Return on Customer Investment:
Linking Customer Insights to Revenue Growth

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Agenda

- The growth imperative (*fun* quiz!!)
- The research: “Getting” your customers gets results
- Client and marketplace examples
- Questions
The Growth Imperative
In two thirds of the organizations that outperform their peers, leaders are not just managing customer experiences; they are reorienting their organizations, strategies and investments to cultivate contemporary relationships across all manner of customer interactions.

—Virginia M. Rometty Chairman, President, and Chief Executive Officer, IBM
In a large 2005 study, Bain & Company found that nearly 80% of companies believed themselves to be “customer-centric.” What percentage of their customers agreed?

a. 8%
b. 18%
c. 28%
d. 58%
e. 78%
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Q2

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a. It has declined from 4.1% in 1965 to 0.9% in 2012, and continues to drop

b. It declined from 4.1% in 1965 to 0.9% in 2012, but has reversed that trend and is once again growing

c. It has grown from 4.1% in 1965 to 4.7% today
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Which of the following best reflects the comparison between spending on advertising and consumer insights?

a. Companies spend $7 on advertising for every $1 that they spend on understanding their consumers

b. Companies spend $14 on advertising for every $1 that they spend on understanding their consumers

c. Companies spend $28 on advertising for every $1 that they spend on understanding their consumers

d. Spending on consumer insights is growing at a faster rate than spending on advertising
Q3

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Which of the following best describes the ratio of corporate investment in breakthrough innovation vs. extensions to existing products?

a. Most consumer products companies split their R&D investments evenly between sustaining existing products and in longer-term (3-5 years out) breakthrough innovation

b. Nearly 90% of R&D spending in consumer products companies goes to longer-term (3-5 years out) breakthrough innovation

c. Nearly 90% of R&D in consumer products companies goes toward sustaining existing products
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You can’t cut (or even spend) your way to growth.
You can, however, harness the power of customers to find *new paths to growth*. 
Customer Inspired Growth occurs when companies systematically design the customer into the business to sustain and grow the business.
Many companies *want* to be customer centric, but few actually are.
Companies that really ‘get’, customers put customers at the heart of the business.
They also tend to share five characteristics.

Deliver superior *customer experiences*, being respectful and appreciative

Provide meaningful *emotional rewards*, creating a sense of belonging and making people feel smart and proud

Be *open*, authentic and genuinely interested in dialogue with customers

Show *empathy*, understanding customers’ needs and preferences

Be *relevant*, speaking the customer’s language and sharing their values
Businesses that really ‘get’ their customers outperform those that don’t.
And we can measure this

Our Customer Quotient research shows ...

Companies that really “get” customers
i.e., those who have good intuition about their customers and consumers

= 

01
better revenue performance

02
higher Return on Assets \[ \text{ROA} = \frac{\text{Net income}}{\text{total assets}} \] (e.g., cash, inventory, real estate), a key financial metric

03
more likely to have been recommended
What makes CQ unique?

While many companies are sincerely committed to the notion of “customer-centricity,” most measures of customer loyalty, satisfaction, and experience are written from the company’s perspective.

They generally assess what customers will do for companies.
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They generally assess what customers will do for companies.

Will you recommend me?

Will you purchase from me again?

How was your experience with me?

Are you satisfied with me?
What makes CQ unique?

CQ takes into account familiar measures of loyalty and experience, but reframes them from the customers’ lens. It also captures what “corporate empathy” looks and feels like to consumers.

CQ is the consumers’ “buying criteria,” asking, not what customers might do for companies, but what companies can do for customers.
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Do you really “get” me (more than other companies)?

Do you do what you say you’re going to do?

Do you share my values?

Do I feel smart and proud to be your customer?
What this means in practice

Customers are 5x as likely to say Amazon “gets me” as compared to Walmart.

In 2015, Amazon’s revenues grew 23%; Walmart’s were down.

Diners are 4x as likely to say Panera “gets me” as compared to McDonalds.

In 2015, Panera’s revenues grew 7.2%; McDonald’s were down.

Flyers are 5.5x as likely to say JetBlue “gets me” as compared to United Airlines.

In 2015, Jet Blue’s revenues grew 10%; United’s were down.
Raising your CQ 1 full point will result in 0.5 percentage point increase in your ROA. What is a 0.5 point increase in ROA worth?

For Google it’s about $2,996M in revenue and $656M in net income
For verizon it’s about $15,362M in revenue and $1,164M in net income
For Walmart it’s about $30,229M in revenue and $1,019M in net income
For jetBlue it’s about $448M in revenue and $41M in net income
Getting to customer inspired growth
Customer inspired growth: Case example

Share benchmarks with client
Customer inspired growth: Case example

- Conduct CQ deep dive with 800+ consumers
- Share benchmarks with client
- Survey 900+ employees on company’s “customer intuition”
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- Gap analysis
Employees and consumers see things differently
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How consumers see competing brands
Employees and consumers see things differently

- How consumers see competing brands
- How consumers see the client’s brand
Employees and consumers see things differently

- How consumers see competing brands
- How consumers see the client’s brand
- Employees’ predictions of consumers’ brand perception

CQ Dimensions

Customer Experience

Emotional Rewards

Relevance

Empathy

Openness
Employees and consumers see things differently

- How consumers see competing brands
- How consumers see the client’s brand
- Employees’ predictions of consumers’ brand perception
- How employees see the brand

CQ Dimensions

- Customer Experience
- Relevance
- Emotional Rewards
- Empathy
- Openness
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• Consumers want: Openness, relevance, loyalty
Customer inspired growth: Case example

- Consumers want: Openness, relevance, loyalty
- Employees want: Openness, empathy for/to be closer to end-users

Flowchart:
- Conduct CQ deep dive with 800+ consumers
- Survey 900+ employees on company’s “customer intuition”
- Share benchmarks with client
- Gap analysis
Customer inspired growth: Case example

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- **Quantify the potential gain from closing gaps**

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- Quantify the potential gain from closing gaps
- Propose specific actions

Share benchmarks with client

Conduct CQ deep dive with 800+ consumers

Survey 900+ employees on company’s “customer intuition”

Gap analysis
CIG road map: Case example

Consumers want: Openness, relevance, loyalty
Employees want: Openness, empathy for/to be closer to end-users
Quantify the potential gain from closing gaps
Propose specific actions

Specific actions ...

- In-person debriefs: Chief Brand Officer, Chief Digital Strategy Officer, Chief Executive Officer
- Internal “customer confidence” workshop (500+ employees) to build empathy and openness
- Revising their 360 review process (to include customer experience ... all 10,000 employees)
- Town hall meeting with 300 top employees (executive group)
- Customer inspired retail store of the future workshop (including omni-channel)
- Fuzzy front end work – diagnosing future customer needs

Share benchmarks with client
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Gap analysis
CIG road map: Case example

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What has been working ...

A data-based wake-up call: Employees’ lack of customer confidence was alarming!

Giving executives a framework and vernacular to bring customers into strategy

Linking insights to specific actions, and ultimately results

Elevating the client’s team: qualitative insights and research are now engaging new audiences

Opening a two-way dialogue between insights and executive groups
Creating nimble, intuitive, successful organizations in partnership with customers

01 Build ongoing relationships and holistic understanding

02 Socialize the customer voice across the organization

03 Design the customer into the organization
Questions?

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Empathy

Understanding customers needs and preferences, and exercising better “customer intuition” than their competitors

“They UNDERSTAND me, they ‘get’ me, they know what I am, and what I am not ... They believe in me, and I believe in them ... a perfect symbiotic relationship ...

- CQ research participant

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Emotional validation and rewards

Creating a sense of belonging, making people feel smart and proud for being customers, making them feel like they belong to a special group
Genuine, open dialogue

Being open and genuinely interested in dialog with customers (as opposed to continual messaging and requests for feedback)

http://optoutside.rei.com/
Relevancy

Speaking the customer’s language and sharing their values

WHERE TO BUY

We might call this the "Where to Enlist" page, since eating Evol kinda makes you a food freedom fighter. Here's where to arm yourself with food that's kind to both people and planet. The revolution will be microwaved.
Superb Customer Experience

Delivering a coherent, seamless Customer Experience, respecting people’s time, appreciating their loyalty, and making customer service everyone’s job.

Building better health insurance from the ground up

Oscar’s team of world-class engineers, data scientists, and healthcare experts has come together to tackle the industry’s toughest problems. We’re reinventing how to manage care, process medical claims, control healthcare costs, and provide transparency. With all the complexity hidden behind an easy experience for our members.
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The barriers to customer-inspired growth

Companies don’t really believe that customer centricity is a business imperative (hoping, instead, that business as usual will yield results)

They don’t fully understand what the work of becoming customer centric entails

They lack the means and skills to meaningfully leverage customers to their best advantage

And, finally, when gauging their progress, they mistakenly focus on company centric outputs, versus customer centric inputs
What supports customer inspired growth?

- **Leadership Behavior** (CEO and Top Team champion customer and “walk the talk”)
- **Customer Philosophy** (How the company views customers)
- **Formal Structure & Processes** (Formal functions, processes, and their charter/purpose)
- **Technology** (Digital ways of connecting with customers, as well as other physical means and tools)
- **Customer-connected Culture** (people take risks, feel empowered, are engaged)
- **Approach to Research**
- **Congruence**

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**Customer Inspired Growth**
Questions to ask yourself when you get stuck

01 How does your company really feel about and treat customers? Are they human beings or are they really just numbers on a spreadsheet?

02 Does leadership champion the customer?

03 Where are your company’s customer blind spots? How do your formal structures and processes support or impede customer inspired behavior?

04 Do people who interact with customers daily in the field, on the floor, online, or in call centers, and those in corporate or back office functions have the tools and technologies they need to engage customers?

05 Do you have a culture that supports strengthening the customer-company relationship (on customers’ terms, not yours)?
2015 benchmarking process and initial results

Data collection

Two rounds of pilot research to establish reliability and validity
- Literature review and initial scale development
- Pilot research (qualitative and quantitative) in volunteer communities
- 500 person representative sample to explore validity and reliability

Collected data from over 15,000 consumers
- 1784 companies mentioned all together
- 325 companies mentioned at least 10 times

Findings

Clear relationship between CQ and business performance
- 3-year average revenue growth ($r = .28, p < .05$) and growth relative to industry ($r = .25, p < .05$)
- Return on Asset ($r = .42, p < .01$), and ROA relative to industry ($r = .24, p < .05$)
- Customer satisfaction (ACSI) is not related to business performance
- Customer experience (TxR) is related to ROA, but not average revenue growth

Developed a significant, predictive model, 15 CQ items explain:
- 83% of variance in intent to purchase
- 92% of variance in having recommended