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5 STEPS TO BECOMING A CUSTOMER-FIRST BUSINESS

BY DAVID CIANCIO

Everyone in retail says they care about their customers. But customer-first retailers act in ways that deepen their relationships with loyal customers, making them likely to spend more. Our Global Customer Centricity Index study¹ demonstrates a direct link between having high customer centricity and commanding higher revenues – something that can be achieved through a customer-first approach. **Retailers in our study with high customer-centricity scores saw sales rise by 3% on average and their market share grow by 7%.** Those with low scores experienced declines in sales (2 percent) and market share (1 percent).

A customer-first approach is clearly worth pursuing, but is not always the easy road to take. This report looks at what's involved for businesses wanting to start on this journey, covering 5 key areas vital to customer-first success.

WHAT DO WE MEAN BY CUSTOMER-FIRST?

Customer-first retailers clearly demonstrate that their customers are central to their brand identity. They adapt to changes in customer preferences while sticking to a long-term customer-first strategy — in spite of emerging competitive threats or economic fluctuations. They utilise data insights to engage loyal customers — learning about their preferences to offer the most appropriate goods' assortments at the right prices, creating new promotions informed by customers' purchase trends, developing personalised communications that cater to each customer's needs, further deepening loyalty.

These retailers also analyse data to drive necessary changes that extend beyond marketing and pricing. **A customer-first strategy requires transforming approaches to many business decisions, from supply chain and assortment to store layout and customer service.** Because it takes everyone in the organisation to support a customer-first strategy, customer-centricity becomes part of employees' performance measures and rewards.



WHY CUSTOMER-FIRST MAKES A DIFFERENCE

For many retailers, transforming their customer experience remains an aspirational goal. Traditional retailers (those who operate both stores and digital channels) rank behind other industries in their ability to advance beyond loyalty programs as they seek to focus on their customers' needs. "Retailers have approached customer centricity tactically, while other industries have fully committed to the customer, transforming their organisational strategy to become customer-obsessed," notes Forrester Research in a 2016 study.²

It's a goal worth pursuing. The same Forrester study found that **retailers can drive an estimated \$572 million in annual revenue by improving their customer experience** and luring additional purchases, reducing churn and increasing brand awareness through word of mouth. Having a customer-first approach will help focus efforts to succeed in these aims.

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¹ Driving growth through customer centricity - dunnhumby Global CCI study, 2017

² Retailers Need A New Approach To Unlock The Value Of Being Truly Customer-Centric, Forrester, 2016

5 STEPS TO CREATE A CUSTOMER-FIRST BUSINESS

Retailers who wish to successfully execute a customer-first strategy need to ensure they are addressing these five aspects within their business:

1 USE DATA TO BETTER UNDERSTAND CUSTOMER NEEDS

The first step to becoming a customer-first organization is to really understand your customers. Not simply what they buy and when they buy it, but knowing what their needs are at each stage of the shopping experience, what motivated their behaviour. These four distinct stages, or mindsets, are: **Discover, Shop, Buy, and Reflect**. And loyalty can be won or lost in each of these mindsets. To learn what creates or destroys loyalty, efforts should be focused on understanding these mindsets: when they happen, where they happen, how you influence them and what's most important to customers within them – what we call the Loyalty Drivers.

Some examples of specific Loyalty Drivers that accompany the different mindsets are:

Discover

- Save me time in helping me plan my shop
- Share new or interesting products with me
- Provide me with options to shop how I want

Shop

- Offer me the best price when I shop
- Offer me promotions on things I want to buy
- Make it easy for me to find what I need


Buy

- Save me time at checkout
- Make checking out stress-free
- Make it easy for me to redeem my rewards

Reflect

- Ask me for my opinion
- Genuinely respond to my comments
- Go above and beyond for me if something goes wrong

Using data to better understand customer needs means going beyond traditional CRM-type analytics - Mindsets and Loyalty Drivers represent an evolution of Customer Science – beyond understanding HOW customers shop, to mapping the relative importance of granular customer needs. Knowing what really matters most to customers enables retailers to prioritise marketing investments for superior growth gains.



Example: **Using customer needs to shape your offer:** The My Starbucks Rewards scheme mobile app lets consumers customise their drink and food orders and save time in the queue by using mobile payments. It moves beyond loyalty points to enhance the customer experience, based on what customers have outlined as most important to them.

2

CREATE & EMBED A COMMON CUSTOMER LANGUAGE

Bringing customer-first to life requires a common language about customers, starting with understanding Shopping Habits, and terms such as Price Sensitivity, Store Segments, Life Styles, Customer Communications, Customer Promises, and so forth. The challenge is to speak the language to as many people in your organisation as often as possible.

A good place to start is with a customer-focused purpose and vision. This establishes what a retailer stands for, its identity. A retailer should express this purpose both to customers and internally. The vision should be based on authoritative knowledge of customers and the market. Who the most loyal customers are, their behaviors and preferences. How the company competes to attract and retain customers. It guides decision-making at all levels.

*Example: **Customer-focused vision:** The Walt Disney Company's strategy of creating magical experiences not just at its theme parks, cruises and stores—but through its facilities, attractions, people, goods and services—places the customer at the center of everything.*



One important element of a common Customer Language is '**Customer Promises**' – a concept which aims to focus an organization on delivering a consistent customer experience every day from every part of the business. By unifying what really matters to customers into a simple set of commitments, Customer Promises are measures of how effectively a brand delivers on its brand promises.

Practically speaking, Customer Promises help:

- Identify opportunities to become closer to the customer and to create a customer-first mindset within your business
- Provide a structure for a Customer Strategy to ensure that all functions and roles can consistently prioritize and take action in ways that are most valuable for customers
- Anchor the common Customer Language in a way that is easy to understand across business functions
- Unite all employees (at all levels) to practice customer-first initiatives

Customer Promises should be:

- Priorities that are important to customers, in the voice and language of the customer
- Data-led, based on structured research from the customer up (vs. from management top down)
- Benchmarked to allow measurement of progress over time

Through the Customer Promises, customers themselves tell businesses where they should start, and what good looks like when they deliver it.



3

ENGAGE THE ARMY OF YOUR PEOPLE

At its best, a customer-first approach is executed in such a deep way that customers can feel a difference in their experience. Winning buy-in through the hearts and minds of staff – from the top executive to the employee who stocks the shelf – builds an incredibly powerful army necessary to deliver the strategy.

Sadly, most organisations give front-line employees – the faces of their company – very little trust and authority. **Customer-first organisations give front-line employees broad authority to resolve customer needs**, and extend the power to satisfy customers to most members of staff, in some form. Customer-first organisations take advantage of their people to deliver what their most loyal customers want. They invest in training to give employees the tools they need and the permission to use them. They share data to make everyone in the company aware what is important to customers, tailoring the information to be used by people according to their roles.

Behaviour change for organizations doesn't happen overnight. Engage your employees via training which teaches examples of good customer judgment. Upskill the leadership behaviours of empathy, dignity, and respect for both employees and customers. Reward the behaviour you seek. Ensure everyone in your business understands they have 'ownership' of the customer.

Example:

Empowering the front-line:

Hotel company Ritz Carlton famously gives every employee the right to address a customer situation at a cost of up to \$1,500 without seeking approval. By taking a long-term view and focusing on the lifetime value of a customer, Ritz Carlton is demonstrating the high value it places on customer loyalty and retention.

4

SHOW TANGIBLE CHANGE IN-STORE AND HOW YOU INTERACT WITH CUSTOMERS

Customer data may be used to operate loyalty programs, but there is less evidence that this data is being used to support changes in the store. Ranging, assortment, store layouts, pricing, promotions, customer service – all these elements that make up the shopping experience should be informed by data from your loyal customers, to ensure you are delivering what your best customers seek.

Efforts to build customer loyalty and grow sales often fail to produce meaningful results for three key reasons:

- 1. First, loyalty is not about customers being loyal to the retailer – it's about the retailer acting loyally to its customers**
- 2. Loyalty is not just a program – it's an approach that puts the customer-first in all the decisions a retailer makes**
- 3. Loyalty is not just about CRM – it's about the store and how you interact with your customers.**

By inviting, listening and responding to customer feedback, retailers can earn the emotional loyalty of their customers. They feel that the retailer cares about them and their needs.

Such actions place the customer in the role of a strategic partner. Customers can share their perspectives, creating a two-way conversation. And retailers can embed this idea in their customer interactions, to deepen the relationship.

Example:

Improving the shopping

experience: The milk category for a large retailer in EMEA was under performing as customers found it difficult to find what they were looking for. The data demonstrated customers made decisions first by fat content, then by size. De-listing 20% of overlapping products, and organising the shelves to match customer needs, rather than by brand, grew sales by 1%, with category volume uplift of 2%.

5

ALIGN PROCESSES, SYSTEMS, AND STRUCTURES

Bringing customer-first to life and inspiring your people to do their best for customers will require changes to supporting structures and processes within your organisation. Of all the steps, this one presents the greatest challenge: to align your business systems around the customer.

Customer-first organisations display a singled-minded focus on loyal customers - growing this segment and increasing their lifetime value. They set up systems to retain and grow customer loyalty over time. **They track, measure and report on customer initiatives such as Customer Promises or customer-focused KPIs.** They implement a process that aligns the customer into strategic plans and reviews, using the customer's perspective as a filter through which to evaluate future plans.

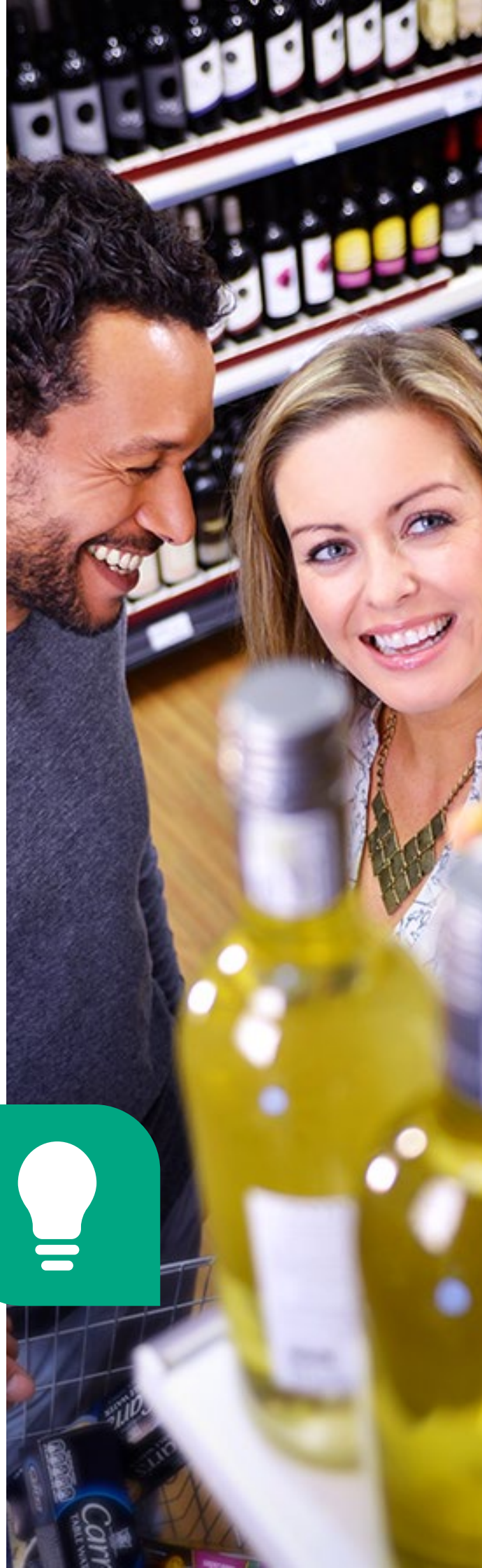
Examples of program investments your business will need to consider:

- Capabilities to analyse customer behavior, segment customers and create personalised communications
- Capabilities that enable organisational change
- Training programs for employees
- Performance measures aligned with Customer-first initiatives
- Recognition & Rewards for employees who put the strategy into action

This long-term view transcends traditional retail instincts to make decisions based on current market trends without considering the lasting impact that these choices—such as matching competitors' prices or other 'me too' tactics—may have on customer relationships.

The reality is that the best relationships are nurtured. This requires time and investment. By focusing on long-term relationships with loyal customers, retailers can build a path to growth with them at the center.

Example: Customer-driven strategy:
A small North American based retailer committed to aligning their business strategy to Customer Promises, rewards delivery of this strategy via a store level employee recognition program. By facilitating and embedding a company culture committed to the Promises, this retailer is set up to combat competitive pressures.



CHALLENGES ON THE CUSTOMER-FIRST JOURNEY

Pursuing a customer-first strategy is not easy and all retailers are likely to face certain challenges.



Competitive pressures on prices and economic difficulties will test executives' resolve

Retailers that stick with a customer-first strategy are able to ride out these market changes by ensuring they offer what their most loyal customers want. Customers in turn reward the retailers that inspire their loyalty.



Customer-first retailers also must overcome organisational challenges

The size of large firms—employing thousands of people—can make the goals appear daunting. The strategy must be led from the top down, with the CEO communicating that every customer interaction is an opportunity to earn loyalty and drive growth.



While getting many people to act in concert takes time, it starts with a common language that communicates what is important to customers

Data-based insights about customer needs, which promotions work, which personalised communications succeed, guide managers' internal messaging and employee actions at every level. Customer-first becomes part of everyone's job. And leadership's commitment to invest in rewards for customer-first actions are also key to successful change.

As research from our [Customer Centricity Index](#) and [Forrester](#) has shown, **there are direct financial benefits for retailers who improve customer centricity by following a customer-first strategy.**

It guides retailers as they navigate a challenging environment. It removes any doubt about what is most important.

And for large enterprises, the imperative could not be greater. Think of the organisation with 10,000 store associates. Picture each person, trained and equipped with the right information, delivering great experiences to one customer a week. Picture that shopper adding one item to his or her purchase. That revenue adds up. You can't afford not to be customer-first.



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