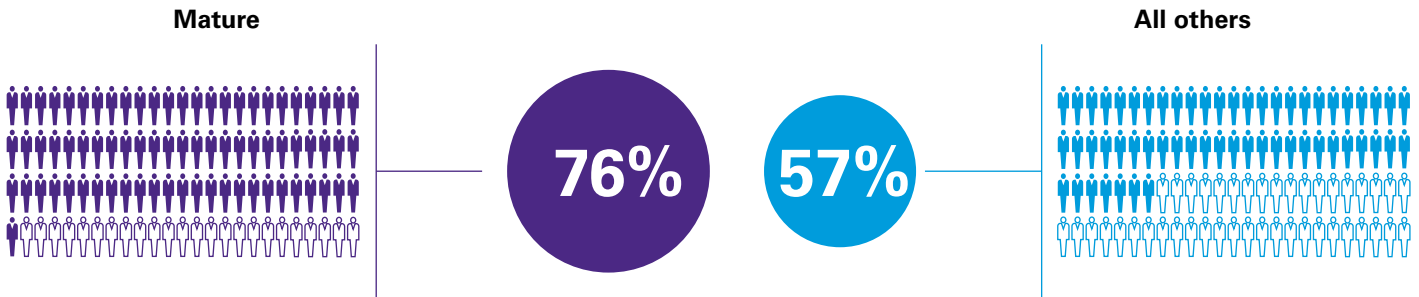
# Capturing the value opportunity in a connected enterprise



Our research shows that it pays to be connected. Compared with less mature organizations, companies that invest across the eight capabilities are meeting customer expectations.

### Delivering against expectations

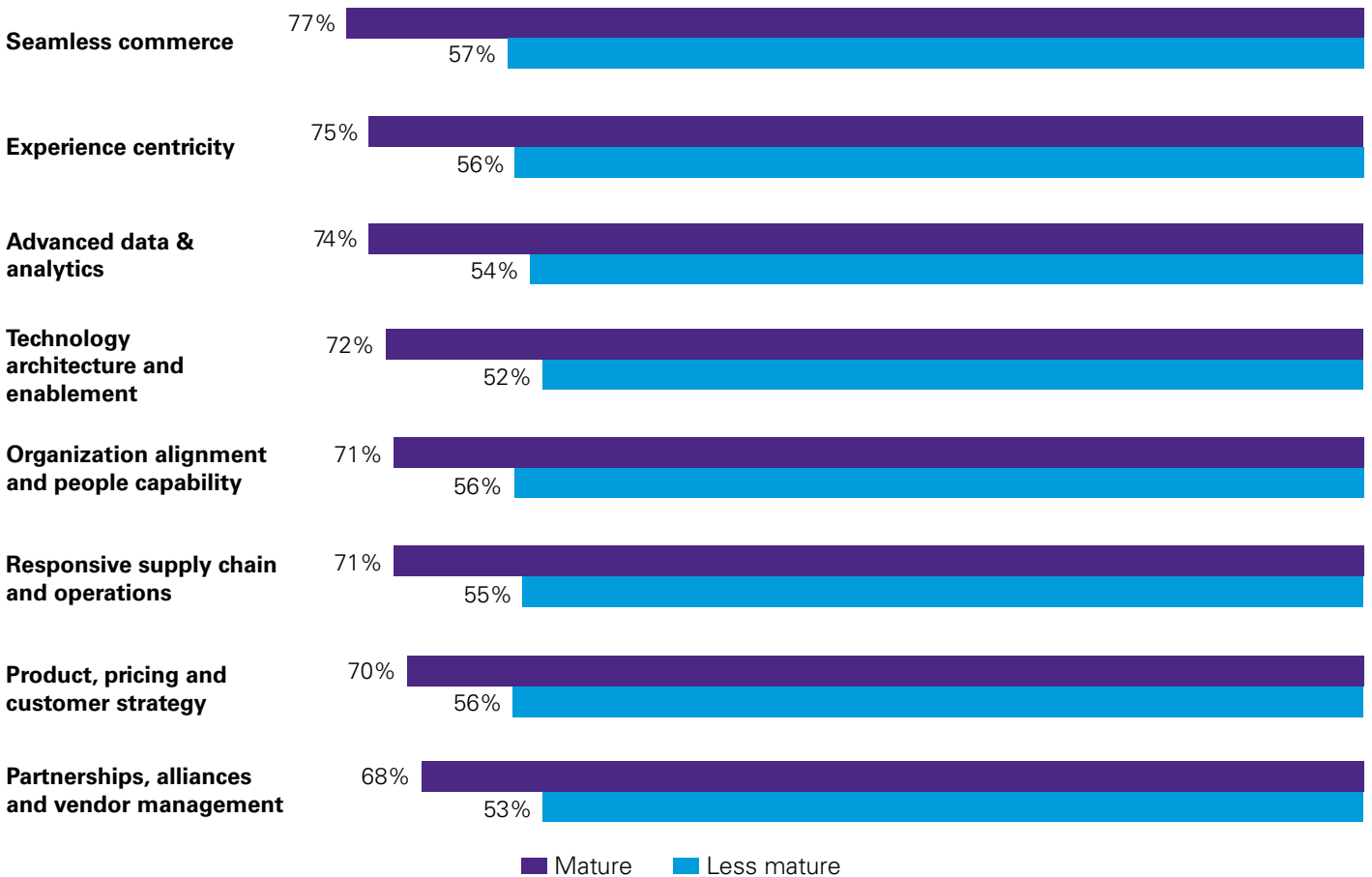
('Exceeds expectations' shown. \*)



Moreover, compared with less mature organizations, companies that invest across the eight capabilities are significantly more likely to meet their business objectives.

### Please rate your company on its ability to execute on the following objectives.

('Excellent' or 'good' shown. \*)

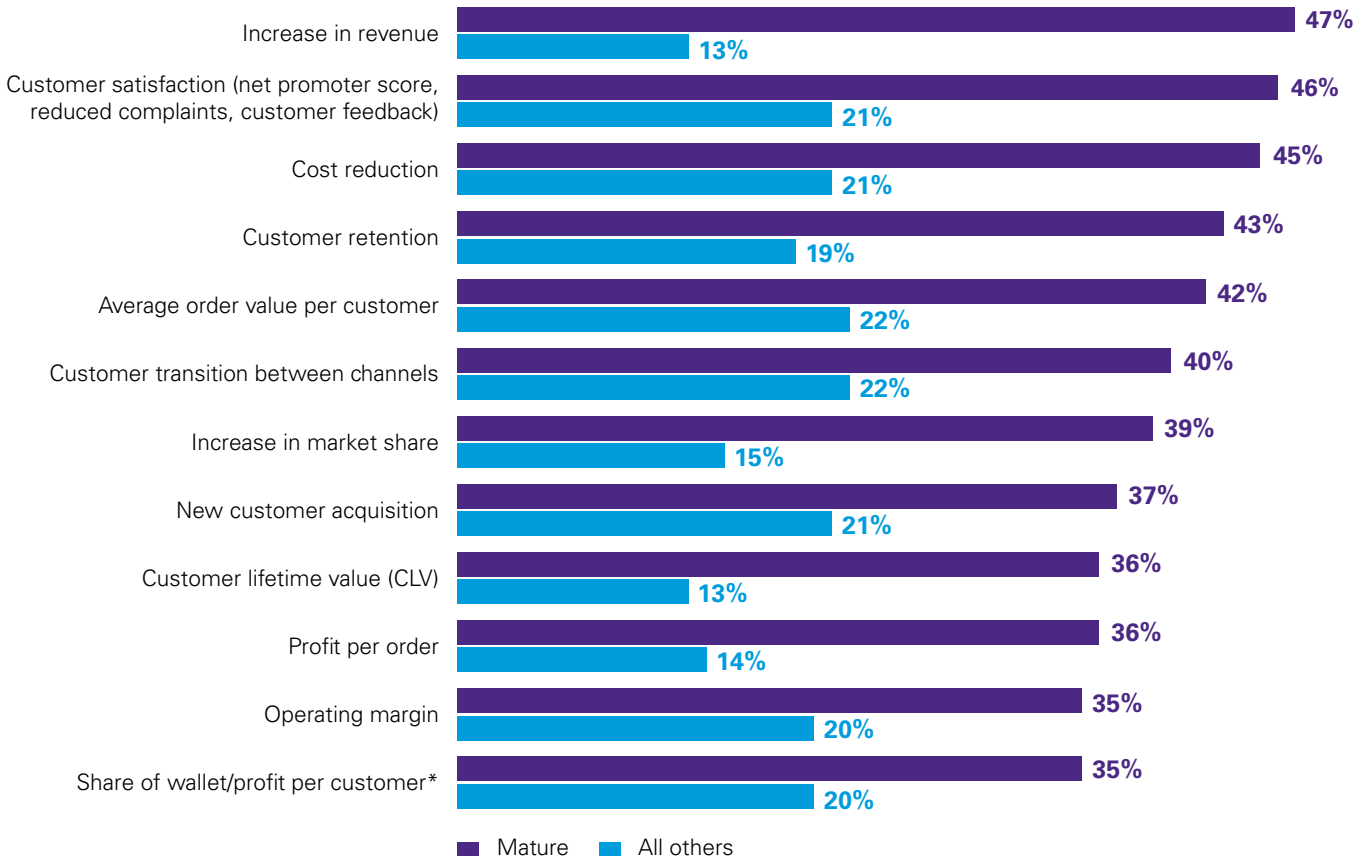


\*Base: 314 global professionals at companies investing in all eight omnichannel capabilities and 976 not investing in all eight capabilities. Source: A study conducted by Forrester Consulting on behalf of KPMG, July 2016.



Fifty-one percent of mature organizations are using 5+ metrics to measure ROI versus 42 percent of less mature organizations.

**Mature organizations also are more likely to see an acceptable return on their investment in customer initiatives.**



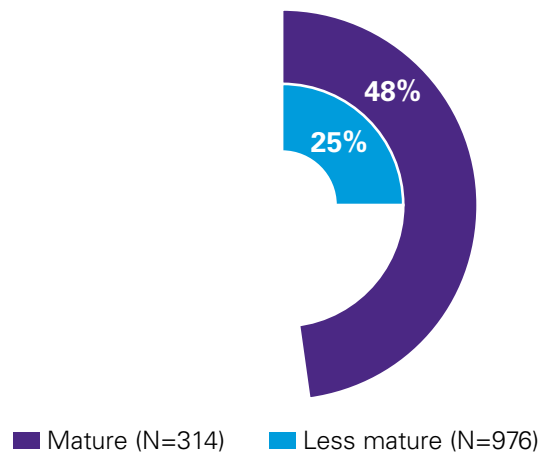
“Investing in the eight capabilities is only part of the equation. Brands also must have a clear understanding of where and how they’re investing so they can fully benefit from the connected enterprise approach. Only then will they be able to deliver what consumers want.”

— **Duncan Avis**  
 Global Connected Enterprise Architect,  
 KPMG in the US

\*Base: Variable; global professionals at companies with mature omnichannel strategies and those at less-mature companies that are measuring ROI on their omnichannel investment.  
 Source: A study conducted by Forrester consulting on behalf of KPMG, July 2016.

## Omnichannel success metric

**Customers' experiences exceed expectations  
AND  
Successful execution on one or more  
omnichannel business objectives  
AND  
ROI achieved on one or more metric(s)**



When you consider all of these omnichannel success factors — meeting customer expectations, meeting business objectives and achieving ROI — mature firms, or what we call connected enterprises, are roughly twice as likely to achieve omnichannel success when compared with organizations that do not invest in the eight capabilities.

Connected enterprises also enjoy:

- **Better customer retention**, with 89 percent of customers retained, compared to 33 percent for companies with weak omni strategies.<sup>2</sup>
- **Lower annual per-customer contact costs**, with a 7.5 percent year-on-year decrease compared to 0.2 percent for laggards.<sup>3</sup>
- **Higher annual revenues**, with a 9.5 percent year-on-year increase versus an average 3.4 percent.<sup>4</sup>
- **Greater customer lifetime value**, as customers who purchase through both physical and online locations have a 30 percent higher lifetime value than those who use only one channel.<sup>5</sup>

<sup>2</sup> Aberdeen Group

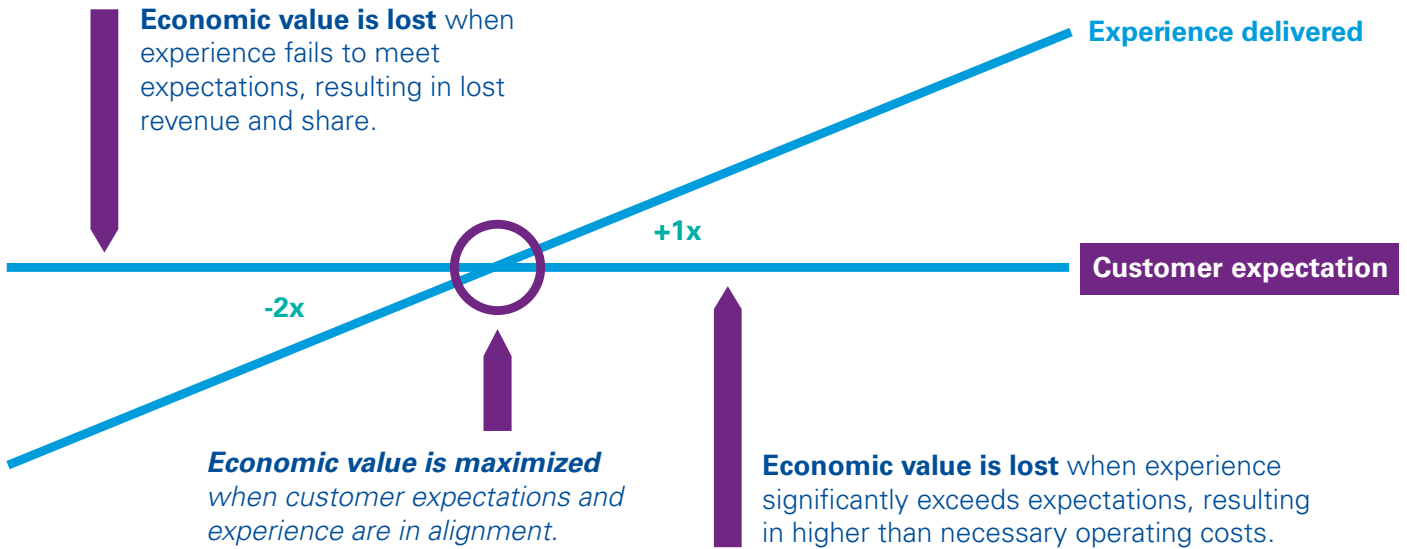
<sup>3</sup> Aberdeen Group

<sup>4</sup> Google

<sup>5</sup> eMarketer

Ultimately when it comes to capturing value, the work KPMG member firms do with clients shows that the connected enterprise enables organizations to better manage and modify expectations and deliver the right experience — at the optimum value. That is, mature organizations are more successful at striking the right balance between what customers expect

and what makes financial sense. They do it by mastering the economics of customer experience. Simply stated, enterprises need to manage both experience expectations and experience delivery and execution, recognizing the power of the eight connected enterprise capabilities working together.





“Creating a connected enterprise is not just about the front office — it is across the entire enterprise value chain. While we know that addressing this is a top priority, many organizations have not yet set or executed on their omni strategies. There is tremendous financial impact to getting this right — gains in revenue, efficiency, retention and customer lifetime value.”

— **Julio Hernandez**

Lead Partner of the  
KPMG Global Customer Center  
of Excellence and Customer Advisory  
Lead for KPMG in the US





# Charting the way forward

# Despite this compelling evidence, our research shows that just 24 percent of organizations are investing in all eight capabilities of a connected enterprise.

How can you get into action? Keep in mind that becoming a connected enterprise is an ongoing journey — not an end state. Here are some key steps for developing your strategy:

- 1. Understand how you are performing today.** Consider several dimensions: What are your customers telling you about the services and products you are delivering to them — are they promoters, satisfied, profitable? If not, where is the breakdown occurring? How is your organization performing on each of the eight capabilities of a connected enterprise? To what extent is the business ensuring the eight capabilities are working together to provide a seamless experience for the customer?
- 2. Define the customer experience your business wants to deliver** based on a clear understanding of the voice of the customer, the marketplace including competitive and comparative practices and experiences, and the

economics of these experiences on your existing and target customers.

- 3. Identify the necessary requirements for delivering the appropriate customer experience** using the eight capabilities of a connected enterprise and understand where there are gaps in your company's ability to execute today.
- 4. Develop a road map for closing the connected enterprise gaps.** Create a detailed business case for each initiative, with clear linkages to desired value and required capabilities.
- 5. Execute the plan and continually monitor your progress** from your customers' perspective, the economics of the experiences delivered and your competitive positioning.

## What are the signals of success?

Connected enterprise capabilities	What good looks like for customers	What good looks like for organizations
 Product, pricing and customer strategy	Connection to the brand, relevance of product and experience	Products/services, pricing and promotions are optimized leveraging real-time data
 Experience centricity	Experience the brand promise across all touch points	Decisions about customer experience are made to optimize the economic value of priority customers
 Responsive supply chain and operations	Receive products and services when, where and how it is convenient	Leverage innovation-driven demand, inventory management and distribution
 Partnerships, alliances and vendor management	Reap the benefit of partnerships without compromising perception	Identify and leverage synergies with third parties to overcome enterprise barriers
 Advanced data and analytics	Personalized interactions with a brand, leveraging customer data	Leverage real-time customer data to optimize the experience
 Technology architecture and enablement	Frictionless use of technology across the journey and experience	Culture of innovation and agility driving speedy, quality tech implementation
 Seamless commerce	Seamless and secure payments for products/services across channels	Preference-driven and integrated payment mechanisms across channels
 Organizational alignment and people capability	Seamless and consistent experience across all brand interactions	Culture of inside-out experience centricity



# Why work with KPMG

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. Organizations are investing record amounts on customer-related initiatives, but not all are seeing a credible return on investment.

KPMG member firms combine expertise in strategy and implementation — as well as industry and functional knowledge — to create better customer outcomes that produce better business returns. That means looking beyond the front office to a wholesale transformation of functions such as marketing, sales and service — and linking them to the middle and back office. The resulting organization is closer to customers and can deliver interactions that are seamless, responsive, relevant and consistent, helping companies build greater loyalty and share of wallet. From ambition to implementation, KPMG member firms work alongside organizations on their journey to become customer-centric, balance cost against customer satisfaction and maximize opportunities to increase revenue.





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