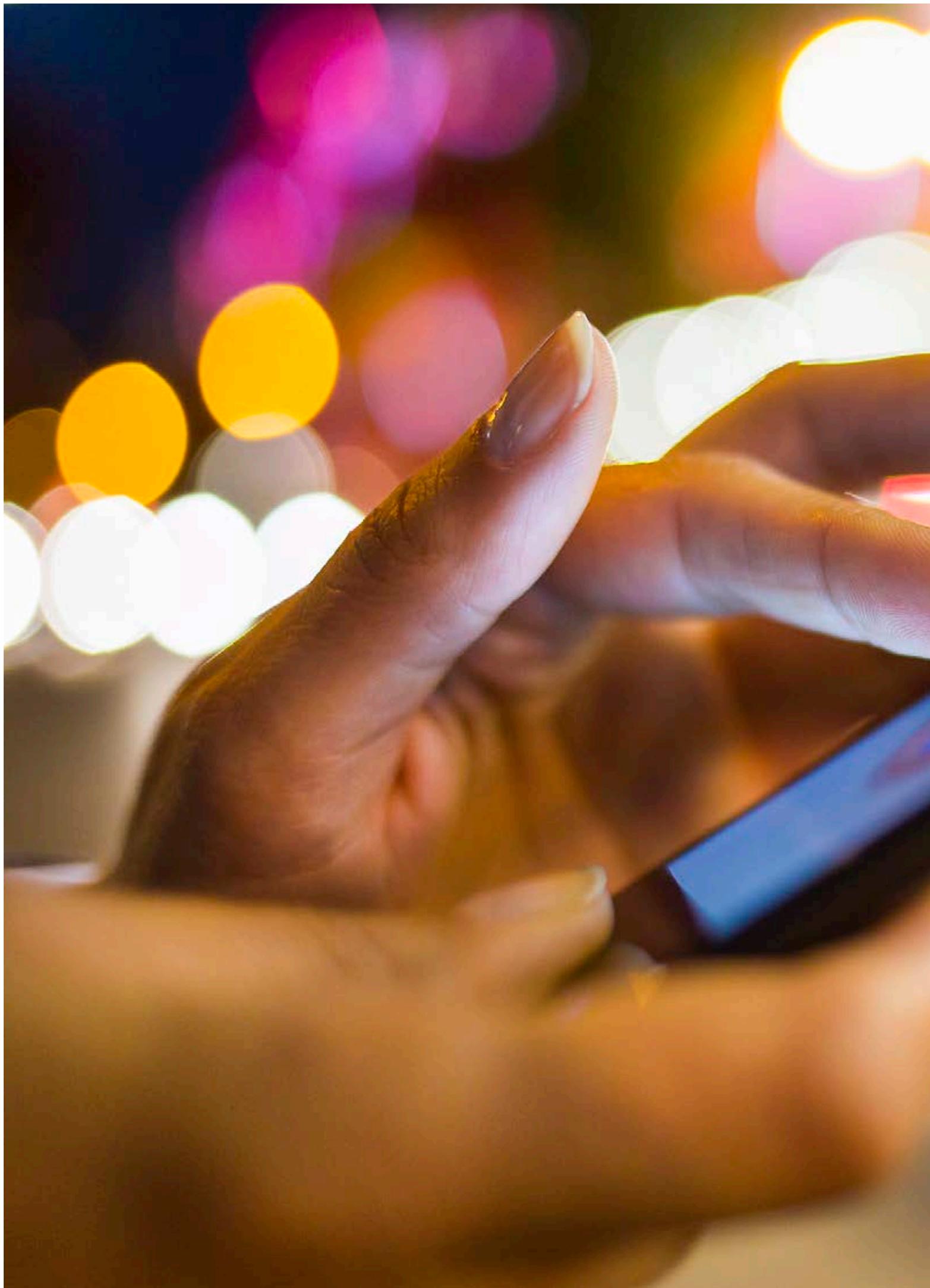


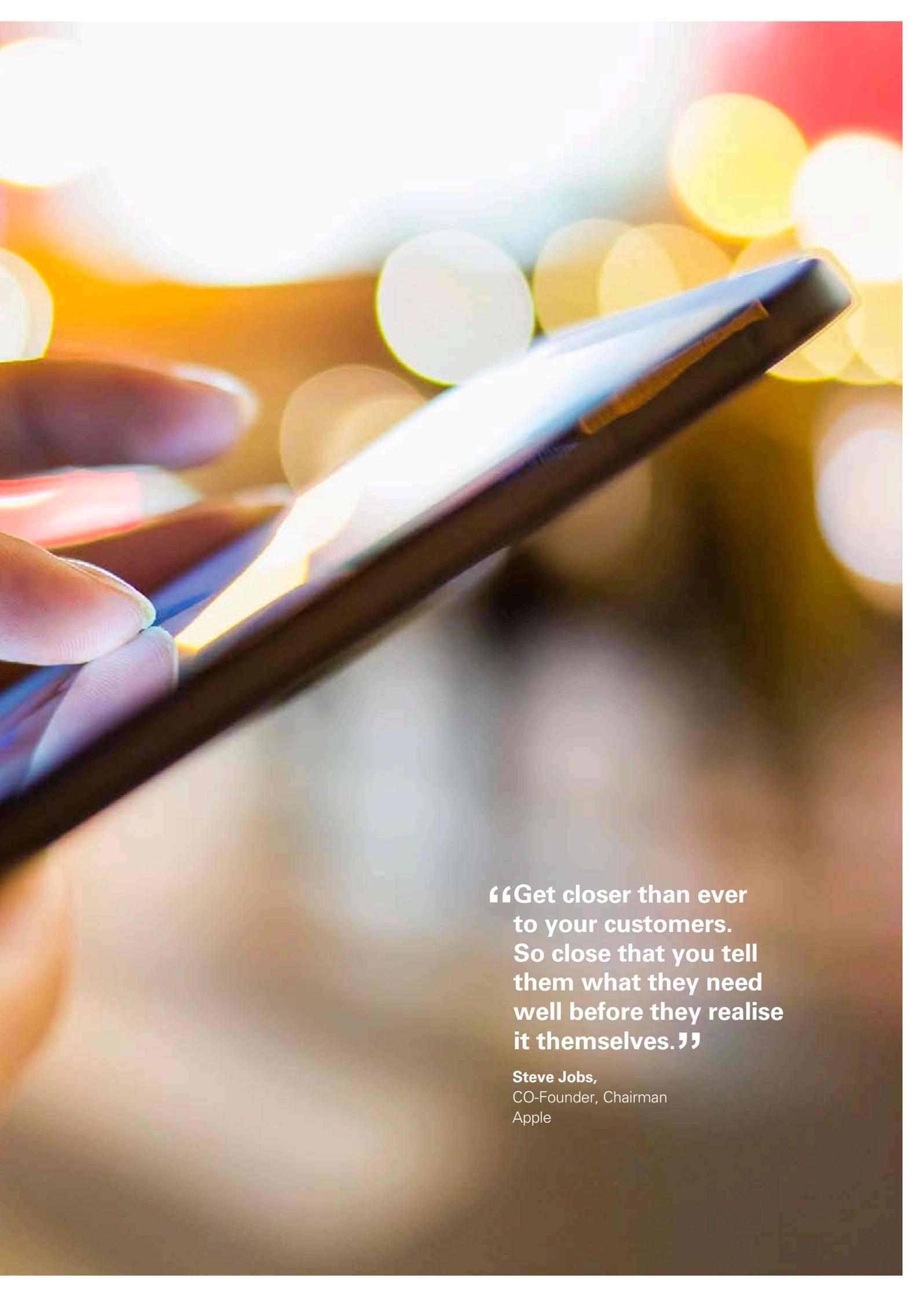


Customer First

How to create a customer
centric business and compete
in the digital age.







**“Get closer than ever
to your customers.
So close that you tell
them what they need
well before they realise
it themselves.”**

Steve Jobs,
CO-Founder, Chairman
Apple

Foreword

Most markets aren't facing disruption.
They've already been disrupted.



Adrian Clamp

Head of Customer Advisory
KPMG in the UK

“Achieving
customer centricity
is no longer a
differentiator.
In the digital age
it has become
a matter of
survival.”

Today's customers are better informed, better connected and more demanding than ever before. The KPMG Global CEO survey of 2016 reported that 88% of CEOs are now concerned about customer loyalty and recognise that mastery of the customer agenda is essential.

In the same survey, 79% of CEOs told us that their current business models are not disruptive enough. It is clear that global leaders of successful businesses recognise that creating a customer centric, digitally-transformed business is a top priority.

How to engage customers, increase customer loyalty and achieve profitable growth in the age of digital disruption?

Almost every market is experiencing fundamental change; consumer expectations have shifted and digital technologies are making the biggest impact on businesses large and small since the start of the information age.

Ultimately, businesses need to navigate the challenges of digital disruption and find new ways to create economic value and drive profitable growth. With the theme of 'Customer First', this KPMG report details the **six core capabilities** of a customer centric business.

Our aim is to share the insight and practical experience KPMG has gained in helping clients in many sectors and markets around the world to successfully transform these capabilities to unlock new sources of customer value and compete successfully in the digital age.

We share the challenges involved and we set out action plans for each capability - each one describing a series of pragmatic steps any business can follow.

A handwritten signature in black ink that reads "Adrian". The signature is written in a cursive style and is underlined with a single horizontal stroke.



1. Customer strategy

A woman with blonde hair, wearing a dark blue coat, is looking at a smartphone in her hands. She is standing in front of a window at night, with colorful bokeh lights from a city street visible in the background. The scene is dimly lit, with the primary light source being the phone and the ambient city lights.

“In the digital age the consumer has never been more interested or more informed.”

Emma Walmsley,
CEO, Consumer Healthcare,
GSK

Customer strategy in the digital age

In the age of digital disruption, many successful businesses are losing touch with their customers. These companies don't need a digital strategy – they need a customer strategy suited for the digital age.

Who are my customers? What do they want and need? How do they behave? What is driving their behaviour? Which propositions will succeed? These strategic questions remain the same as ever, but answering these questions using traditional strategy approaches doesn't cut it anymore.

At KPMG, we believe that in today's fast-moving, customer-led world, a successful Customer Strategy requires the use of sophisticated data analytics tools, huge quantities of rich customer insight data and an agile, test-and-learn approach to the development of valuable new propositions.

Netflix provides an excellent example of the power of a company with a simple, clear customer strategy and business model adapted for the digital age. Netflix started out as a home delivery service of popular DVDs but has transformed into a global media powerhouse by using customer insight data to refine and develop its proposition.

Netflix uses extensive data analytics to develop rich personal profiles of customer preferences and behaviour to offer each customer a tailored digital service. Established businesses in many sectors can learn lessons in customer strategy from start-ups. This aggregate customer data that Netflix gathers from its millions of customers is used to inform major investments in new media content. What new major products could your business develop if you were certain about the individual personal preferences of millions of your customers?

KPMG has found that developing winning customer strategies for our clients involves the development of a clear view of customer behaviour and intentions using data and analytics. In the digital age businesses need to be agile and co-create products and services with customers, beginning from the earliest stages of proposition development. To be successful, companies need to be willing to 'fail fast' and embrace constant innovation in the process of finding a winning strategy.

Key challenges addressed by Customer strategy

Recent fundamental changes to customer needs and behaviour and the arrival of disruptive new competition means that many businesses need to develop a new customer strategy. Our clients tell us that digital disruption causes them to focus their strategies on remaining relevant to their customers, defending against new entrants, using pricing effectively and achieving profitable growth.

Creating a successful customer strategy is challenging. Our clients tell us that digital disruption leaves them concerned about how their company remains relevant to customers, defends against new entrants, uses pricing effectively and achieves profitable revenue growth in highly volatile markets.



82%

Remaining relevant to customers

CEOs are concerned about whether their company's current products and services will remain relevant to customers in 3 years from now¹



65%

Defending against new entrants

CEOs recognise that the lines between industry sectors are blurring and are concerned about defending against the disruption of new entrants²



60%

Competing using pricing

Business leaders believe that they can increase profitability through more effective pricing strategies³



44%

Achieving profitable growth

CEOs of businesses in all sectors are concerned about ways to grow revenue profitably and efficiently⁴



44%

Navigating volatile markets

UK businesses report challenges in setting the optimum pricing strategies due to volatile economic conditions⁵

Sources:

¹ KPMG Global CEO Outlook

² KPMG Global CEO Outlook

³ KPMG Unlocking the Potential of Pricing 2016

⁴ KPMG Global Top of Mind Survey 2016

⁵ Forrester KPMG Omnichannel research 2016

Creating a winning Customer strategy

At KPMG, our experience in developing customer strategies for some of the world's leading businesses involves a sequence of tried and tested steps. Each step adds incrementally to the value created by the one before. Analysing the needs and behaviour of customers and collaborating with them in the creation of new propositions and pricing models is proven to improve customer lifetime value. By following these steps new sources of customer value can be unlocked.

| Action plan - Customer strategy

1. Create 360 degree customer profiles

The single customer view

Treating every customer the same is no longer effective. Data is the foundation of a customer centric business. Too many organisations still hold duplicate information about customers in multiple product systems, preventing them from recognising the individual needs of their customers. The key is to consolidate all sources of customer information into one place. So, step one of an effective customer strategy is to create rich individual customer profiles within a single master database.

2. Develop new customer behaviour segments and 'personas'

Customer need identification

Step two involves merging existing structured company data sources, such as financial transaction data, with external unstructured data, such as social media data and website browsing patterns. Our customer analytics consultants provide expert advice in curating these new ecosystem of data and our KPMG decision engines help model and predict customer behaviour.

3. Reimagine products by focusing on your customers' core issues

Agile proposition development

Customer centric businesses provide products and service which address these customers underlying issues and needs. Step three involves dwelling on the problem that your current products solve. Are you selling "drill bits" when your insight into their needs tells you that customers simply want "a hole in the wood"? Use the newly created customer insight as input to product innovation workshops and test new product ideas with your customers to add more value than competitors.

4. Augment traditional products with digital services

Transformed products

Today's customers have a preference for convenient online services. Engaging with your customers via connected online services is more relevant to customers than selling products one-time to anonymous purchasers. Our consultants can help you consider how your products could be augmented by connected services which allow customers to gain value by interacting with your business on a daily basis. Consider offering monthly subscriptions, online community sites, membership sites etc.

5. Consider becoming a "platform business" enabling an ecosystem of partners

Evolved business models

The end-result of digital disruption often involves the emergence of new business with evolved business models. One such example is the emergence of the "platform business" which provides radically improved solutions to customers by enabling other businesses to collaborate in the delivery of an overall proposition. Apple is a famous example of a "platform business". A great deal of the success of the iPhone was due to the success of the App Store "platform" - where an ecosystem of thousands of app developers created solutions to complement the core Apple product. Our consultants can help you determine how your business could become a "platform business".

2. Customer experience



“By analysing the economics surrounding customer expectations, and focusing on the behaviours that define leading customer experience, organisations can deliver better experiences that improve the bottom line.”

Julio Hernandez,
Head of Global Customer Centre of Excellence,
KPMG

The new economics of customer experience

Many businesses find that their investments in improving customers' experiences fail to generate clear outcomes or sufficient returns. At KPMG we believe it is vital for companies to respond to customer needs, but these must be better balanced with understanding the value those customers bring to the enterprise. By doing so, cost structures can be properly aligned and investments made with confidence. To be effective, customer experience programmes must support the goals of the CFO, as well as marketing and operations.

Successful transformation of customer experience starts with a bold, differentiating vision. This 'unifying idea' helps everyone in the organisation behave towards both customers and colleagues in a consistent, effective way. We work with leadership teams to help define this vision and create a sophisticated toolkit which helps them to design improved customer experiences.

To enable clients to succeed quickly, we draw on global, cross-sector best practice. KPMG's Customer Experience Excellence Centre is a think tank dedicated to researching, analysing and applying best practice from around the world. Drawing on 7 years of B2B and B2C research, across over 1000 brands, we help clients understand excellence, navigate risks and better seize opportunities.

Effective customer experience management requires equally effective measurement. While systematic collection of survey-based feedback still has a role, increasingly our measures must be grounded in digital, social and operational data for a complete account of the voice of the customer. To make this voice heard in the boardroom, we work with clients to create financial links, providing the predictive capabilities needed to manage costs and invest confidently.

To guide transformation, customer journey mapping and experience design is critical to executing customer centric change. This emerging discipline should be underpinned by training, technology and governance, but informed by innovation and design thinking. For the world's most advanced customer businesses, this has given rise to new, customer-centric operating models and cross functional ways of working. As their vision is executed through new, more digitally-enabled journeys, these brands seize the economic and reputational rewards of improved customer experiences.

Key challenges in improving Customer experience

Investing in customer experience can generate a significant competitive advantage: the leading customer brands have been shown to achieve double the revenue growth of their FTSE listed counterparts¹.

Over the next five years almost 89% of CEOs expect to be competing on the basis of customer experience². Yet only 7% currently deliver it effectively.

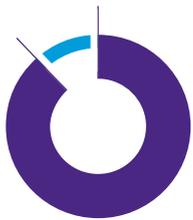
Customers penalise those who under-deliver twice as much as they reward companies who over-deliver³. Investing in customer experience excellence is important, but not at any cost. By gaining better understanding of these economics, companies can design customer experiences which drive ROI and create competitive advantage.



200%

Avoiding penalties of under delivery

Customers penalise those who under-deliver twice as much as they reward companies who over-deliver³



89%

Competing on customer experience

Over the next five years 89% of companies expect to be competing on the basis of customer experience²



88%

Improving customer loyalty

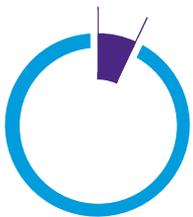
UK CEOs are concerned about customer loyalty and recognise that mastering the customer agenda can provide competitive advantage¹



60%

Avoiding customer defection

Consumers have stopped doing business with a brand due to a poor customer service experience⁴



7%

Maintaining current performance

Very few CEOs are satisfied that their companies deliver customer experience effectively - the majority see need for transformation³

Sources:

¹ KPMG

² Gartner

³ Forrester

⁴ Microsoft - State of Global Customer Service Report 2016

Creating an effective Customer experience

At KPMG we work with some of the world's leading companies to help ensure their customer experience programmes lead to real business results. This means grounding them in best practice, creating customer-centric change and - above all - anchoring everything in economic value.

Whilst each organisation is different, our approach involves a proven sequence of steps. By following these, businesses can meet rising customer expectations, whilst balancing investments with the value of customer experience excellence.

| Action plan - Customer experience

1. Define a strategic vision and design principles

Customer experience strategy

To pave the way for a successful transformation, effective leaders instil a clear customer experience vision into their organisation. This 'unifying idea' is drawn from the brand and its values, but informed by cross-sector best practices. Combined with supporting design principles, it describes the kind of consistent, valuable relationship the business is seeking to create with its customers. By doing this, the organisation defines its expectations of colleagues, requiring a careful examination of capabilities and culture, making brave choices where necessary to ensure sustainable success.

2. Bring the voice of the customer into the boardroom

Customer experience analytics

What gets measured, gets managed: a voice of the customer programme guides execution and allows leaders to evaluate returns. For sophisticated customer brands this has progressed beyond the systematic collection of survey-based feedback, satisfaction or promotor scores. By putting in place next-generation platform technologies, businesses can seamlessly combine sentiment with digital, social and operational data. Doing so not only provides clearer, more integrated insights, but it allows them to record preferences, observe behaviour and predict future customer behaviour. As well as driving frontline customer engagement, this leads to more effective marketing, sales and service operations.

3. Master the economics of customer experience

Customer experience equity

Any organisation can invest in customer experience, yet too few understand how much spend is optimal, where it will have best effect and what the likely returns will be. At KPMG, we believe that effective customer programmes must be 'CFO relevant'. Rather than focusing exclusively on new investments, they should show where to cut costs, focusing on the customer journeys that matter and rationalising the change portfolio. Step three involves creating a predictive capability, built on hard facts and linked to cost-saving and growth.

4. Embrace design thinking to create engaging future customer experiences

Customer journey design

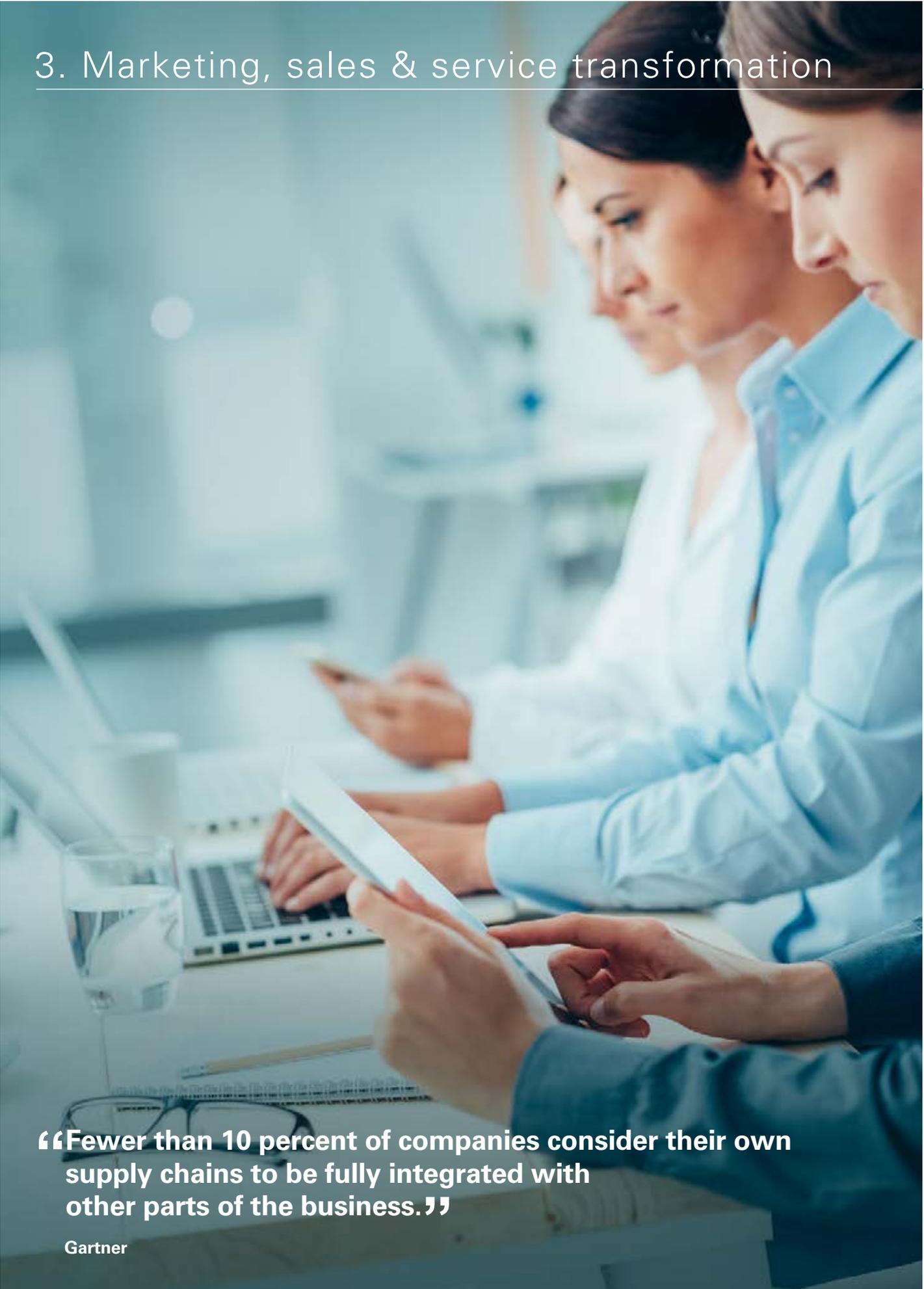
Step four involves managing customer-centric change, on scale. We do this by applying the rigour of 'product design' to the new discipline of customer journey 'service design'. Taking an omni-channel view, our approach uses customer research coupled with design technology to allow cross-functional collaboration and rapid, agile progress. To provide external challenge, clients use the KPMG Nunwood Six Pillars® to access a universe of cross-sector best practice.

5. Execute business change to redefine the business

Customer experience transformation

Systematically redesigning customer journeys often requires major structural change to a business. Today's demanding customers have little tolerance for organisations with product-silos, which often require the customer to make multiple contacts and face myriad complexities to resolve simple needs. Faced with the disruption of leaner, simpler start-ups, the systematic transformation of the underlying business is often critical to long term performance. Step five involves using the new customer experience journeys as the 'north star' to plan the design of new, digitally-enabled operating models, processes and structures.

3. Marketing, sales & service transformation



“Fewer than 10 percent of companies consider their own supply chains to be fully integrated with other parts of the business.”

Gartner

Transform marketing, sales and service

Creating today's customer centric business requires wholesale digital transformation of the functions of marketing, sales and service. A newly digitised and fully integrated front office capability can attract, engage, acquire and continually engage with customers. Also, the front office now connects to the whole end-to-end supply chain in real time, to enable the whole enterprise becomes responsive and customer centric.

Technology and digital transformation are enabling new levels of performance in marketing, sales and customer service. Rising expectations of consumers is driving the need for change. Customers expect more than ever before and are better informed. They want to be made aware of products and services that are relevant to their needs in the moment. The buying process needs to be simple and efficient, informative, relevant and seamless across all channels, and this multi-channel service needs to operate 24/7.

In a customer centric business, the whole value chain of a business needs to be agile, responsive and intelligent. Online shoppers often "over order" an item by purchasing multiple different sizes of a product before trying on the purchases and home and arranging the "return" of the excess items online or in store. Meeting these customer expectations is a challenge - since so much of a company's value chain is involved.

Undertaking marketing, sales and service transformation and integrating the value chain of a large, complex business is a challenge many of our clients face. Banks, insurance companies and telecommunications businesses all need to modernise and transform their 'front office' functions to create more agile, engaging and customer responsive businesses to provide the experiences that customers want. This type of transformation work should be guided by a strong economic case for change.

At KPMG, our consultants have experience in defining, financially justifying and then leading full end-to-end business transformation. Our specialist teams use a range of techniques and methods to identify opportunities for tighter integration of functional silos. We can help your marketing, sales and service teams to work more effectively with their colleagues in operations to create a customer centric, digitally transformed business.

Key challenges in developing the front office

Great selling is a great form of service. Great service is an excellent form of marketing. In the digital age, with the rise of social media and instant customer feedback, the lines between these traditional functions of marketing, sales and service have become blurred. Sales now plays a critical role in strengthening brands and act as a vital source of market information and service is the most valuable source of new revenue. In this context business revenue growth is rarely just about gaining new customers. It often hinges most on retaining customers, serving them properly and fulfilling their orders efficiently.

Yet, many businesses still think of investments in customer service as an increase in costs. Or that sales metrics must be the core focus to increase revenue. The true challenge is to plan service experiences with an effective customer centred approach. That way businesses not only meet customer expectations; they can also reduce expenditure and increase revenue.



65%

Improving sales effectiveness

Sales reps now spend most of their time on non-customer activity¹



43%

Integrating sales and service

Organisations expect to transform customer experiences by designing a new, seamless channel strategy²



33%

Achieving greater speed and agility

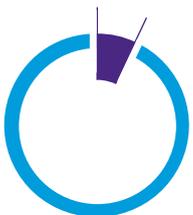
Global executives want to improve distribution speed, agility and efficiency²



24%

Maintaining the right strategy

Only a minority of businesses already have a truly customer centric strategy, most businesses realise they need to create one³



9.5%

Winning the race for growth

Businesses with a customer focus see year on year revenue increases of 9.5%, nearly triple the average of 3.4%⁴

Sources:

¹ KPMG Global Top of Mind Survey 2016

² Independent market data

³ Forrester KPMG Omnichannel research 2016

⁴ Aberdeen Group

Key challenges in developing the front office

In 2016, global businesses were projected to spend over \$320 billion on advertising - but only around \$2 billion on the services needed to meet the expectations advertising creates*. The result is a 'service anticipation gap': the loss of revenue (up to twice as much as the cost of over-delivery) due to wasted ad spend when sales and service channels doesn't live up to customer expectations.

Customers trained on the efficient, multi-channel service of online retailers now demand personalised products and services to be delivered the next day. Consumers are willing to pay more for experiences that are personalised and relevant - which often requires large traditional product-centric businesses to be transformed and integrated end-to-end. Traditional companies, organised to sell and deliver mass-produced goods, now need to transform marketing, sales and service silos into an integrated customer attraction, acquisition and engagement process - all connected seamlessly to operations in an agile supply chain.

| Action plan - Marketing, sales and service transformation

1. Transform marketing

Marketing transformation

Step one involves the introduction of new creative and content processes as ad spend and performance becomes more measureable. Marketing directors become more accountable for revenue growth. Brand management processes need to integrate seamlessly across digital and traditional channels, while delivering new 'native content' tailored to be relevant each channel. Trials of new digital marketing, programmatic media buying and performance marketing should all begin.

2. Transform sales

Sales transformation

Step two involves beginning the work of transforming offline sales channels. Your branch, store, contact centre sales network still has a vital and profitable future in a digital world. But shopping and buying habits have changed which means that traditional offline sales processes need to be digitised and then fully integrated with the processes operating in the pure digital channels. The operating model of the sales function needs to shift away from one organised around product-silos towards one organised by customer segment.

3. Transform customer service

Service transformation

Step three involves integrating your field service and contact centre service processes with the digital channels. Customer service expectations have changed. Customers expect seamless, frictionless service experiences no matter which channel is used. Operating models are likely to shift as service move away from product-silos and becomes organised around customer segments. As artificial intelligence continues to advance, consider experimenting with chatbots.

4. Omni-channel integration

Omni-channel

Step four involves enabling your customers to move fluidly between channels and shift their channel preferences during a transaction. Multi-channel contact for one transaction is now the norm. Customers will choose the channel most convenient to them, in the moment. Mobile channels are now preferred. Almost every business should have a mobile channel strategy. But watch out for natural language conversation channels - the rapid improvements in artificial intelligence that natural conversation may soon become the preferred customer channel.

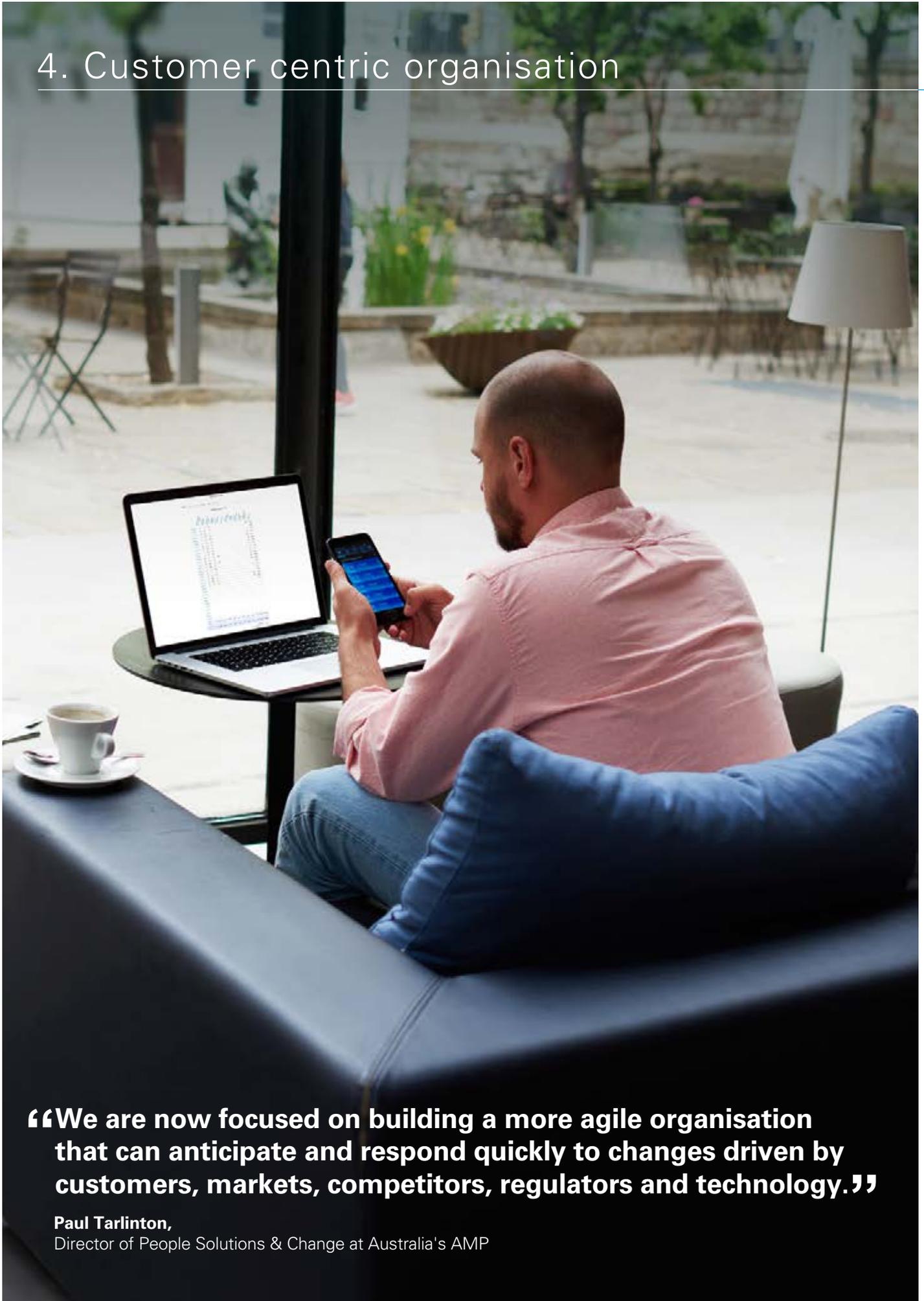
5. Create a connected customer enterprise

Optimise operations

Step five involves mapping out the end-to-end improvements in the supply chain so that it becomes more responsive to customer demands. Customers who regularly shop online typically experience the supply chain and encounter issues resulting from the various disconnect between online sales, telephone customer service and outsourced supply chain. The benefits of digital transformation are significant not restricted simply to marketing, sales and service. Increasingly organisations realise that to be truly customer centric a business needs to optimise operations.

*Source: eMarketer |

4. Customer centric organisation



“We are now focused on building a more agile organisation that can anticipate and respond quickly to changes driven by customers, markets, competitors, regulators and technology.”

Paul Tarlinton,
Director of People Solutions & Change at Australia's AMP

Empowering employees and creating an agile organisation

The edges of the organisation are blurring. Being in the midst of a customer and digital revolution is impacting every aspect of our personal and work lives. The pace of innovation and adoption is accelerating and we are starting to see early signs of digital labour, artificial intelligence, robotics and automation across different sectors in equal measure.

These modern ways of working are raising many questions about our future and how to prepare the next generation of leaders for a closer relationship with technology. How do we keep up with the latest developments? How do we seamlessly integrate people and machines? Whole firm collaboration is required to enable clients to be fully customer centric.

The way we want to work and engage with our colleagues and the convergence of robotic process automation, machine learning, cognitive computing, and advanced analytics are driving unparalleled business model transformation. KPMG research shows that nearly all CEOs want to develop the talent in their organisation and drive employee engagement yet over half report skills gaps in key business functions. How do you fill this gap to the benefit of your customers?

For many organisations, this is uncharted territory. We can help to seamlessly integrate people and machines, while simultaneously harnessing the technological disruption into competitive advantage. As you embrace automation, we can help you look closely at your talent strategies and think about where you should pilot new technologies to reorganise around your customer.

Hacking the culture of your organisation is a crucial step. Resistance is inevitable and comes in many forms. It can quickly turn to active disengagement in the face of new technology that threatens jobs and sends ripples through your organisation. Leadership may fear lack of control as they potentially transition from managing people to managing bots. But the advantages are clear. Organisations with engaged employees see significantly greater customer loyalty and a greater annual increase in revenue.

At KPMG we take a holistic approach - from strategy through execution. We can identify priority areas for technological transformation to develop a multi-faceted strategy and roadmap for your workforce of the future. To mitigate risks we proactively work with your human resources department to develop a plan that is manageable and empowering. And through our global network of alliance partners we can source and select the right providers and help you to establish a governance strategy to realise value and benefits.

Key challenges in creating a Customer centric organisation

Customer centricity starts at the top and requires an organisation-wide cultural shift. Different demographics, rising automation and the impact of digital make today's workplace unrecognisable from just a few years ago. Boards, people leaders and HR directors must think smarter about how to provide a better experience for employees and energise, engage and empower them.

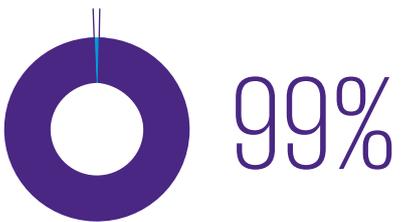
At KPMG, our goal is to encourage our clients to look at the employee empowerment through a customer lens and digitally transform the employee experience. Like customers, employees want immediacy of service, constant accessibility, first time resolution, personalised services and efficiency. Employee journey mapping, digital platforms and advanced analytics can point the way, enabling evidence-based decisions about where to invest for greatest impact on employee engagement. Yet many operating models are not yet sufficiently agile, flexible and adaptable to meet deliver.

What are some of the key challenges to consider as you enable your employees to innovate, learn and collaborate to achieve a measurable and positive impact on business performance?



Driving employee engagement

Companies with engaged employees see significantly greater customer loyalty and a 26% greater annual increase in revenue⁵



Developing talent

CEOs reported taking action to develop existing or future talent¹



Unlocking value from transformation

Chief executives have failed to achieve value from business transformation²



Navigating the impact of robotics and digital labour

Nearly a third of corporate jobs could be done by robots by 2026⁴



Hacking the culture of the organisation

Executives cite existing organisational culture is a barrier to execution³

Sources:

- ¹ KPMG Global CEO Outlook 2016
- ² KPMG Global Transformation Study
- ³ KPMG Global Transformation Study

- ⁴ KPMG Dawn of Digital Labour
- ⁵ Aberdeen Group

Empowering and enabling employees to delight customers

Many organisations say they want to become more customer centric but what does that mean? At KPMG, we start by helping our clients to design engaging employee experiences, we then transform the services delivered to employees and create customer centric organisation structures. We also help our clients to empower their employees and embrace innovative, agile, collaborative ways of working - finally we help our clients to extend the boundaries of the traditional company to create networks of collaborators in customer, supplier and partner organisations.

| Action plan - Customer centric organisation

1. Embrace design thinking to create engaging future employee experiences

Employee experience re-design

Step one involves applying the new approaches being deployed to improve customer experiences to the new discipline of employee journey `service design'. In this step aim to apply structured thinking and problem solving to re-design employee journeys from the outside-in. It is beneficial to apply a rigorous framework like the KPMG Nunwood Six Pillars® to assess the importance and value of each proposed improvement to the employee's view of the experience.

2. Transform traditional HR services

Employee service transformation

Step two involves transforming your traditional HR service processes with the digital channels. Like customers, employee expectations have changed. Employees now expect seamless, frictionless service experiences no matter which channel is used. Plan how your employee services can move away from product-silos and becomes organised around employee segments - with similar needs. As artificial intelligence continues to advance, consider experimenting with chat-bots to deliver HR services.

3. Shift to a customer centric organisation and empower employees

Customer centric organisation structure

For many decades large companies have traditionally been organised within product silos. But today's customers expect companies to know which products and services they hold and want to be treated as individuals. Step three involves re-organising around customer. This requires the internal operating models of the organisation to shift from product-centric to customer centric. Make customer segments become the prime profit and loss centres. Product groups should still exist, to innovate and create new offerings, but as cross sector support functions. Organisation structures become flatter and networks of small, empowered teams are established to work closely with sub-segments of customers. Job role descriptions become longer and change frequently.

4. Embrace innovative, agile, collaborative ways of working

Employee innovation, collaboration and agility

Step four involves unlocking the creativity of employees to serve and delight customers. Customer centric, digitally enabled businesses need their employees to work in new ways. Encourage innovation by creating a culture that celebrates new ideas. Next, train employees in agile methods so they understand how to launch new serves and listen to the needs of customers, test and refine ideas and learn to embrace failure as a way of improving. Employees also need new tools to help them collaborate. The speed of the business needs to increase. Small, empowered teams working in collaboration can make a big positive impact on customer experience.

5. Extend the organisation with a connected ecosystem of collaborators

Extended organisation

As employees become more empowered and connected they soon find themselves collaborating with external organisations. Step five involves encouraging the "extended organisation" by facilitating collaboration with suppliers and third party companies. Security control standards need to be adapted. The benefits to customers can be significant. By collaborating externally, your employees gain access to new skills and the external talent acts as "force multiplier" to their own abilities. Customers themselves can be brought into this new, connected ecosystem to provide feedback on new product and service designs and to suggest new innovations.

5. Customer data, analytics and insights

“Few businesses have the richness of transaction data to truly understand the choices their customers are making. The future offers exciting times with the blending of new open data sources with organisations’ own data allowing them to win in a competitive landscape.”

Clive Humby,
Former Chairman
dunnhumby

Creating actionable insights that drive profitable growth

Customer data holds the key to unlocking massive new opportunities for growth for many businesses and yet nearly 60% of today's CEOs say they don't have high level trust in their data and analytics accuracy.*

The data that businesses have at their disposal is vast. Transaction data, social data, demonstrated behavioural data, motivation data, geolocation data and so on. All this 'big data' presents endless opportunities to uncover patterns of customer behaviour, relevant social media influencers, channel preferences so you can personalise your propositions, your channels, your marketing communications and the experiences you offer to your customers.

All sectors are pushing the boundaries of their data and analytics with the use of increasingly complex algorithms. In many areas these are replacing traditional customer relationships and human decision making.

At KPMG, we believe that investments in big data can achieve valuable insights if the right approaches are adopted. Advanced, predicative analytics can help identify opportunities to accelerate customer growth by creating tailored services to customers, expanding into new markets, creating new products, and doing a better job of serving existing customers. Our analytics tools and solutions have the potential to create value and help drive profitable growth.

But which big data is important for you to invest in? What are the smarter technologies and analytics that are important for your business and most importantly how do you use these to differentiate against your competitors?

We can help you maximise customer engagement by embedding data-driven insights into decisions and actions across all elements of the customer journey.

We help clients use data and analytics to drive profitable growth by improving customer journey economics. We embed analytics into our clients' core customer processes to align investments in customer experience to the dynamic changes in customer expectations.

In a customer driven business environment, advanced analytics will underpin the most important decisions you will make. At KPMG we can help you to unlock the value of your data to build a competitive edge and create value for your business and customers.

*KPMG Global CEO Outlook 2016

Key challenges to deriving insights from customer data

For today's enterprises, profitable growth is an imperative, not an option. It takes deep insight, smart decisions and practical confidence to catalyse sustainable growth. The explosion of customer and market data creates enormous opportunities. How businesses respond to increasingly complex customer channel behaviour will impact service levels, retention, sales effectiveness and costs. Data insights can give a customer centric view that equips you to match customer, action and channel.

But the speed of change is fast and leadership teams are facing challenges in understanding what advanced analytics technologies mean for their business and how 'actionable' insights can be applied to attract, acquire and retain customers to unlock growth.



100%

Predicting the needs of customers

The use of predictive analytics will double by 2018¹



84%

Improving the quality of customer data

CEOs are concerned over the quality of data they are basing decisions on³



48%

Understanding how to best leverage "big data"

Many executives are unclear how to capture signals of change in the marketplace to develop unique insights on customers' preferences⁴



41%

Investing to gain greatest return

Data and analytics will be the top area of investment over the next three years²



41%

Improving the consistency of data

Marketers consistently cite inconsistent data as biggest challenge for ROI⁵

Sources:

¹ KPMG Global Top of Mind Survey 2016
^{2,3} KPMG Global CEO Outlook 2016

⁴ PMG Global Transformation Study 2016
⁵ Dun and Bradstreet 2016

Using analytics to turn data into value

From new customer and portfolio acquisition strategies through to the development of new business models, today's leading organisations rely on their data and analytics to drive profitable and sustainable growth. At KPMG we believe the customer should be at the heart of every organisation's data and analytics strategy.

We specialise in innovative methods of sourcing and analysing 'voice of the customer' and 'voice of the business' data. We integrate a range of other data sources – such as revenue, cost, product, risk, channel and profitability in addition to demographic, competitor, firmographic and geographic – to create customer centric data models. Using the very latest business intelligence tools, our modelling team converts this data into actionable insight and puts it in the hands of business decision makers, from the frontline to the board.

| Action plan - Customer data and analytics

1. Define a customer data and analytics strategy

Customer centric decision support

Step one involves taking a detailed look at consumer data and analytics capabilities. It's imperative to ensure strategic alignment of data, analytics, and technology capability development priorities to measure brand strategy, consumer ambition, and business objectives. We can help you to identify use cases that are aligned with your business strategy.

2. Build a customer data management, analytics and technology ecosystem

'Voice of the customer' and 'voice of the business' analytics

Step two focuses on creating a data management environment encompassing multi sourced, internal, external and linked data in various environments. We can help to create categories of data sources both inside and outside the organisation and to select data providers and ways to monetise data sources. As part of this step we will help to define the most appropriate approach for API development.

3. Develop data models and analytics engines

Actionable insights

For step three we will work with data analysts to create data models for the use cases we have identified. By blending, enriching, analysing and sharing the data via visualisation tools or reports. We can provide models for your various analytics requirements such as social media insights, 'voice of the customer', 'voice of the employee', behavioural segmentation, marketing campaign effectiveness and sales and service optimisation.

4. Generate and interpret insights

Business dashboards

Turn insights into actions by integrating information with business and customer processes to improve customer engagement, service delivery and products. We can help to build systems and processes of insights for marketing, sales, customer experience, product, service and channel teams.

5. Establish management controls

Governance and performance frameworks

A critical final step is to set up the governance of your data. We will define organisation structures, define roles and responsibilities, target operating models and performance and reporting mechanisms. We'll review your alliances with third party vendors, a robust change management framework and create a customer information management system. Performance management fits hand in hand with this so we will work with your team to define key performance indicators to support progress tracking of strategic business objectives and identify these for different views or functions. Finally we will help you to identify the data sources needed to calculate metrics, establish measurements for a continuous improvement process.

6. Digital transformation

“Digital transformation is not an overnight event but rather a series of incremental steps, each delivering a concrete business advantage.”

Karl-Heinz Streibich,
CEO,
Software AG

Deploying customer and digital technology solutions

Customer centric businesses are enabled by wholesale digital transformation. New customer and digital technology solutions power new ways to engage customers, help optimise operations and transform products.

Increasingly, CEOs and boards of major businesses are choosing strategic customer technology platforms as a way of accessing the accelerating pace of digital innovation, without the undue complexity involved if they were to select and integrate many single-point solutions. The forces of technological advance are too strong, the pace of change is too fast and the sums of investment too great for many businesses to justify integrating all their latest digital innovations in one platform.

At KPMG we believe that delivering the right customer and digital technology solution is a key to strategic decision for any business. Our consultants have deep expertise in advising on the most suitable solutions in the market and implementing them successfully to achieve financial results.

First is social media. Social networks have grown at an explosive rate and the "democratisation" of communication means that brands need to be very engaged with their customers socially. There are many social media platforms to choose from. Each one enabling its own different style of communication and connection - each one requiring "native" content to be produced for that platform. The possibilities for rapid, effective and powerful marketing, sales and service via social media has just begun.

Second is mobile technology. The exponential growth in smartphone use over the past five years has dwarfed that of the personal computer. Mobile is now the preferred channel of most consumers, with business customers (consumers in their own right of course) not far behind. These days approximately 70% of bank transactions are on the mobile and 80% of government interactions are by mobile device.

Third is cloud computing. Customer centric organisations can now rent computing power and access to enterprise class software for a fraction of the price of years past. And implementations are quicker and less risky than before. Many of moving their customer relationship management (CRM) applications to the cloud, to market, sell and serve their customers in new, innovative ways - all integrated to the same single customer database.

Other new digital technologies are advancing all the time. Smart companies look to the emerging trends and learn how they can leverage their technologies to innovate and delight customers. The hottest new digital advances currently exist in the fields of virtual reality and augmented reality headsets, live streaming social media, connected devices (the so called "internet of things"), artificial intelligence and cognitive computing. We will soon see all of these making significant changes to the ways that customer-centric companies engage their customers and operate their businesses.

Delivering digital transformation

Digital technology can transform business and economic models across industries and companies and CEOs are starting to recognise they can better leverage digital and social media to connect with their customers. So we make sure that our approach to designing and implementing digital technology solutions improves economic returns.

But more than this - our preconfigured industry templates can help reduce the risk of delivery and can help to transform your business model. These KPMG digital solutions and our alliances with various digital delivery partners cut through the complexity of delivering digital innovation.

How do you set a clear strategy for your investments to maintain business as usual and innovate at the same time?



Sources:

- ¹ KPMG Global CEO Outlook 2016
- ² BT CIO Report BT CIO Report
- ³ KPMG Global CEO Outlook 2016

- ⁴ The Economist Intelligence Unit
- ⁵ BT CIO Report BT CIO Report

Delivering digital transformation end-to-end across the business

At KPMG, we never forget that sustainable, profitable growth is every organisation's goal. So we make sure our approach to digital business priorities improving the economics of your business. We can help you define and shape compelling customer products, engage customers online and help optimise your operations so that customers are served across the digital and physical worlds.

But more than this - we leverage digital technology to transform your business model, by building new capabilities that cut through complexity - harnessing new opportunities while managing risks. We call this taking a 'whole business' view of digital.

I Action plan - digital transformation

1. Prioritise mobile channels first

Mobile first

With over 2 billion mobile devices¹ and the average user viewing their smartphone over 50 times per day² we live in a mobile world. Large businesses and government departments, however, are only recently realising that their digital efforts should prioritise the mobile channel above all others. Step one involves assessing the effectiveness and competitiveness of your mobile channels against your key customer experience journeys - and then developing designs for greater mobile engagement.

2. Embrace a leading customer and digital platform

Customer relationship management platforms

Step two involves assessing and selecting the right customer and digital platform. The explosive growth in access to suites of online applications from companies like Microsoft, Salesforce and Oracle, as well as data storage and compute power mean that every organisation should look to leverage cloud based applications for marketing, sales and service. Legacy systems will likely still exist in the short term - so plan how these new cloud applications pull data in using interfaces. Consider interface management environments like Mulesoft to complement your cloud application strategy.

3. Discover how cloud applications can transform marketing, sales, service

Cloud first

Step three involves a discovery phase to assess the needs of a certain target set of marketing, sales or service processes and discovering how they could be performed radically better leveraging the cloud based applications instead of those base within a company's own data centre. Some customer centric businesses access this cloud innovation by starting with marketing, some with service, others start with sales. It doesn't matter which - but it essential that any plans are "customer requirements led" (by starting with customer journeys) and that prioritise the user centric design.

4. Digitally enable new, innovative, agile, collaborative ways of working

Accelerated digital innovation

Step four involves establishing an 'innovation cell' and 'model future office' within the business to determine the potential uses of the latest proven technologies - including robotic process automation, cognitive learning, and natural language chat-bots. Once established the innovation lab can look further out to the applicability of connected devices (the so called "internet of things") and other emerging technologies such as virtual and augmented reality. Considering that over 6 million consumers downloaded the Pokemon Go app in the first month after it was launched³ - these new technologies can be a serious source of differentiation.

5. Build a long-term reputation for digital trust

Digital trust

KPMG has deep expertise on relevant regulation, government policy, laws and tax environments which affect the ways that customer experiences are delivered. We help our clients to build digital solutions which comply with these requirements and build trust with their customers. The goal is to help our clients to stand out as a trusted provider of secure, reliable services in an increasingly uncertain digital world.

Sources:

¹ Statista

² eMarketer

³ YouGov

How can we help?

Customer strategy

We help our clients to achieve profitable growth by focusing their customer strategy in an optimal way to help deliver financial results. KPMG applies years of experience in analytical discipline and evidence-based decision making to the new science of discovering deep customer insights. Our customer strategy consultants introduce new, agile, innovative approaches to product development and design new business models. And our KPMG network of strategic alliance partners bring innovation and mastery of new digital technology to help build strategies that respond to digital disruption.

Customer experience

KPMG works alongside some of the world's leading companies to compete by improving customer experience. Using the KPMG Nunwood Customer Experience Excellence Centre we help to define winning customer experience strategies which will delight and engage customers. Our KPMG Nunwood customer experience analytics solutions then bring the voice of the customer into the boardroom every day and enable our KPMG Customer Advisory consultants to redesign customer journeys which improve customer loyalty and help maximise customer lifetime value.

Marketing, sales and service transformation

The front office is being revolutionised by digital disruption and higher customer expectations.

KPMG Customer Advisory consultants can help you to digitally enable and transform the effectiveness of your marketing, sales and service functions. And our consultants help to create a connected customer enterprise by integrating front, middle and back office operations to enable a more agile and responsive business, better able to serve today's demanding customers.

Customer centric organisation

The edges of the organisation are blurring and digital is revitalising the way we want to engage in the workplace. KPMG customer organisation design consultants can help you create a modern, agile, collaborative and engaging workplace. We help you to empower employees and improve the employee experience with engaging digital solutions.

Customer data, analytics and insights

At KPMG, we specialise in understanding and leveraging your customer data which is vital to business transformation. This starts with a master data management strategy which we'll help you define alongside the governance and tools you'll need to manage data securely across your enterprise. KPMG customer analytics solutions and decision engines can help you to power improvements in customer experience and maximise customer lifetime value.

Digital transformation

The ecosystem of new digital technologies is more powerful and beneficial to business than ever before. It is also more complex. KPMG Digital specialists can help you cut through the complexity and design, develop and integrate digital technology to complement existing legacy systems. And KPMG preconfigured digital and customer solutions help power your business with new cloud based technology.

Five reasons you might enjoy working with KPMG

We help some of the world's largest businesses to transform and thrive in the digital age. Our KPMG Customer Advisory consultants and the KPMG Nunwood team work alongside clients to unlock the customer value by improving all of the six capabilities set out in this report. We focus customer transformation work to deliver financial results. Our consultants provide expert management consulting advice, transformation implementation delivery expertise and powerful analytical and digital technology solutions. Our team can help your business to become more customer centric by improving each of the six capabilities set out in this report.

We deliver the results that matter

By implementing customer centricity with a focus on the economics of the customer experience, we help our clients drive profitable growth. Our work balances discipline, risk and rigour to drive evidence based business performance.

We know how business works

Our expertise in customer centricity is matched by business and industry knowledge and financial acumen that help ensure solutions are tailored to your specific needs. We know that being customer centric involves changes to core aspects of your business so as a large, multi-disciplinary firm we can help you orchestrate transformation at the scale and pace you need.

We know how to get things done

We not only create actionable insights and strategies for customer focus, we help clients operationalise them. In addition to the breadth of skills we have within our global network of member firms, we can connect you with the right organisations to help you innovate and accelerate your growth plans and drive economic benefit for your organisation.

We know how to exploit digital technology

We know how to harness digital data to create robust insights, market intelligence and opportunities for personalised customer interactions. We can help you to unlock the value of your data to build a competitive edge and create value for your business and customers.

We are on your side, all the way

We have global capabilities that are focused on helping you realise a return from your customer investments. Our breadth of expertise can drive the collaboration across your C-suite providing a results driven mentality and the market intelligence to ensure that profitable growth is achieved from all investments focused on the customer.

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