



# Changing the paradigm on customer centricity

**Moving beyond omnichannel**

[kpmg.com](https://www.kpmg.com)

**“The task is much broader than just making sure the right channels are in place. Retailers need to ask themselves, ‘How do I run my business to be more customer-centric?’ That involves a total business perspective.”**

Mark Larson, Partner  
Line of Business Lead,  
Consumer & Retail, and  
Sector Lead, Retail, KPMG  
in the United States



# Moving beyond omnichannel

Retailers worldwide are facing threats to their very survival, from eroding margins and declining market share to the demands of digitally adept consumers whose best customer experiences have become what they expect from every customer experience.

Many retailers have responded with a largely outdated omnichannel approach, focusing on integrating the physical and digital channels they use to interact with customers, when the problem is actually inside the business. Today's customers will remain loyal only if a brand offers them transparency and superior quality products while actively engaging with them to build a relationship they value. Meeting those needs has nothing to do with offering yet another physical, digital, or mobile channel—and everything to do with running the business in a way that is customer-first and customer-centric.

To succeed in winning the loyalty of 21st-century customers, retailers need a holistic, enterprise-wide, "outside-in" approach connecting the capabilities of the front, middle, and back offices so that customer centricity can become the focus of the entire business. Moving away from the limitations of omnichannel, executives have begun to adopt a KPMG Connected Enterprise or "omni" approach.

KPMG member firms seek to challenge the predominant view of omnichannel and elevates customer centricity above and beyond channel interactions. The KPMG Connected Enterprise approach provides personalized customer experiences, relevant products based on customer needs and preferences, and smooth, connected experiences across all digital and traditional customer interactions.

KPMG International commissioned Forrester Consulting to conduct a study to take a deeper look. Our research shows that while a little over three-quarters of retailers cite omni as a top or high priority, at minimum two-thirds of retailers say their omni efforts have not generated the returns they need. Customer-focused retailers need specific business capabilities to meet customer expectations and drive growth. The KPMG Connected Enterprise solution focuses on the capabilities retailers require to understand and deliver against changing customer expectations. And it identifies steps leaders can take to build these capabilities and thereby create sustainable value from customer centricity.



77%  
of retailers cite  
omni as a top  
or high priority.



34%  
or fewer are getting a  
strong or acceptable  
return on any single  
omni ROI metric.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, August 2016

# The KPMG Difference: Our market- leading perspective

**The KPMG Connected Enterprise** approach is built on an architecture of eight fundamental and integrated capabilities that can help retailers unlock new value for customers, employees, partners, and shareholders. Customers are increasingly becoming channel- and retailer-agnostic, passing through complex journeys that are difficult to track and measure. The KPMG Connected Enterprise enables companies to understand and deliver against their customers' ever-changing and heightened expectations (Figure 1).

Companies that invest in the eight capabilities are achieving demonstrable success. Indeed, using a measure of omni success that factors in three business outcomes—customer experience, business objectives, and self-reported ROI—our research shows that mature retailers (those investing in all eight capabilities) are over twice as likely to achieve omni success compared with their less mature peers (Figure 2).

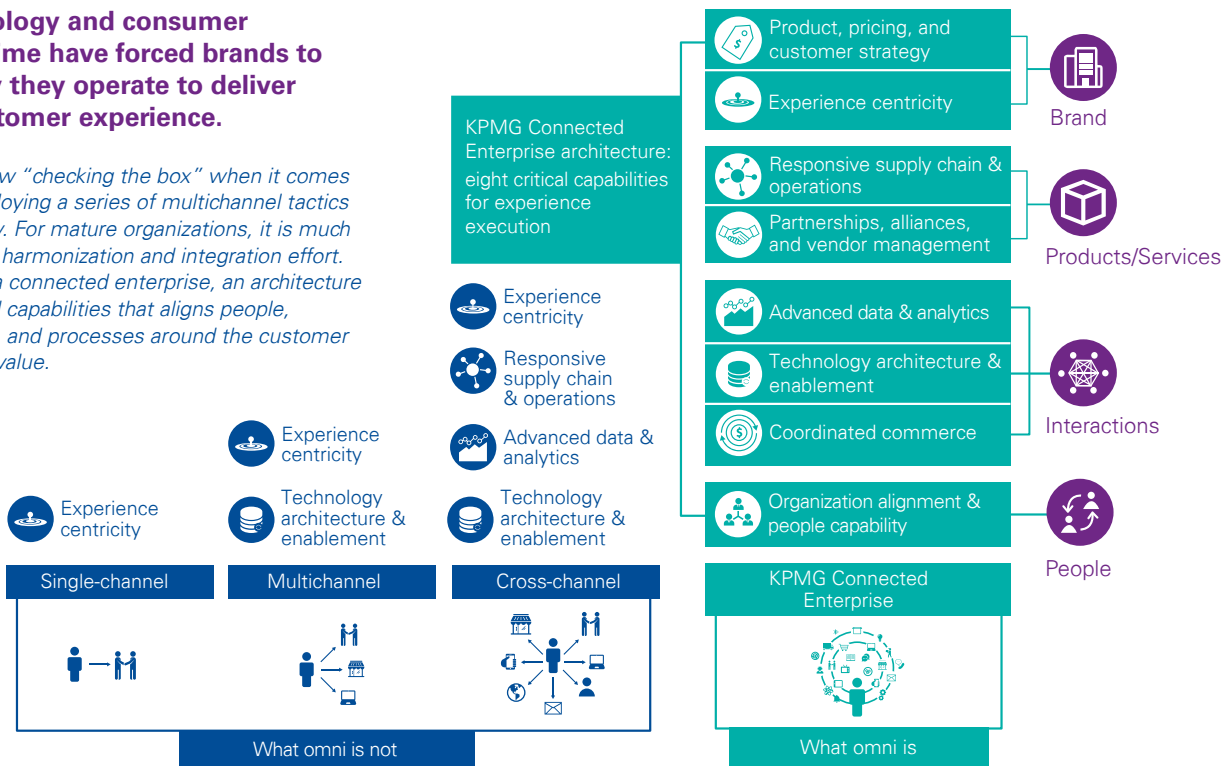
Most companies have already begun the journey in some way, so the goal is not necessarily to start anew; however, it is important to integrate existing investments in a meaningful way. Our research shows the benefits are worth the investment. Mature organizations outperform less-mature firms by 15 to 28 percentage points across objectives aligned to all eight capabilities. Furthermore, 78 percent of mature retailers reported providing experiences that exceed customer expectations, compared with just 56 percent of less mature firms. The customer experience can be the difference between gaining a loyal customer and losing a dissatisfied one.



**Figure 1**  
**The KPMG Connected Enterprise evolution**

**Evolving technology and consumer behavior over time have forced brands to change the way they operate to deliver the desired customer experience.**

Organizations are now “checking the box” when it comes to omnichannel, deploying a series of multichannel tactics disguised as strategy. For mature organizations, it is much more than a channel harmonization and integration effort. They’re investing in a connected enterprise, an architecture of eight fundamental capabilities that aligns people, operations, systems, and processes around the customer to capture business value.

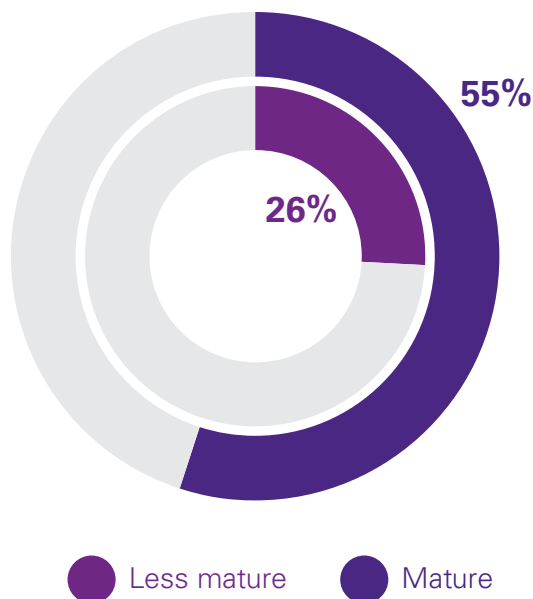


Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, August 2016

**Figure 2**  
**The race for growth is on.**

**Mature retailers across the globe that invest across eight omni capabilities are over two times more likely to see omni success.**

*Omni success metric: Customer experience exceeds expectations, successful execution of one or more omni objectives, and ROI achieved on one or more metrics.*



Base: 73 professionals at retail companies investing in all eight omnichannel capabilities and 227 professionals at retail companies not investing in all eight capabilities  
 Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, August 2016

# Retailers need to break from the pack to compete for growth

“ Understanding your customer is useful, but if you can't execute on a scale level across the enterprise, across the portfolios, services or products, then you'll never convert that insight into business value. ”

Duncan Avis, Principal  
Global KPMG Connected Enterprise Lead  
KPMG International



**The Forrester study** reveals that retailers have made significant investments over the past 12 months across each of these fundamental and integrated capabilities, including integrated commerce, product strategy, technology architecture, and customer experience strategies that organizations need to operate with experience centricity.

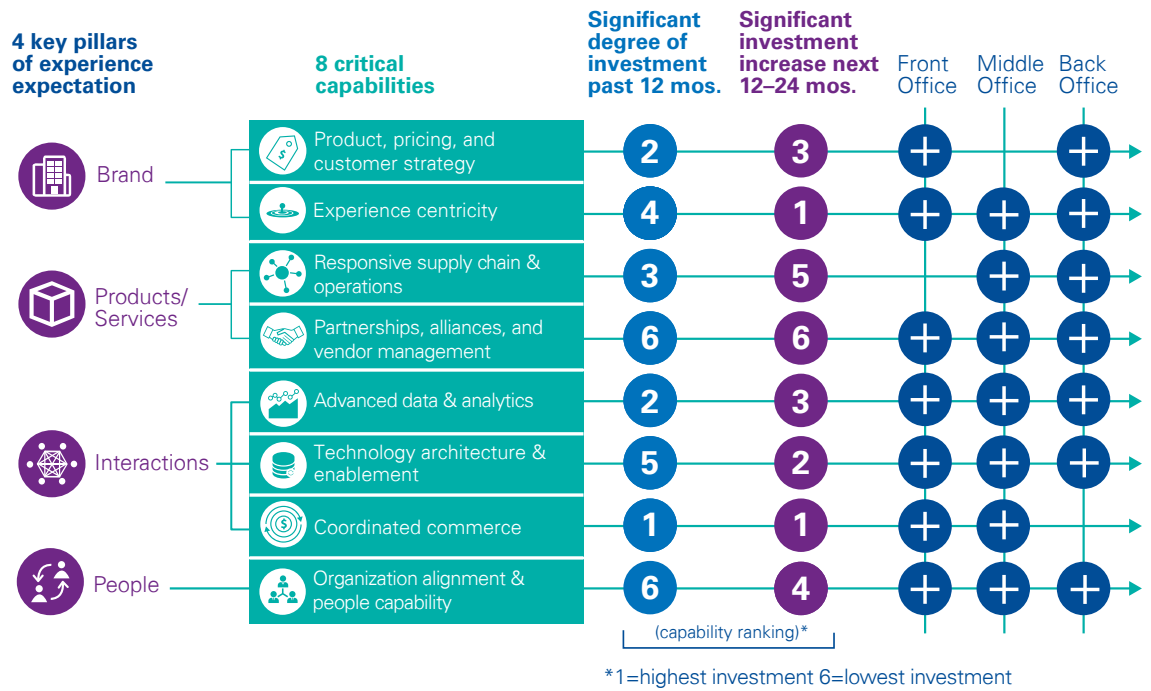
In this period, the majority (70 percent) of retailers allocated 15 percent or less of sales to omni; 48 percent budgeted a max of 10 percent of sales. While it is important to invest in these foundational areas, it is also critical for retailers to think about all eight capabilities, identifying the biggest gaps between current and desired state, to develop a strategic omni investment plan. The study also reveals that retailers will continue to build out their omni strategies over the next two years, with roughly half predicting they will increase spending for most omni capabilities. Integrated commerce, technology architecture, customer experience, and supply chain and operations will be key areas of investment, while partner ecosystem strategy will remain a lower priority. With partners playing a critical role in the value chain, retailers risk falling short of optimizing their programs without making an investment in this important area of the business. Budgets will also get a lift; while just 29 percent of firms reported they invested 16 percent or more of sales in their omni strategy over the past 12 months, 44 percent predict they will make that level of investment over the next one to two years—a 15 point change over near-term investments. As omni budgets increase, retailers will need to be strategic and judicious about the level of investment they make in each of the eight capabilities in order to succeed (Figure 3).

Mature retailers will continue to invest in these areas to a greater degree than their less mature peers. The study found that two-thirds of respondents believe their omni strategy places them among the more or most mature organizations in their industry. Yet 30 percent of retailers invest in five or fewer of the eight omni capabilities; 46 percent are investing in six or seven. Just 24 percent of those organizations surveyed actually have a mature, holistic omni strategy, with investment in all eight key areas. Mature organizations are investing in several key regions. U.S. retailers led their peers in other countries, with 46 percent investing in all 8 omni capabilities, while just eight percent of German and 14 percent of Australian retailers have a holistic omni strategy. The maturity of U.S. companies compared with other geographies is not surprising given its position as an earlier adopter of online commerce and the high percentage of retail dominated by big-box and chain retailers (Figure 4).

**Figure 3**  
**Investment in a KPMG Connected Enterprise**

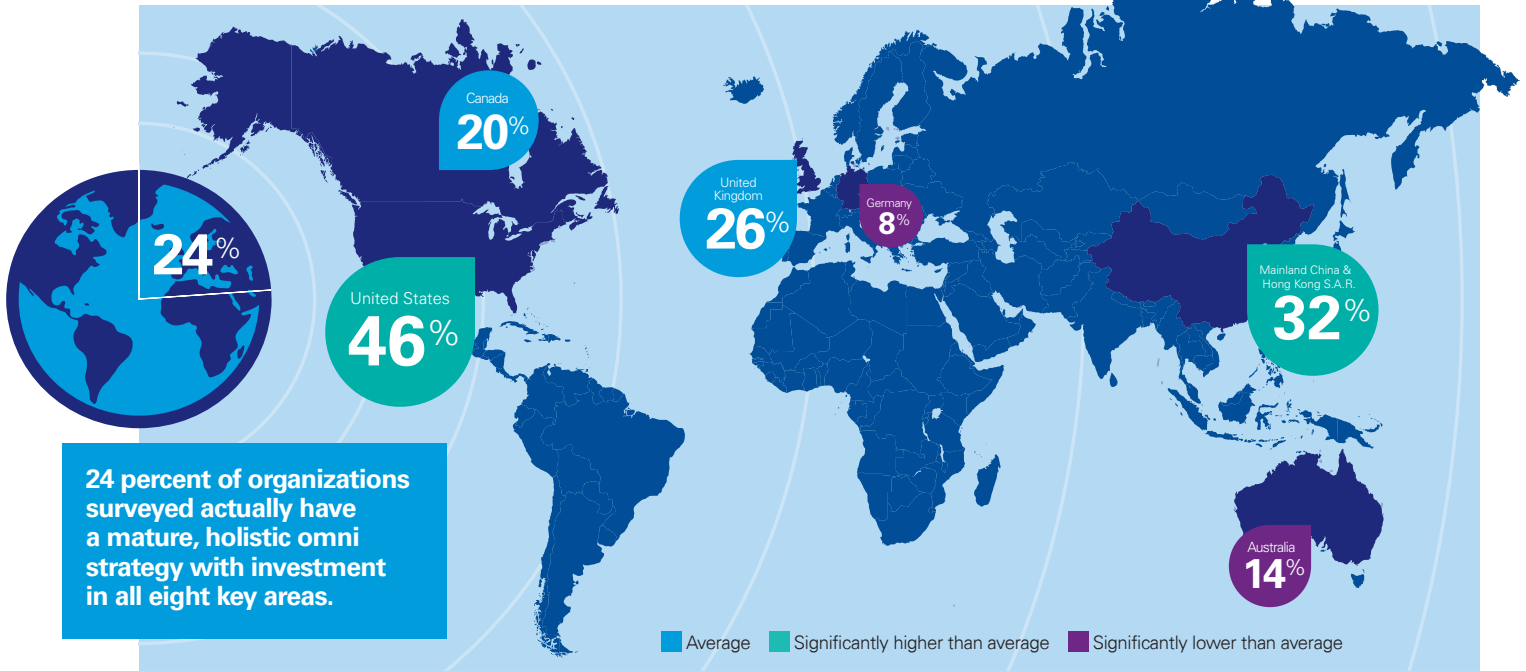
Investment in the eight capabilities spans the entire organization, from customer-facing interactions through to back-office operations.

Base: 300 professionals involved with omnichannel strategy decisions at retail organizations  
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016



**Figure 4**  
**Global maturity**

Significant or moderate investment in all eight capabilities over the last 12 months



Base: 300 professionals involved with omnichannel strategy decisions at retail organizations; 50 respondents per region  
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, August 2016

# Building a KPMG Connected Enterprise

“The siloed nature of a lot of retailers means they’re only thinking about a customer-centric focus within their functional areas [and not across]... the broader business. While they’re making changes, it’s not nearly fast enough to keep up with the change occurring with their customers and competitors. It’s tactical change, not transformative.”

Mark Schmeling, Principal  
Industry Leader,  
Consumer & Retail,  
KPMG in the United States



To align the front to the middle to the back office around an outside-in view that has the customer at its heart can be an enormous challenge without a properly structured and orchestrated approach. The journey starts with understanding the organization’s best customers and then building the business around those customers, specifically by aligning core operations, supply chain, financial management, and other back-office and support functions to create the best experience for those customers.

Our research points to the need for retailers to move from a channel focus to a business focus, but they face considerable challenges in doing so. Five challenges stand out—and they stand in the way of creating a truly customer-centric, connected enterprise.

**1 Security and compliance concerns.** Data security and regulations about the stewardship and storage of customer data, as well as issues around sharing data with third parties as part of ecosystem-based solutions, are at the forefront of retailers’ concerns globally. Customer data protection figures high on the retail regulator agendas. In our study, 27 percent of retail leaders identify regulatory compliance and concerns around data security and privacy as roadblocks to successfully executing their omni strategy.

**2 Lack of system and data integration.** Retailers remain hampered by a fragmented portfolio of applications and infrastructure, with little ability to integrate the e-commerce and enterprise stacks. As a result, building and implementing connected enterprise capabilities is challenging or impossible. Twenty-six percent of retailers say their customer data resides in multiple databases, and 22 percent note a lack of system integration or legacy systems. In these circumstances, it is no surprise that the top obstacle to omni success—cited by 32 percent of retailers—is the inability to share customer data and analytics among channels, countries, or locations. In addition, nearly one-quarter have difficulty tracking individual customers across interactions.



**3 Strategy misalignment.** Nearly 3 out of 10 omni strategy professionals at retail companies say that “insufficient budget” is a top obstacle to omni success, while roughly one out of five cite lack of a company-wide customer engagement strategy as well as lack of executive sponsorship. Wider research and in-depth interviews with retail executives show a broader issue at play. Various business units take a case-by-case approach to individual channel initiatives rather than a coordinated, holistic approach to a connected enterprise strategy. This is not just an obstacle to success—it also leads to broken or clunky cross-channel experiences for customers.

**4 Misalignment of people, partners, and processes.** It is not enough to set a channel-focused strategy. If you fail to align internal

resources, processes, and partners with this strategy, execution will be a challenge. Roughly one-quarter of retailers cite a lack of transparency and ineffective communication with third-party partners, lack of qualified staff, and lack of incentive to collaborate among the top five obstacles to success; 19 percent struggle with a misalignment between internal processes and their omni strategy.

**5 Siloed organizational structure.** Most retailers still organize by channel, with separate P&Ls, leadership, and incentives for stores and e-commerce. They run separate applications, managing forecasts and inventory independently. This failure of alignment results in lack of inventory visibility across brick-and-mortar and online channels (24 percent) and inconsistencies in products and

pricing across channels (22 percent). Retailers struggle to “onboard” items, vendors, and content in their legacy applications at the rate they need for today’s “always available and immediately deliverable” e-commerce customer expectations. The result is supply chain and inventory management systems that cannot meet the commitments made by channels at presale or point-of-sale instances—an issue cited by 24 percent of retailers—leading to lower customer satisfaction and higher service costs.

Overcoming these challenges will help organizations identify and deliver on customer expectations for a true customer-centric experience. Addressing each of the eight capabilities, from the outside in, will help enable organizations to understand and meet customer expectations holistically and thereby be responsive to them.

Figure 5  
Top 5 obstacles to success



Base: 300 Global professionals involved with omnichannel strategy decisions at retail organizations  
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

# Getting to success in retail

## While we know building a KPMG

**Connected Enterprise** is a key focus for retailers as they strive to improve the customer experience, grow revenue, and gain an advantage in a highly competitive market, too many will waste their investment without addressing factors critical to omni success. In order to compete, retailers need to transform their approach, moving from cross-and multichannel tactics to a holistic and connected enterprise strategy—one that extends across brand, products and services, interactions, and people. Evolving to a holistic strategy is an iterative process, not an overnight transformation. In order to succeed, retailers must:

- 1. Prioritize investments based on connected enterprise capability maturity.** To help avoid the risk of disjointed initiatives and wasted investment, retailers should conduct an objective assessment of their maturity level for each of the eight connected enterprise capabilities—identifying where they are doing well, any gaps between current and desired state, and where they need to focus to fill those gaps. They should then prioritize initiatives and investments based on this assessment and develop a road map to deliver a compellingly differentiated experience across the customer journey.
- 2. Transform their organization to create a consolidated P&L.** Retailers need a single organization that spans all aspects of digital and physical interactions and is based on the customer’s journey rather than transaction location. A consolidated P&L generates

savings and creates common budgets that can be deployed to fund the investments necessary for a connected enterprise. It also enables clearer visibility into real-time inventory across brick-and-mortar and online channels. A key component to successful consolidation is the creation of incentives and KPIs that will foster collaboration between channels.

- 3. Leverage technologies.** Retailers must acquire and leverage foundational technologies to support omni strategies. Key technologies include an order management system that provides an enterprise-wide, consolidated record of orders and their status; a product information management system to achieve a single enterprise platform for managing product content and offers; and customer insight and intelligence technologies that create a holistic single view of customer interactions and enable predictive analytic modeling. Retailers should also invest in online and in-store assisted selling technologies both to improve customer experience and increase revenue by automating cross-sell and upsell opportunities.
- 4. Strengthen the partner ecosystem.** While mature retailers recognize the importance of aligning partners with their omni strategy, it falls low on the priority list for the average firm. Alignment between your own strategy and partner ecosystems, alliances, and vendor relationships is an integral part of a broad-ranging connected enterprise approach. To help bridge this gap, retailers will need to design partner ecosystems using open platforms and APIs to enable flexible, dynamic engagement with external partners.

Figure 6

## So, what does good look like for your customers and you?

KPMG 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	Experience decisions made to optimize economic value of priority customers
 Responsive supply chain & operations	Receive products and services when, where, and how it is convenient	Leverage innovation-driven demand and inventory management and distribution
 Partnerships, alliances, and vendor management	Reap the benefit of partnerships without compromising perception	Identify & leverage synergies with third parties to overcome enterprise barriers
 Advanced data & analytics	Personalized interactions with a brand leveraging customer data	Leverage real-time customer data to optimize the experience
 Technology architecture & enablement	Frictionless use of technology across the journey and experience	Culture of innovation and agility driving speedy, quality tech implementation
 Coordinated commerce	Smooth and secure payments for products/services across channels	Preference-driven and integrated payment mechanisms across channels
 Organization alignment & people capability	Smooth and consistent experience across all brand interactions	Culture of inside-out experience centricity

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016



# Investing for the future

**To deliver on ever-increasing** consumer expectations for a true customer-centric experience and to achieve business and financial goals, organizations must take a holistic approach, addressing each of the eight critical capabilities. But investing in these capabilities is only part of the equation. Organizations also must have a clear understanding of where and how they are investing to understand the true value of the KPMG Connected Enterprise approach.

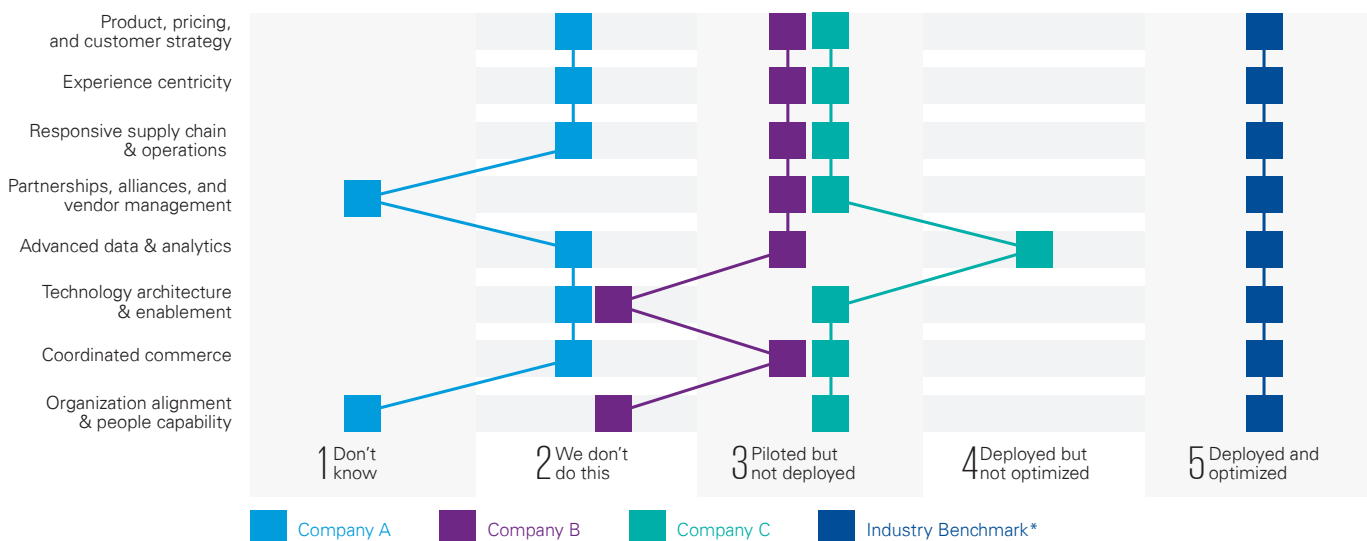
The path forward is first to understand where your organization is today, using a broad-ranging maturity assessment that covers all eight capability areas of your enterprise architecture, from front office through middle and back office. This effort can help identify relative competencies versus leading practice. This, in turn, can help to inform the business case and road map for investing in relevant capability areas across the enterprise value chain with a keen focus on unlocking ultimate business value.

Organizations can drive profitable growth by making transformation and business decisions based on what their customers value most. A value-centric mind-set, capability, methodology, and comprehensive measurement system are required to get the economics of customer experience right and capture financial outcomes. KPMG Connected Enterprise can help retailers achieve these goals.

**“Most companies have been on some point of this journey. It’s about making it work today and for tomorrow. It’s about integrating the business today to align with the customer, to deliver for the customer, and to deliver profitable returns for the shareholders.”**

Julio Hernandez, Principal  
Global Customer Center of Excellence Lead in KPMG International, and Customer Advisory Lead in KPMG in the United States

**Figure 7**  
**KPMG Connected Enterprise maturity assessment**



\* Base: 300 Global professionals involved with omnichannel strategy decisions at retail organizations  
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

## About KPMG Customer Advisory

KPMG brings together experience in strategy and implementation—as well as far-reaching 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 often 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 to build greater loyalty and share of wallet.

From ambition to implementation, KPMG partners with organizations on their journey to becoming customer centric, balancing cost against customer satisfaction, and maximizing the opportunities to increase revenue.

## About the study

### 2016 Forrester Consulting Global Omni Study

Conducted during the summer of 2016, the research comprised two elements: (1) a quantitative survey of 1,290 business and technology leaders at enterprises in the United States, Canada, the United Kingdom, Germany, Australia, Mainland China, and Hong Kong S.A.R. involved with omnichannel strategy decisions at their organizations and (2) 12 qualitative interviews. Six industries were included in the study: banking, property and casualty insurance, healthcare payers and providers, consumer packaged goods, retail and telecommunications.

## Contact us

**Julio Hernandez, Principal  
Global Customer Center of  
Excellence Lead  
KPMG International**

**Customer Advisory Lead  
KPMG in the United States**

T: +1 404-222-3360

E: [juliojhernandez@kpmg.com](mailto:juliojhernandez@kpmg.com)

**Duncan Avis, Principal  
Global KPMG Connected  
Enterprise Lead  
KPMG International**

T: +1 703-286-8733

E: [davis@kpmg.com](mailto:davis@kpmg.com)

**Scott Rankin, Principal  
Advisory Strategy  
KPMG in the United States**

T: +1 508-277-3530

E: [scottrankin@kpmg.com](mailto:scottrankin@kpmg.com)

**Mark Schmeling, Principal  
Advisory Industry Leader,  
Consumer & Retail  
KPMG in the United States**

T: +1 312-665-2620

E: [mschmeling@kpmg.com](mailto:mschmeling@kpmg.com)

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG International Cooperative (“KPMG International”), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 760684