

Consumer & Retail

Customer
Experience 2017
Retail Executives
Deliver Their Verdict

The Amrop
GLOBAL CONSUMER &
RETAIL PRACTICE



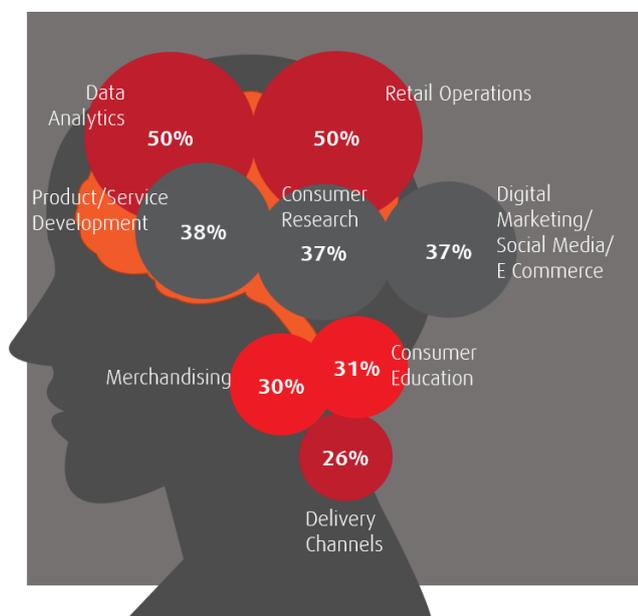
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Leaders For What's Next

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which Knowledge Domains Are critical?



Foreword

The exponential spread of digital has created a host of options for consumers. Information is exchanged in nanoseconds and today's consumers are increasingly calling the shots. With this new state of play comes new complexity. Bricks and mortar, online and omnichannel retailers alike are fighting to anticipate and meet customer needs – cheaper, faster, better. Yet many are hindered by legacy infrastructure, with strategies and whole organizations in a continuous state of change.

Yet opportunities beckon. Vast quantities of data offer tantalizing hints of customers' behaviours and wants. Meaningfully collected and interpreted, these data can be critical to strategy design and implementation.

Few observers or practitioners disagree with the need to be present at key milestones of the customer experience, across multiple channels. However we argue that organizations need to look beyond the surface.

Recent research published in the Harvard Business Review reveals that a great experience, consistently delivered, is a significant competitive advantage and future revenue driver: customers who had the best experiences spend 140% more compared to those who had the poorest¹. And McKinsey have found that a positive, distinctive customer experience brings “higher customer and employee satisfaction, revenue and cost improvements, and an enduring competitive advantage.”

Still, the path from vision to action is paved with problems. It is difficult to gain a joined-up view of what customers think, feel and experience as they traverse this elusive, fast-evolving landscape.

Moreover, CE is a multi-faceted beast which inhabits almost every area of an organization. What happens when a customer has experienced outstanding in-store service or a fast, intuitive shopping experience, only to be confronted with a slow and difficult returns or complaints policy (or vice versa)?

Behind each of these facets lies a complex interplay of functions and resources. CE goes deep into the very heart of a business, its culture and strategy, touching every aspect of an organization, impacted as much by supply chain and finance as by front-line operations and touchpoints. Who can and should own the beast? How can it be fed and tamed?

¹ The Value of Customer Experience, Quantified, Peter Kriss, Harvard Business Review, 2014

As demand for talented customer experience professionals intensifies, how satisfied are retail organizations with the state of their current leadership talent? How are they bridging the gaps? How do they assess their current performance, and where are the biggest gains to be made?

Amrop put these questions to a handpicked population of senior retail executives. Their answers reveal that customer experience is just as much a journey for organizations as it is for customers. And most are only at the outset of a steep learning curve. Three critical points need to be addressed: ensuring the right sponsorship at strategic level, the right ownership at implementation level, and the right leadership capability across both.



Customer experience is the number one competitive edge. It is damn hard to clone - it cannot be replicated online."



There are a lot of short-term, day-by-day objectives; developing and delivering client experience is not a short-term initiative."

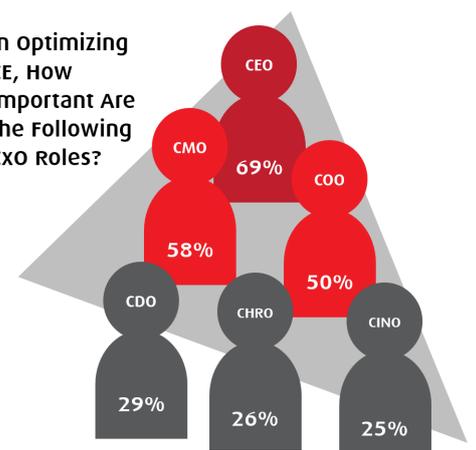


The reward is greater than ever. If I look back 10 – 15 years, there was no understanding of what the customer wanted and that was not an issue. Nowadays, it's about survival! Customers' behaviors are moving faster than ever."



I think for many customer experience is not clear as a priority – people are at a loss to define the customer experience; people are putting lots of money into technology and digital, but often not knowing what they are doing or why."

In optimizing CE, How Important Are the Following CXO Roles?



Amrop

Customer Experience 2017

Topline Findings

Few dispute the competitive value delivered by a great customer experience (CE). And yet, how are retail executives experiencing the organizational journey to excellence? To find out, Amrop surveyed a handpicked group of senior retail executives from 25 countries. Their responses reveal a gap between understanding the strategic importance of optimizing customer experience, and leading the shift.

Questions Surround Strategic Leadership

For 78% of retail executives, CE is a strategic priority. Yet only 42% say the agenda is set at corporate level, with as many setting it at a functional, departmental or business unit level. Only 24% say a single executive is accountable, and only 4% report a dedicated CE function. So responsibility for strategy setting, execution and monitoring is somewhat diffuse and risks getting lost in an organizational wilderness.

Customer Experience is an Emergent Discipline

In only 4% of cases has a dedicated CE function been installed. CE mainly remains the preserve of longstanding disciplines such as customer service, sales and marketing. It is still driven by multiple schools of thought and has yet to find its ultimate, specialist owner.

The CEO is the Most Critical CxO Player

Only two executives cited the CEO as accountable for CE. Yet when it comes to the importance of different CxOs in optimizing customer experience, the CEO is by far the most critical, cited as such by 69%. Other critical roles, (for 50%-60% of respondents) include the CMO and COO, and for around a quarter, the CDO, CHRO, or CINO.

CE is Multi-Departmental – With No Clear Driver

A wide spectrum of departments are very involved in or fully leading CE, with none the clearly designated leader. Most active are retail operations and CRM, both longstanding functions. Only 12% see digital marketing and related disciplines as leading (even if involved in 41% of cases), although 71% of the organizations are digital or omnichannel. This fragmented picture emphasizes the importance of connected thinking in delivering a great customer experience.

A Rich and Connected Knowledge Portfolio is Called For

Executives were presented with a range of knowledge areas. Most critical, they say, are retail operations and data analytics, reflecting the comparatively heavy involvement of the CRM and retail operations departments. The importance of data analytics in harvesting and exploiting rich pools of customer data is unsurprising. Perhaps more surprising is the fact that a grasp of digital marketing is critical for only 37% of respondents, with a grasp of delivery channels being critical for only around a quarter.

Still, many cited more than one knowledge domain as critical, and almost all consider every one of them to be important to some degree. It is clear that retail is intensively seeking to upgrade its CE leadership talent. However, given the organizational breadth of the knowledge portfolio at work here, designing an effective talent strategy to identify and integrate the right professionals is vital and will demand considerable HR expertise. This may explain why the CHRO is critical for 26% of respondents.

Organizations are Fighting to Fill Leadership Talent Gaps

Is the diffuse custodianship of CE deliberately engineered for agility and responsiveness? Or is it more a symptom of a lack of leadership? In many cases, it may well be the latter, since only 26% of executives say the right CE leadership talent is on board. Reflecting the strategic importance of CE, 90% of executives say their organizations are training, developing or recruiting talent, with 17% set to recruit in the next 3 years. However, 60% report difficulty in finding leadership talent, and other findings in the survey lead us to ask: to what extent is talent strategy fully informed or forward looking?

Crowded Aisles, as Talent Shoppers Play Safe

The difficulty of recruiting CE leadership talent could be explained by the finding that 70% of hiring organizations are concentrating their search in their own, or closely related sectors. Very few are investigating lateral sectors such as leisure, hospitality, tech or professional services, with only 19% looking at start ups. Yet familiarity may not be the best strategy, as the war for top talent intensifies. And employer branding will become as important as product branding in the fight for talent share.

Between Aspiration and Reality, Gaps Yawn

78% of executives claim CE is a strategic priority. Yet only around a third say their organizations have installed a strategy, priorities or KPI's, and just as few dispose of vital information to fuel strategic thinking (a clear picture of customer loyalty, a quantified business case, or KPIs). Confirming our questions surrounding fragmentation, only 19% say their departments collaborate or that there is a clear and connected view of what customers think, feel and experience at all steps of their journey.

Retailers Still Control the Customer Journey

Despite the current state of their game, only 18% of retail executives say their customers are in the lead. Yet as customers switch retailers and report their satisfaction online at the click of a button, could it be time for a wake up call?

Despite Big Predicted 3 Year Gains, the Journey will Be a Long Haul

CE will remain a strategic priority for 82% of organizations. When it comes to setting that strategy, executives predict significant improvements: building a quantified business case, defining KPI's, setting priorities and informing strategy design thanks to a better understanding of customer loyalty. They also see major improvements in connecting the dots: inter-departmental collaboration departments and a clear and connected view of what customers think, feel and experience at all stages of their journey. Yet in no area do more than 60% say that the conditions will be fully in place. Even three years down the line, the journey to excellence will still be fully underway.

Methodology

118 senior executives from 25 countries (in Asia, the Americas, Europe and the Middle East) completed an online Amrop survey.

Around two thirds (61%) had a general management role, and a third a retail operations role (36%). 22% had a marketing or digital marketing role.

30% had a global span of control.

The organizations they represented were mainly mature players: nearly 80% were more than 21 years old. Just over half (55%) were listed companies, similar numbers had more than 5 000 employees and around a quarter, more than 25 000 employees.

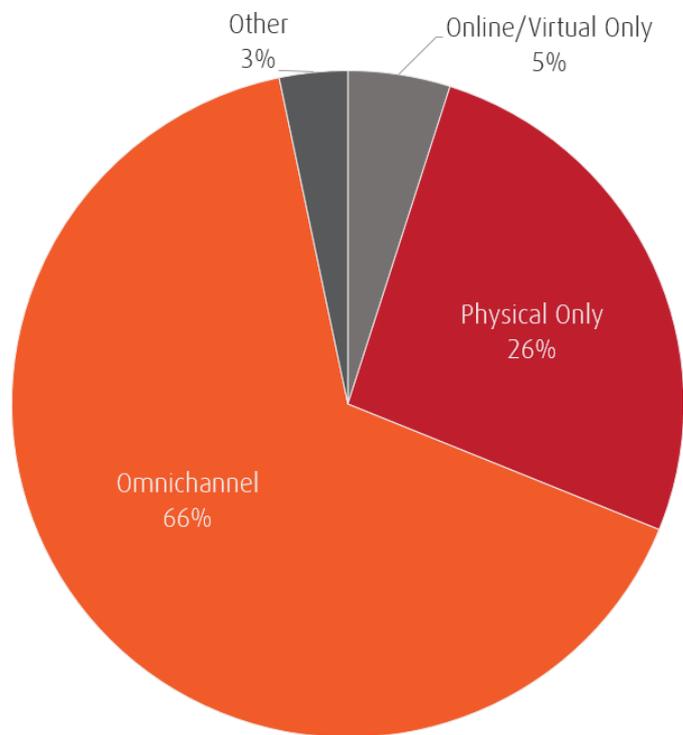
Two thirds of the organizations ran an omnichannel distribution model, with only 5% being pure online or virtual players. In terms of brand portfolio, around 40% were either multibrand/private label, or monobrand.

The data was supplemented by one-on-one interviews conducted by Amrop consultants.

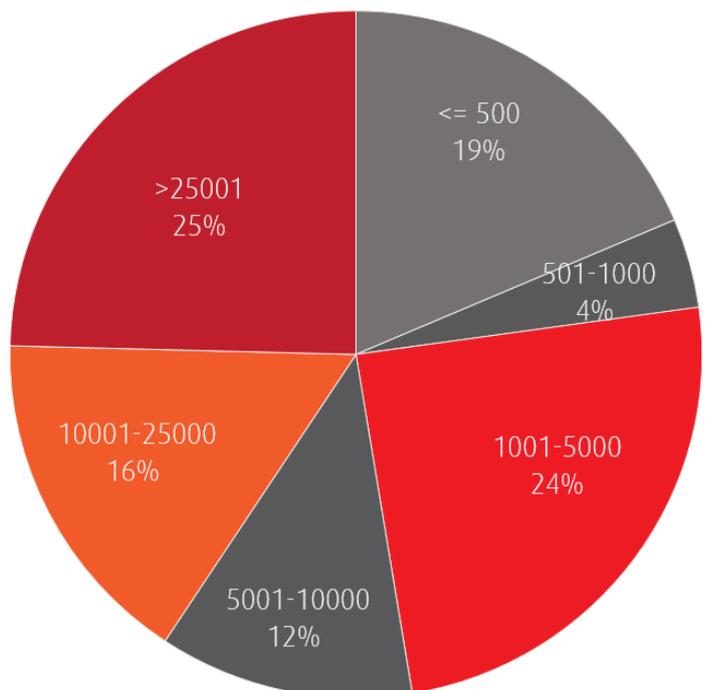


In my world, customer experience is more than a strategic priority”.

Distribution Model



Number of Employees



1

Owning It A Strategic, Yet Diffuse Priority

Can any retail business afford blind spots when it comes to their customers are seeing, thinking, and deciding?

78% of the executives confirm that customer experience (CE) is a strategic priority for their organizations. Only 9% say their organizations have no agenda at all.

Questions Surround Strategic Leadership

Despite the clear importance of CE, only 42% of respondents say the agenda is set at corporate level (and as such, an over-arching imperative). Just as many report that the agenda lives further down the ranks of the organization; at functional, departmental or Business Unit level.

Only 24% Say A Single Executive is Accountable for CE

Only a quarter say a single executive is overseeing CE. 4% say their organizations have installed a dedicated function (see next page). Responsibility for strategy setting, execution and monitoring is therefore somewhat diffuse and risks getting lost in an organizational wilderness.

These findings lead us to question the robustness of the change and stakeholder management surrounding such a complex mandate.

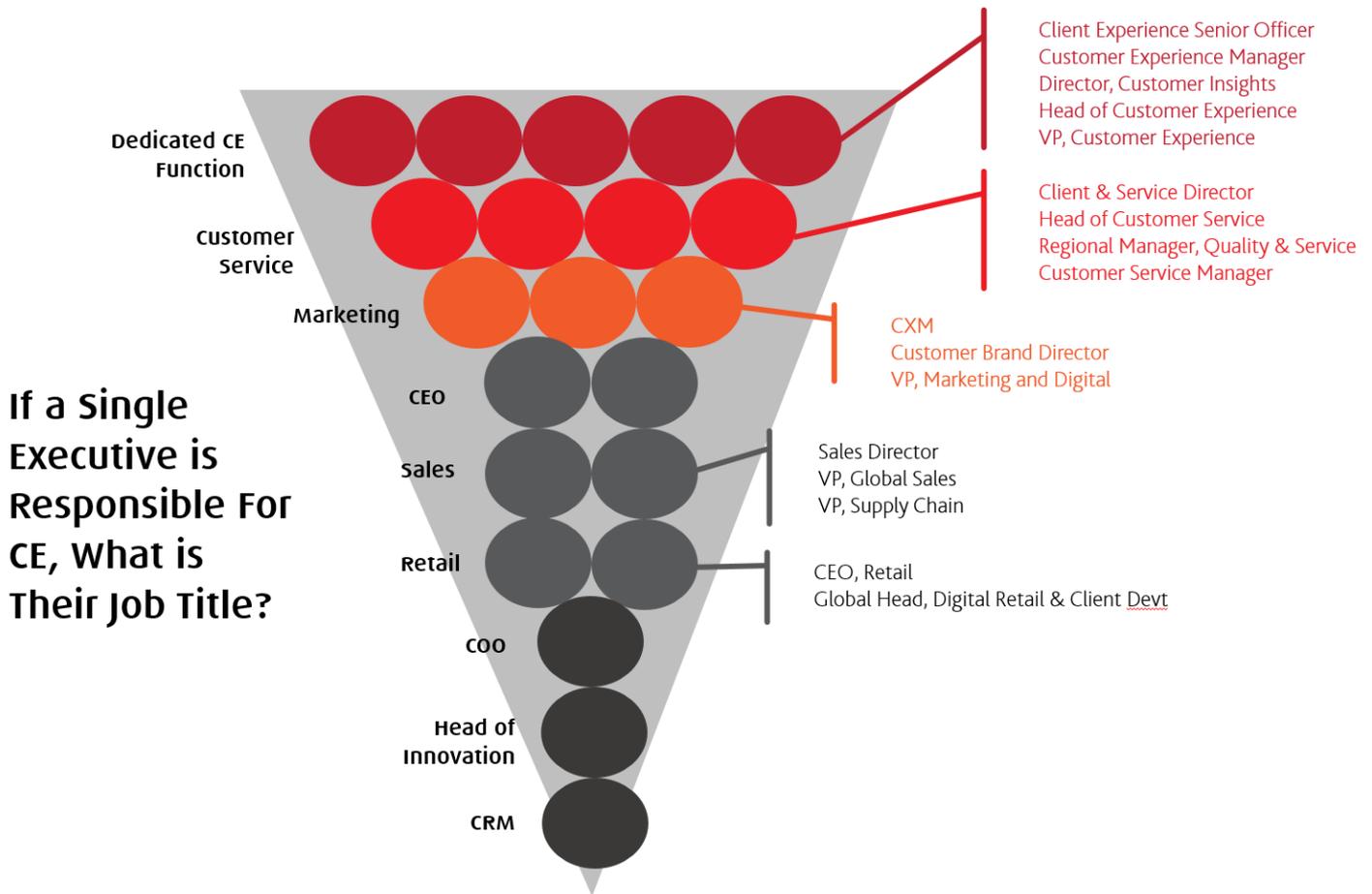
The apparent fragmentation could actually be a case of deliberate decentralization, with retailers engineering agility and responsiveness, tailoring different approaches to different business units. It could equally signal a lack of clarity or real understanding of the strategic opportunity represented by CE, the relative immaturity of the domain, and/or a lack of leadership. We'll find out more later in the report.

“ How many Chief Customer Officers are there? There is a real corner block, because it is hard to find where this person should sit; truly cross-functional roles are very hard to place.”



Customer Experience is An Emergent Discipline

Several executives named the job title of the person accountable for CE. But only 4% of executives say their company has installed a dedicated CE function. Otherwise, CE remains the preserve of executives in longstanding disciplines: customer service, sales and marketing. The scarcity and variety of dedicated CE functions signal that CE has yet to find its ultimate, specialist owner.



I have seen four or five different variations, involving commercial, online and marketing leaders and there is usually an odd tension between the functions concerned... the only format that has worked was where a single individual had customer experience as their sole focus because they were not trying to do multiple things at once. A really clear, tight brief is essential.”

The CEO Is the Most Critical Player

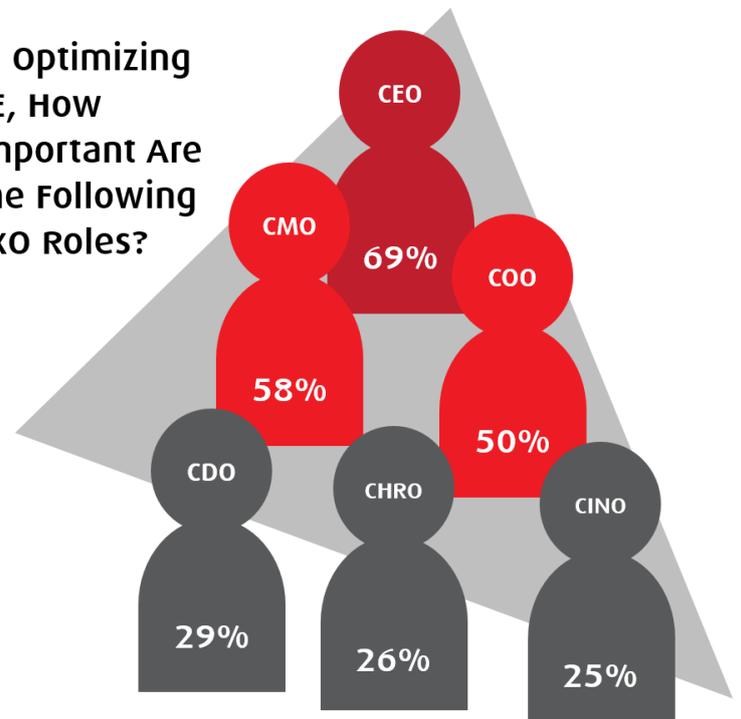
As seen, only 24% of respondents say a single executive is accountable for CE. Only two say the reins are in the hands of the CEO. Yet, when it comes to the *importance* of different CxO's, the CEO is very present in the mix. He or she is by far the most critical function - cited by 69%.

If we focus on 'critical' roles, customer experience has yet to earn its very own CxO title, even if we saw in the previous section some evidence of new and dedicated functions at operational levels.

Participants also cite more than one CxO function as critical.

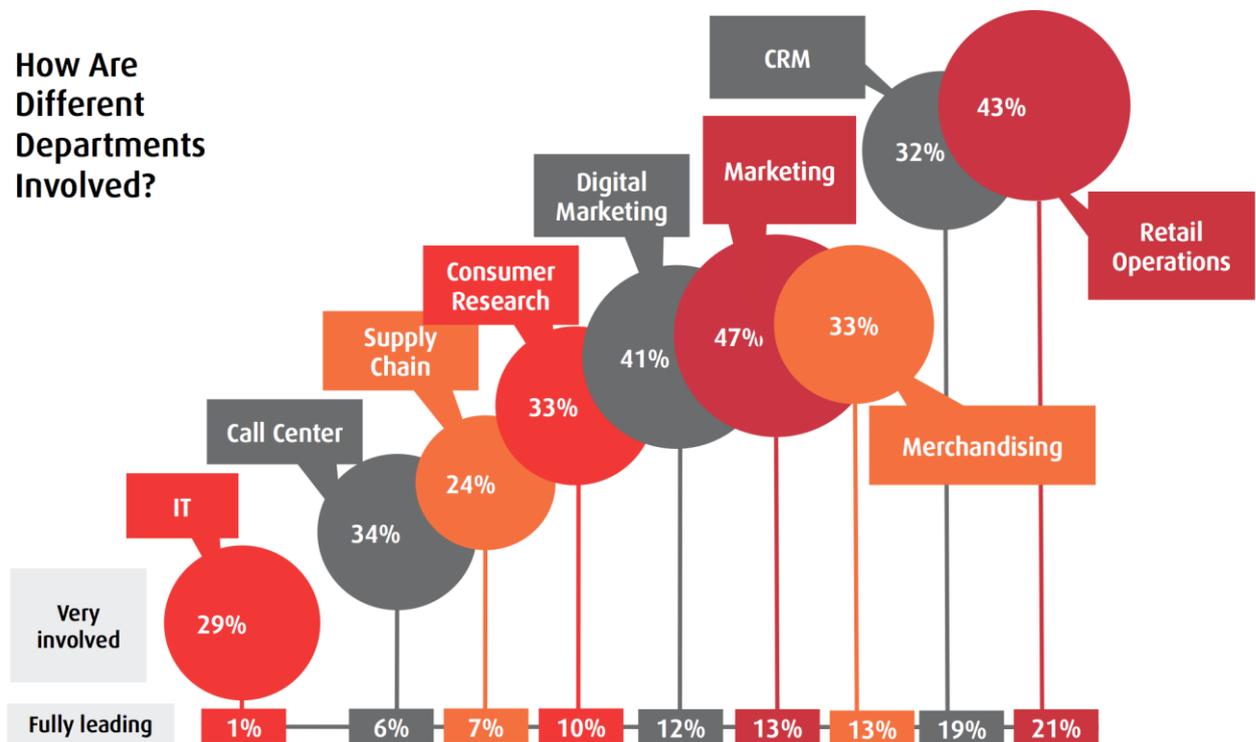
We can hypothesize that the customer journey could involve an interplay of roles - a choreography with the CEO as principal player, flanked by Marketing and Operations, and supported by the Chief Digital, HR and Innovation Officers.

In optimizing CE, How Important Are the Following CxO Roles?



Customer experience is delivered through operators; it is holistic and part of a business's DNA: having an individual at board level does not solve the problem - although it may be valuable as an interim solution for those businesses that are in transition."

A Multi-Departmental Activity With No Clear Driver



The involvement of multiple departments in CE reflects the diffuse nature of its executive or functional ownership. A wide spectrum are 'very involved' or 'fully leading' with none the clearly-designated driver. Most implicated (both very involved *and* fully leading) are Retail Operations and CRM - both longstanding departments.

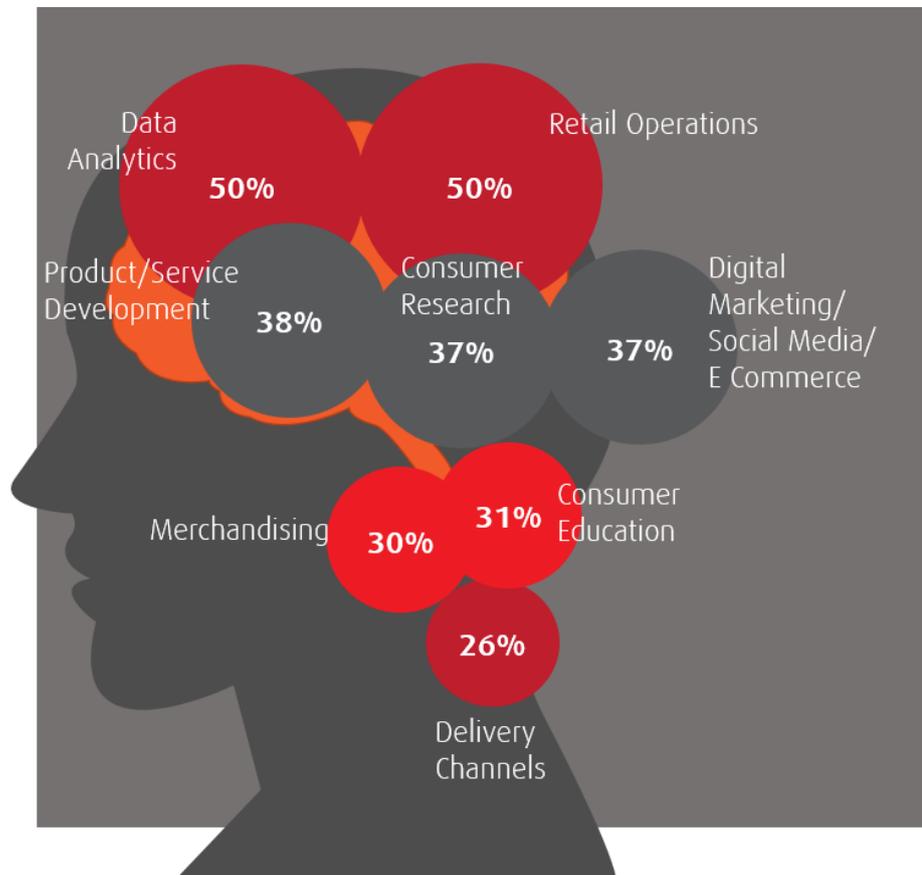
Even if 71% of respondents say their organization has a digital or omnichannel operating model, only 12% see digital marketing/social media/ecommerce as leading, (even if involved in 41% of cases). Remaining on the rather muted digital note, only 29% of executives say IT is very involved and almost none say it is fully leading. Marketing in general plays a slightly bigger role.

In the fast-evolving world of industry 4.0, supply chains are finely attuned to the customer journey as smart production lines respond in real time to fluctuations in demand. A minority (29%) of the executives we surveyed say supply chain is very involved in CE despite the fact that 39% of the organizations are monobrand, implying a manufacturing capacity.

This picture emphasizes the importance of connected thinking. To build a coherent CE, units, departments and functions must collaborate around a clear strategy, (at whatever level it is set). To what extent is this happening? We find out later.

A Rich Knowledge Portfolio Is Called For

Which Knowledge Domains Are critical?



What specialist know how does an organization need to optimize CE? Heading the 'critical' list are data analytics and retail operations, each cited by 50%. This is consistent with the (comparatively) heavy involvement of CRM and retail operations in CE.

The skill with which retailers are able to harvest and exploit the rich pool of customer data will become an ever more powerful differentiation factor in their performance. So it is unsurprising that data analytics co-leads the 'critical knowledge' table.

Perhaps more surprising are the low rankings of some other knowledge areas – at least when we take 'critical' as a criterion. Digital marketing is a must for only 37% (recalling that 71% of the organizations have a digital or omnichannel distribution model). And still fewer - 26% - see a grasp of delivery channels as critical.



At my current organization, we survey across the whole customer journey and ask how we rank against competitors but we know that we cannot aim for 100% across the board. We need to consider where we should over and underinvest – we need to know what we want to be renowned for, what actually matters to the customer.”

And Yet - Everything is Important

We note that many executives cited more than one knowledge domain, and almost all (bar one or two) considered every knowledge domain to be at the very least ‘fairly important’.

So the CE knowledge bank has to contain a portfolio of domains to enable first class delivery – once again demonstrating the extent to which this is a multi-disciplinary area.

Supply chain and support center excellence, for example, will have as much an impact on overall CE as front-line retail operations. So it is imperative that organizations have the talent and leadership capability to engage such a diverse, cross-functional team.

Retail is competitive not only in terms of wallet share, but talent share. Designing a talent strategy that enables great CE will demand forward thinking and dexterity for HR strategists and this could explain why 26% cite the CHRO as a critical CxO role.

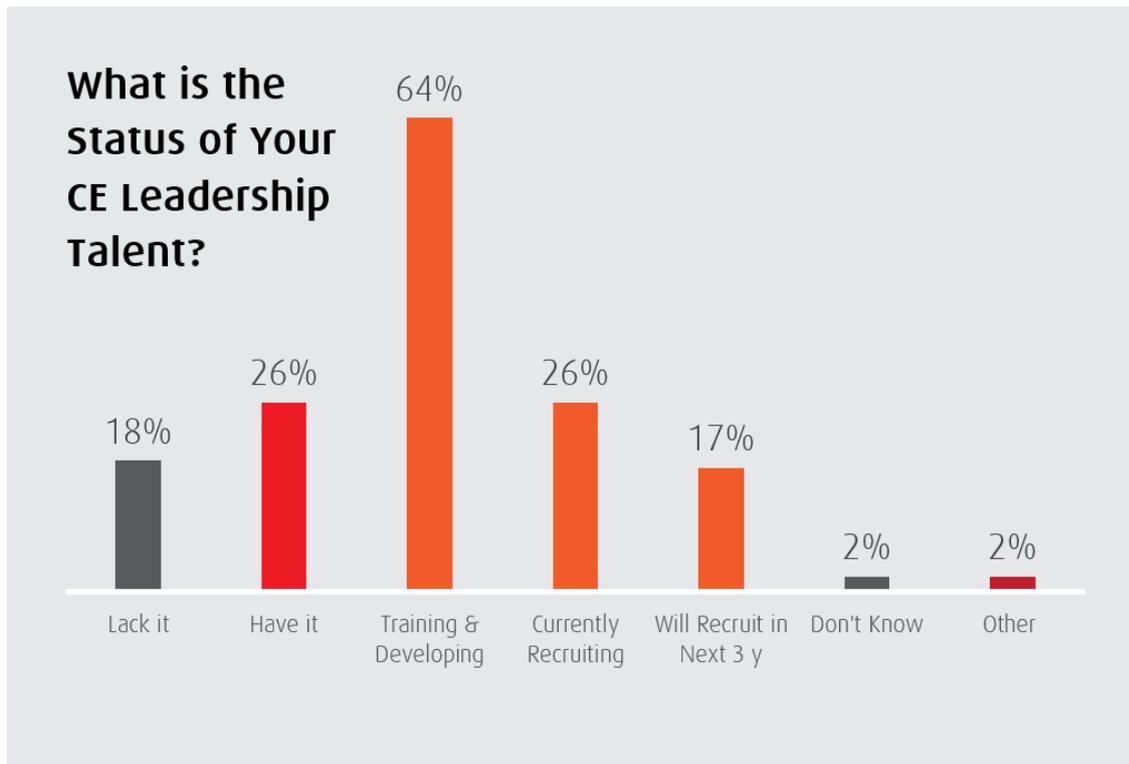


Some businesses have nominated a Customer Director or Chief Customer Officer. Fundamentally, I don’t believe in that. Every single person across the business has to understand the part they have to play in delivering excellent customer experience.”

2

Leading It

Organizations Are Fighting to Fill Talent Gaps



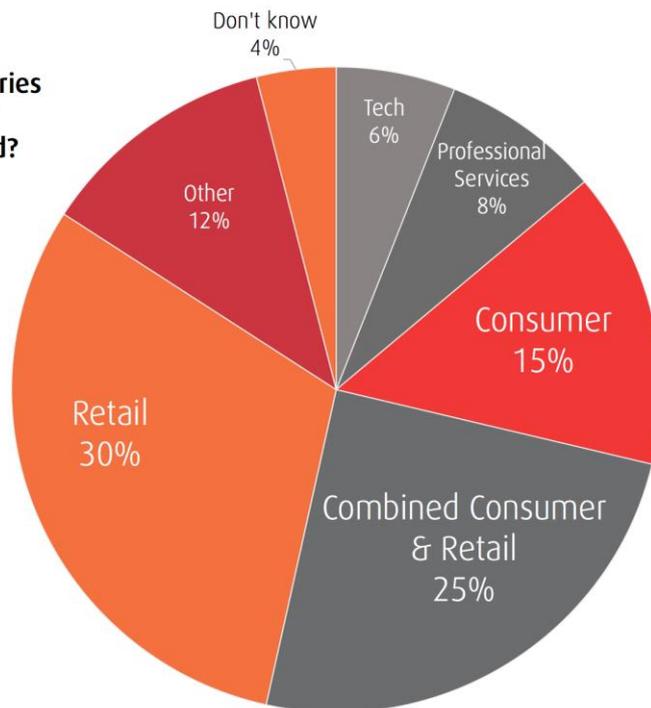
It's time to return to a fundamental question: is the diffuse custodianship of CE deliberately engineered to promote agility and responsiveness? Or is it a symptom of a lack of leadership at this stage in the game? In many cases, it may well be the latter. Only a quarter of executives report the right leadership talent to optimize customer experience.

We have seen that nearly 80% of executives say CE is a strategic priority. Organizations are duly preparing themselves to raise their game, as 90% report engagement in training or development, or recruitment. 17% will be recruiting in the next 3 years.

The hive is buzzing. However, given the lack of overall leadership and the complexity of the task facing talent strategists, the extent to which talent plans and activities are informed or forward looking is another question. Furthermore, 60% of executives say finding leadership talent is fairly, or very difficult, something which could partially be explained by competitive dynamics in the quest for talent, as we shall see next.

The Aisles Are Crowded as Talent Shoppers Play Safe

In Which Industries Can the Best CE Talent Be Found?



Obstacles? That's an easy one: measurement, tools and talent."

Talent Search is Concentrated in Directly Related Sectors

If 60% of executives say their organizations are struggling to recruit CE leadership talent, a glance at where they are sourcing it may partially explain their difficulty. Asked in which industries the best talent can be found, 70% of executives cite retail, combined consumer and retail, or pure consumer. So talent-seekers favor their own stamping ground, suggesting a somewhat insular, and over-exploited, talent pool.

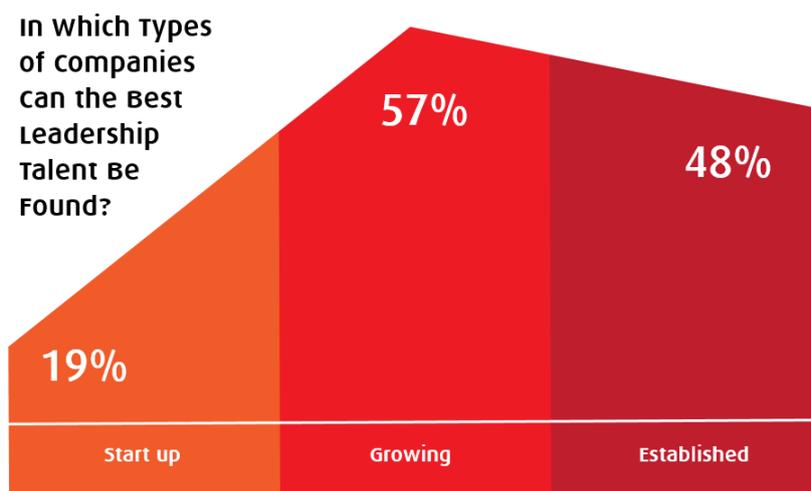
Only 15% see pure consumer as the source of the best, surprisingly, given the sophistication of consumer product executives in unpacking and tracking consumer needs and purchasing patterns. After all, brand marketers in particular undergo intensive training and development in the discipline from day one.

Potentially interesting lateral industries, such as technology and professional services, are cited by only a small number. 'Other' industries, named as non-profit, energy and utilities, education, manufacturing and healthcare, are hardly mentioned. Yet those with customer-facing elements are worth exploring, having had such a bad rap for customer experience over many years: some energy and utilities companies have demonstrated surprising innovation in recent times.

Hiring Organizations are Cautious About Start Ups

Only 19% of executives believe the best leadership talent can be found in start ups (despite the entrepreneurial and innovative characteristics associated with start up leaders). Almost half have an eye on established companies, with nearly 60% looking at companies whose growth suggests they are doing a good job.

If hiring organizations are indeed playing safe and sticking to known hunting grounds, familiarity may not be the best strategy, as the war for top talent intensifies. And employer branding will arguably become just as important as product branding in the fight for talent share.



“ The international dimension of the customer base also impacts on hiring; is language enough? Is it the right quality of service for our brand? The right quality is intangible, which makes it hard”.



Sometimes you also lack the talent and skills to change things. Your talent needs to be motivated and engaged: happy employees always deliver good service.”

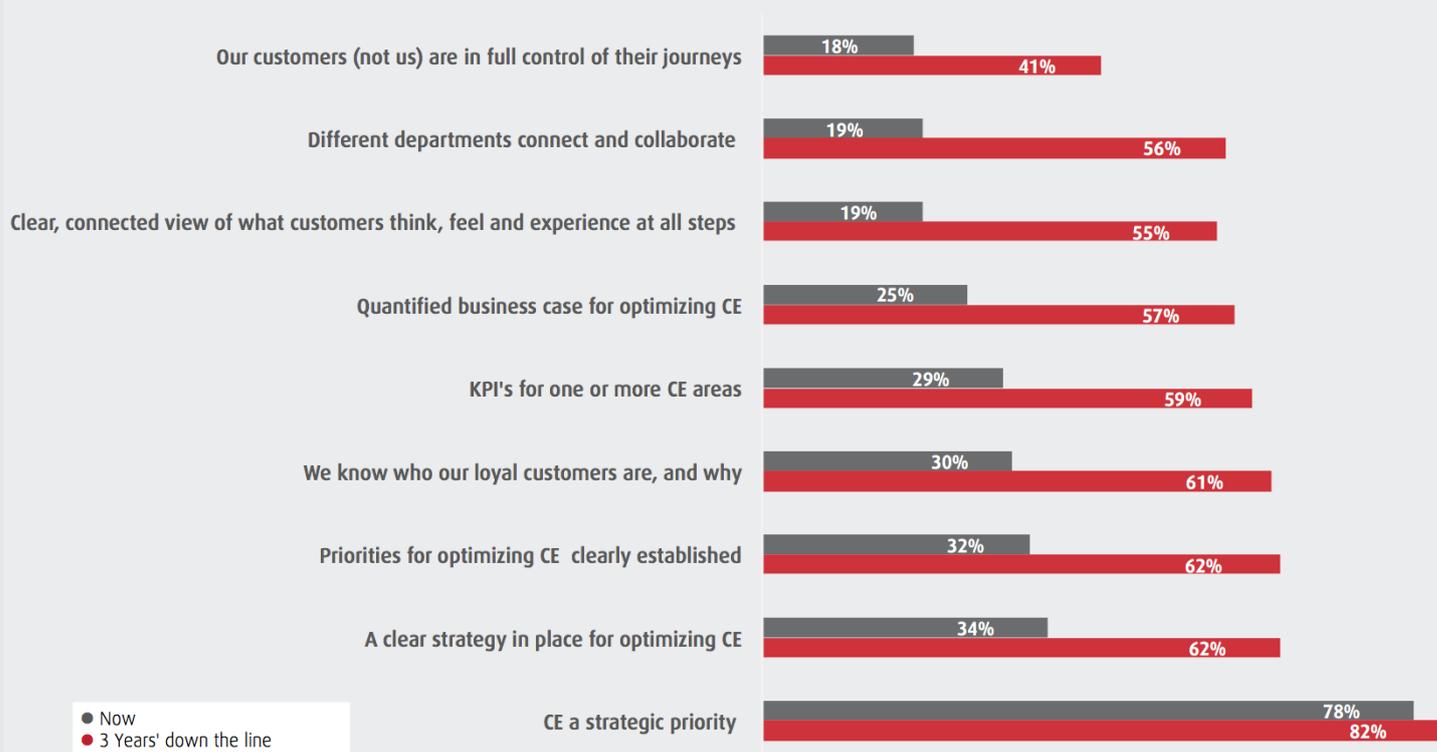
3

Performance

Organizations Lack a Clear Roadmap and Are Disconnected – For Now

What is the Status of CE in your Organization?

Now and 3 years down the line...



Between Aspiration and Reality, Gaps Yawn

Zooming in on specific aspects of CE, how far advanced do retail executives consider their organizations to be, and what is their three year prognosis? Whilst 78% claim CE is a strategic priority, only around a third have installed a strategy, priorities or KPIs, presumably making it difficult for them to focus resources, or understand how their customers see their CE performance versus their competitors. Just as few have assembled vital information upon which to base strategic thinking: knowing who their most loyal customers are and why, making a quantified business case to create momentum, or setting KPI's in related areas, leading us to question how they can benchmark against their peers, identify where they need to improve, and where their efforts are paying off. Furthermore, 66% of the organizations surveyed operate through multiple channels - increasing the complexity of delivering a first class customer experience.

“ Constant agility is essential; change is constant – e.g. in 2004, 90% of customers would book appointments by phone. Now, that is just 50% and some businesses are removing physical interaction altogether in favour of online bots. What’s interesting too is the rise of the customer effort score as a new KPI. Customers want an effortless experience – simple, with no intellectual, psychological or physical effort.”



“The reward? You cannot fail, because you know. You know what will be the issues, what it is that does not delight the customer and as soon as you start to know, you can adapt. When you have got the facts, you know exactly what to do. When GMs do nothing, it is because they have no info and cannot take risks”

Our survey suggests fragmentation regarding accountability, with multiple functions and departments involved in CE. Again, this makes it all the more critical to join up the dots, but only 19% of executives are confident that their departments connect and collaborate, or that their organizations have a clear and connected view of what their customers think, feel and experience at all steps of their journey.

Retailers Still Control the Customer Journey, Say Executives

Despite the relative immaturity of their organizations when it comes to the customer experience, and a possible lack of leadership, only 18% of retail executives believe their customers are leading the game. Yet as customers can unlock a wider range of competitor offers than at any point in the history of retail, can switch with more ease than ever, and can rate their satisfaction (or disappointment) online at the click of a button, could it be time for a wake up call?

Despite Big Predicted Gains, The Journey Will Be a Long Haul

If retail leaders will need to join the dots across a great range of knowledge areas, perhaps the most important will be their ability to create a sense of urgency at Board level.

Customer experience will remain a strategic priority for 82% of organizations. When it comes to the dynamics of strategy setting itself, executives predict significant improvements: creating meaning (and presumably buy-in) via a quantified business case, defining KPIs, setting priorities, and informing strategy design thanks to their knowledge of who their most loyal customers are - and why.

They also foresee major improvements when it comes to connecting the dots: collaboration between different departments, gaining a clear, connected view of what customers think, feel and experience at all stages of their journey. Given the fragmented way in which those dots are currently distributed, this is probably just as well.

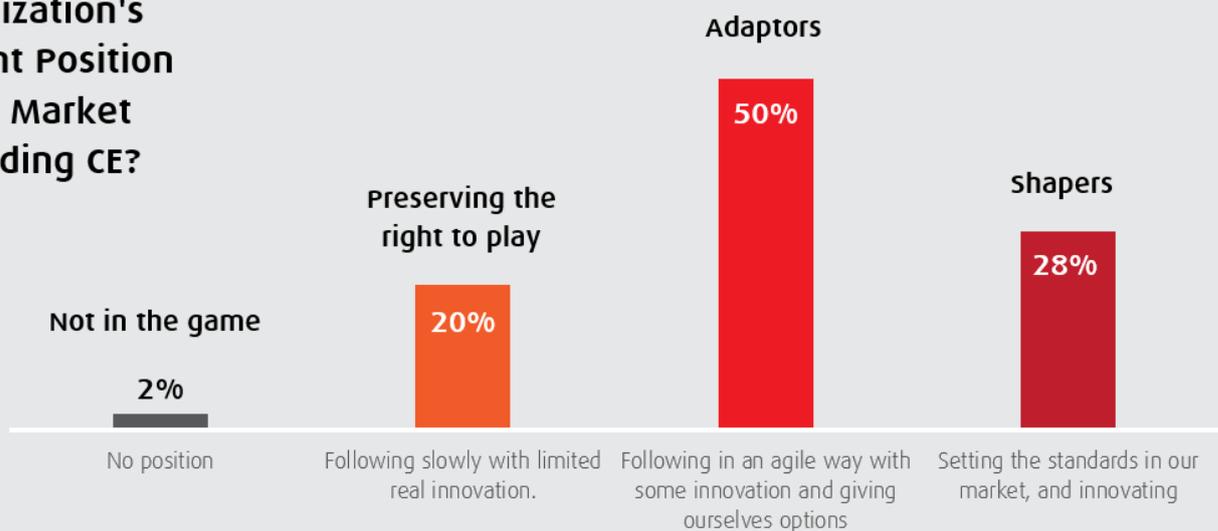
Yet, in none of these critical areas do more than around 60% of respondents feel able to say that conditions will be in place. And 41% predict that in 3 years' time, the customer will be leading his or her experience.

Even 3 years down the line, the journey to excellence will still be very much underway. Organizations who lead their peers will have a significant advantage in customers' eyes.



Customer experience is our vision, because it is our product. About a year ago, we recast our vision, mission and values. For the first time, this was a team piece and about a third of our employees contributed directly. We were working on the basis that culture change would come if people were involved directly. So our strategy may not be of McKinsey standard, but it resonates because people contributed."

What is Your Organization's Current Position in the Market Regarding CE?



4

Perspectives

Wealth or Health – Which Should Prevail?

Perceptions regarding who controls CE are striking. As seen, only 18% of executives believe the customer calls the shots. Yet the balance is set to shift - within 3 years, 41% believe that the customer will lead. The ability of organizations to gather data on individual customer preferences and behaviours will be central to enabling their customers to specify their own journey and experience.

This presents us with a final and fundamental question :

From an ethical or societal perspective, will this predicted shift empower individual purchasers, or manipulate and exploit them? And how can a retail business reconcile its duty to satisfy its shareholders with the best interests of its customers? Are these two positions entirely separate, or is there a way of satisfying both? We suggest that optimizing customer experience, with clear benefits for both customers and shareholders, could be one such path.

Debates surrounding consumerism, obesity, personal debt and ecology are heating up. Whether in dining rooms, board rooms, press rooms, or government meeting rooms, questions surrounding the control of the customer journey are set to become more strident, and regulation will not be far behind.



The discount retailers are a really interesting example; you see customers there, in long queues, looking very happy... they didn't have what we would regard as a great customer experience, probably didn't get a parking space, will have had 3000 SKUs rather than the 30000 available in the traditional grocery stores... yet they are super happy! These businesses knew where they were going to invest – 120% on price, and made a decision to deprioritize the rest.”

Summary

The organizational journey to excellence in customer experience is still in its early stages. There is still a significant opportunity for retail and consumer organizations to stand out amongst their peers.

Leading Questions

- 1** In terms of strategic priorities, where do you personally think customer experience should be ranked? How do your views compare with the views of your board?
- 2** How clear are your organization's CE strategy or related priorities and indicators? What is your hiring strategy?
- 3** At what level is CE strategy currently set in your organization? At what level do you personally believe it should be set?
- 4** Which executives and departments own CE in your organization? What are the positive or negative implications of this?
- 5** Overall, how well equipped is your business to deliver on CE? What could be the consequences of failure, or the rewards for success?
- 6** In your experience, what are the biggest obstacles to delivering a first class CE?
- 7** How should the control of the customer experience be weighted? Towards customer or retailer? Or equally distributed? What ethical dilemmas do you see and what is your stance on these?

Credits

We warmly thank all the executives who took the time to complete our survey, and extend a particular mention to our interviewees:

Samuel Avenel, CEO, Feu Vert, former Customer Services Director

Eric Chesnais, Global Retail Merchandiser, Louis Vuitton

Duncan Garrood, CEO, Punch Taverns, former CEO, Alshaya Food Retail

Nathan Herrmann, Strategy Head, Sainsburys Supermarkets, former Director of Business Planning, Selfridges

Further Reading and Resources

The Value of Customer Experience, Quantified, Peter Kriss, Harvard Business Review, 2014

From Touchpoints to Journeys: Seeing the World as Customers Do, Nicolas Maechler, Kevin Neher, and Robert Park, McKinsey & Company, March 2016

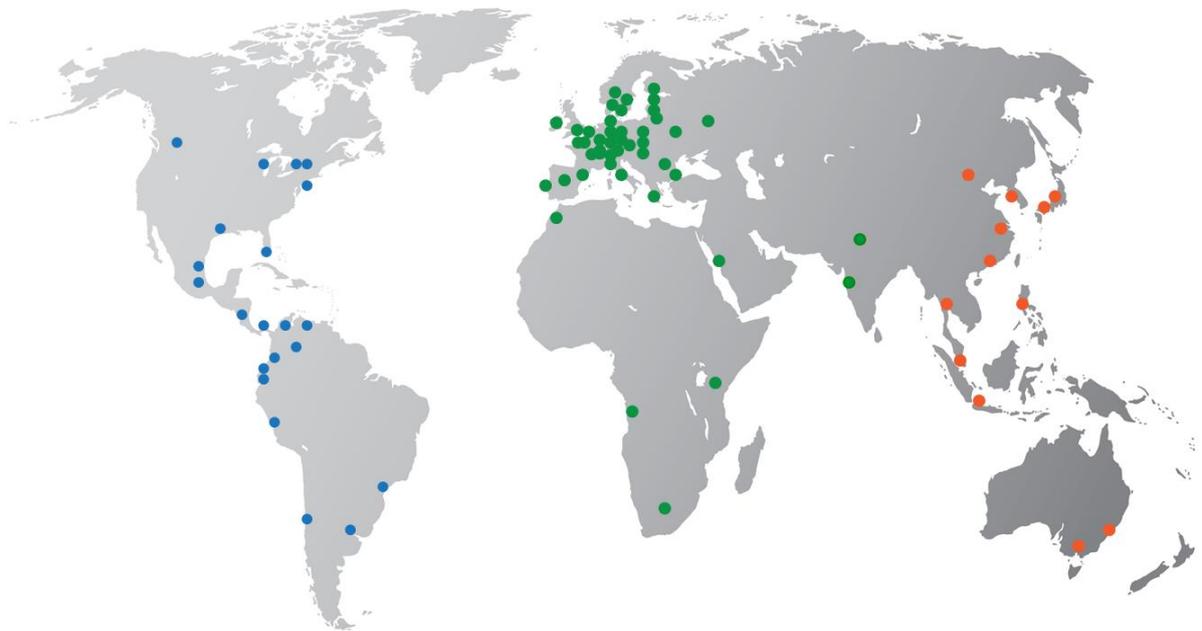
What Does Your Customer Really Want? How to Figure it Out, Featured articles, Harvard Business Review, September 2016

About Amrop

With over 70 offices across the world, Amrop is a trusted advisor in Executive Search, Board and Leadership Services. It is the largest partnership of its kind.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

Amrop's Global Consumer and Retail Practice Group has deep insights into the challenges facing specific market segments, to identify the talent that best fits each client's unique culture, structure, business and strategic goals and taking into account the drivers of a new multi-generational, multi-cultural workforce. We assist clients in designing a compelling employee value proposition to attract and retain highly-skilled executives with specific leadership qualities.



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