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The Deloitte Consumer Review

CX marks the spot: Rethinking the
customer experience to win

November 2016

Contents

Foreword

Welcome to the latest edition of the Deloitte Consumer Review. This edition focuses on how the customer experience is fast becoming a tool for differentiation.

Every consumer wants a different experience when shopping and that 'experience' has become the differentiating factor for many successful business models. However, businesses are finding it increasingly difficult to predict what consumers want as their expectations continue to change.

Deloitte research shows that the experience plays an important role in the consumer's decision to buy a product or service. Indeed, when consumers were asked what was important when making their decision, over half cited the overall enjoyment of the shopping experience.

How should businesses go about providing their consumers with the best experience possible? Businesses need to become more agile and flexible to respond to consumer demands in real time. Focusing the entire company on delivering a positive consumer experience will be critical for future growth.

With rising consumer expectations driving change across the entire value chain, how can business-to-business companies integrate the end-consumer demands into their delivery model? In addition, how can they learn from the interactions business-to-consumer companies have with their consumers and replicate it with their trade customers?

We hope this report provides the insight and data needed to understand both the opportunities and challenges the customer experience presents, and welcome your feedback.

Richard Small
Partner, Deloitte Digital, Consumer and Industrial Products

Executive summary

Consumers have become increasingly comfortable interacting with brands in a seamless way, switching between channels and allowing their data to be used to provide a personalised experience.

According to Deloitte research, more consumers are now purchasing products online than in store. However consumers have become less tolerant of brands that do not provide an easy and seamless experience.

Businesses are now being forced to focus their efforts and investments on developing the capabilities to sell across channels while transforming their operating model to serve a market of 'one'. The additional complexity and cost of these new channels and services have made delivering a consistent experience more difficult. New channels and services have increased the potential risks along the path-to-purchase, resulting in negative experiences for the consumer.

Focusing the entire company to deliver a positive consumer experience will be key to securing new growth opportunities. This has become even more important given the exponential growth in start-up and technology-led competitors eager to fill any gap they spot in the market.

To rethink the customer experience, businesses need to map the different ways consumers wish to connect with their brand and develop the appropriate capabilities while aligning their resources accordingly. Deloitte research shows that across the shopping journey, from finding inspiration to completing a transaction or sharing their experience with others, consumers have many paths-to-purchase.

Businesses also need to get to know consumers better. Legacy research tools are no longer fit for purpose. In addition to traditional consumer insight methods, businesses need to use advanced tools to collect the right data about individual consumers and use it to respond in real time to their specific needs.

Establishing a lasting relationship with consumers is based not only on giving them what they want or knowing them well, but also on gaining their trust. Deloitte research shows that compared to 2014 there has been an increase in the number of people claiming they do not trust anyone to provide honest feedback.

A strong customer experience can not only lead to stronger financial performance but also form the basis for competitive differentiation. Successfully differentiating the brand both in terms of products and the experience can have a positive impact on a company's bottom line with higher conversion rates and increased customer loyalty.

Having a customer experience vision will not be enough unless the governance is in place to implement and reward it. The customer experience needs to be a strategic priority, not only at board level, but also as part of a vision shared across the entire company where every function believes they play a critical role in the overall customer experience.

Aligning the business functions to implement the customer experience vision is not always straightforward. Businesses cannot do it all and need to be strategic in deciding what they want the company to be known for and act on it.

There are a number of practical steps a company can take when seeking to optimise its customer experience.

1. *Diagnose the 'as-is'*

2. *Set a realistic 'to-be' goal of what it wants to achieve*

3. *Set out clear and actionable next steps to implement its vision.*

Having set a clear goal for the customer experience, companies need to prioritise what is required which includes:

1. *Correct* – lower effort and/or investment, tactical quick wins

2. *Optimise* – medium effort and/or investment, optimise existing capability

3. *Disrupt* – higher effort and/or investment, disrupt and innovate.

Finally, collating the appropriate measures of customer experience will be important to assign customer experience performance metrics and staff responsibilities across the business, not just to the front office. Making customer experience measurement an inherent part of the reward programme will also be critical in promoting a customer-first strategy.

Changing consumer behaviour has potential consequences across the entire supply chain serving the business-to-consumer (B2C) sector. Business-to-business operators (B2B) also need to respond to the changing behaviours of their own end-consumers and can learn some lessons from consumer-facing businesses.

In future the distinction between B2B and B2C is likely to become less clear. And, in today's digital world, it is more and more about the end-consumer. The overall customer experience will be determined by how seamless and effective the experience is across the entire value chain.

At a glance

Online has overtaken in-store purchasing for the first time

Products

45% in-store

vs

48% online

Services

29% in physical location

vs

58% online

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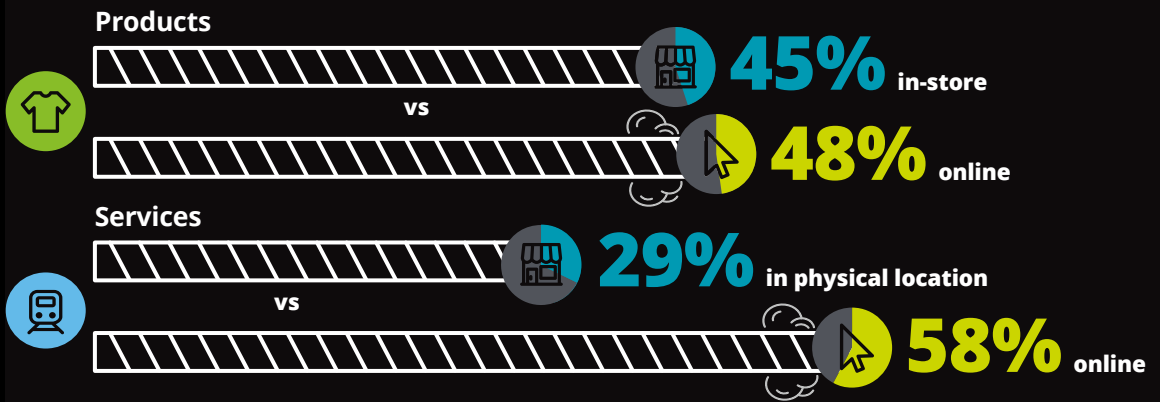
Customer journeys are complex...and paths-to-purchase vary across categories

Clothing and footwear:

Online 32%

In store 66%

Click & collect 4%

Home delivery 22%

Electrical equipment:

Online 59%

In store 36%

Click & collect 12%

Home delivery 46%
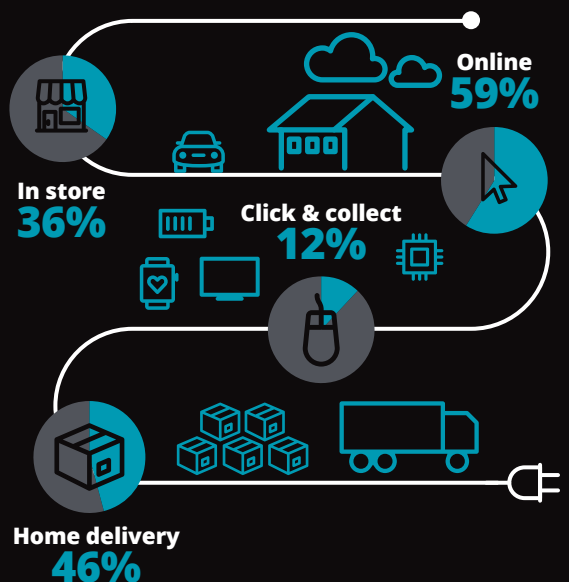
NB. Percentages are of UK consumers who made a purchase in the last three months

Over half of consumers say that the overall enjoyment of their experience is important in their decision to buy a product or service.

Trust in reviews is eroding

Fewer than **1 in 10** now trust retailers...

...but **1 in 2** consumers still trust family and friends for honest feedback

2014 **2016**   **2014** **2016**

16% vs **7%**   **60%** vs **58%**
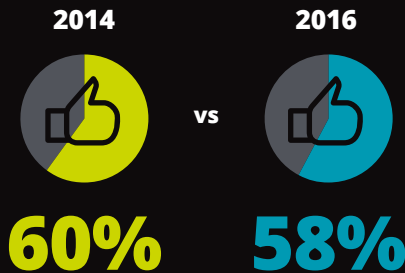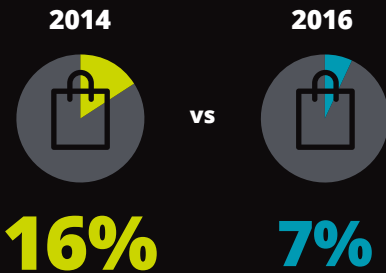
Next steps for rethinking the customer experience

Have a clear goal and decide the priorities for your CX strategy:

How much investment is needed?

Correct	**Optimise**	**Disrupt**
Low investment	**Medium investment**	**High investment**
Tactical quick wins	*Optimise existing skills*	*Disrupt and innovate*

Serving a market of 'one'

Consumer expectations are constantly evolving making delivering a positive experience more difficult.

Challenges in serving a market of 'one'

For businesses it is getting increasingly difficult to predict what consumers want, especially as digital technology evolves and consumers' expectations continue to change. Consumers not only expect personalised products and services as standard, they are also embracing different ways of buying or enjoying products and services. According to Deloitte research, more consumers are now purchasing products online than in store. While nearly half of consumers bought a product online (48 per cent), 45 per cent bought it in store. In the service sector people are even more likely to complete their purchase online (58 per cent). More and more consumers are developing a taste for the additional convenience these new channels and services offer (see Figures 1, 5 and 6).

The research also showed that the share of 'the experience' in the decision to buy a product or service is significant. When asked what was important in their decision to buy a product or

service, over half of consumers mentioned the overall enjoyment of the experience of purchasing the product or the service (see Figure 2).

As a result businesses are being forced to focus their efforts and investments on developing the capabilities to sell across channels while transforming their operating model to serve a market of 'one'. In doing so businesses must review their legacy systems, rethink how they collate and use their consumers' data, and align their resources and staff towards new ways of serving consumers.

However, the additional complexity and cost of these new channels and services have made delivering a consistent and seamless experience more difficult. With the proliferation of choice, channels and influences consumer expectations are changing faster than businesses are able to respond to. New channels and services have increased the potential risks along the path-to-purchase, resulting in negative experiences for the

consumer. In the midst of all the transformations businesses are going through, the old axiom that 'the consumer always comes first' might just be getting lost.

In their effort to develop a consumer-centric business model, companies are faced with some fundamental issues such as removing the barriers between the different functions, managing legacy technologies, finding cost-efficient ways of serving the more complex nature of consumers' shopping journeys and managing the necessary cultural change that comes with transforming any business model.

Resolving these issues is difficult and businesses need to choose where to focus their efforts whether it is the website experience, the mobile site, the in-store experience, the loyalty programme or the omnichannel experience. Aligning the entire company on delivering a positive consumer experience will be key to securing new growth opportunities.

Figure 1. Channel used to buy a product
% UK consumers who made a purchase in the last three months

Thinking specifically about where and how you bought the product, which one of the following did you do?

Channel	%
Buy in-store	40%
Buy online using desktop/ laptop and delivered to home	28%
Buy online using a tablet and delivered to home	8%
Order in-store for home delivery	5%
Buy online using desktop/ laptop and delivered to the store for collection	4%
Buy online using smartphone and delivered to home	4%
Buy online using a desktop/ laptop and delivered to a third party location	1%
Buy online using a smartphone and delivered to the store for collection	1%
Buy online using a tablet and delivered to the store for collection	1%
Buy online using a tablet and delivered to the third party collection	1%
Buy from a catalogue/ mail order	1%
Buy online using a smartphone and delivered to a third party location	0%
Buy via TV shopping	0%
Other	7%

Source: Deloitte research

Figure 2. Important criteria in decision to buy
% UK consumers who made a purchase in the last three months

How important were each of the following in your decision to buy this product or service?

Criteria	%
Transparency of prices	80%
Overall level of convenience	78%
Clarity and usefulness of product/ service information	67%
Ease of navigating the website to research or buy the product/ service line	60%
Delivery timeliness and accuracy (if relevant)	54%
Overall enjoyment of the experience of purchasing the product/ service	56%
Time needed to complete the purchase	55%
Ease of communication overall	55%
The company's appreciation of your specific needs at the time	50%

Source: Deloitte research

Mapping complex consumers' journeys

Improving the customer experience has to start with a better understanding of consumers' experience across each step of the shopping journey. Deloitte findings reaffirm what most companies appreciate, but often fail to respond to, which is the need to commit their resources and investments and reshape their operations to serve a market of 'one'. Not only will shopping journeys be different based on the 'missions' consumers might be on, so too, will consumers' expectations of the experience they receive. Businesses need to map the different ways consumers wish or expect to connect with their brand to develop the appropriate capabilities and align their resources accordingly. This has become even more important given the exponential growth in start-up and technology-led competitors eager to fill any gap they spot in the market. With every new business model offering a better experience, consumers' expectations grow as does the pressure on traditional businesses to adapt and transform their business models.
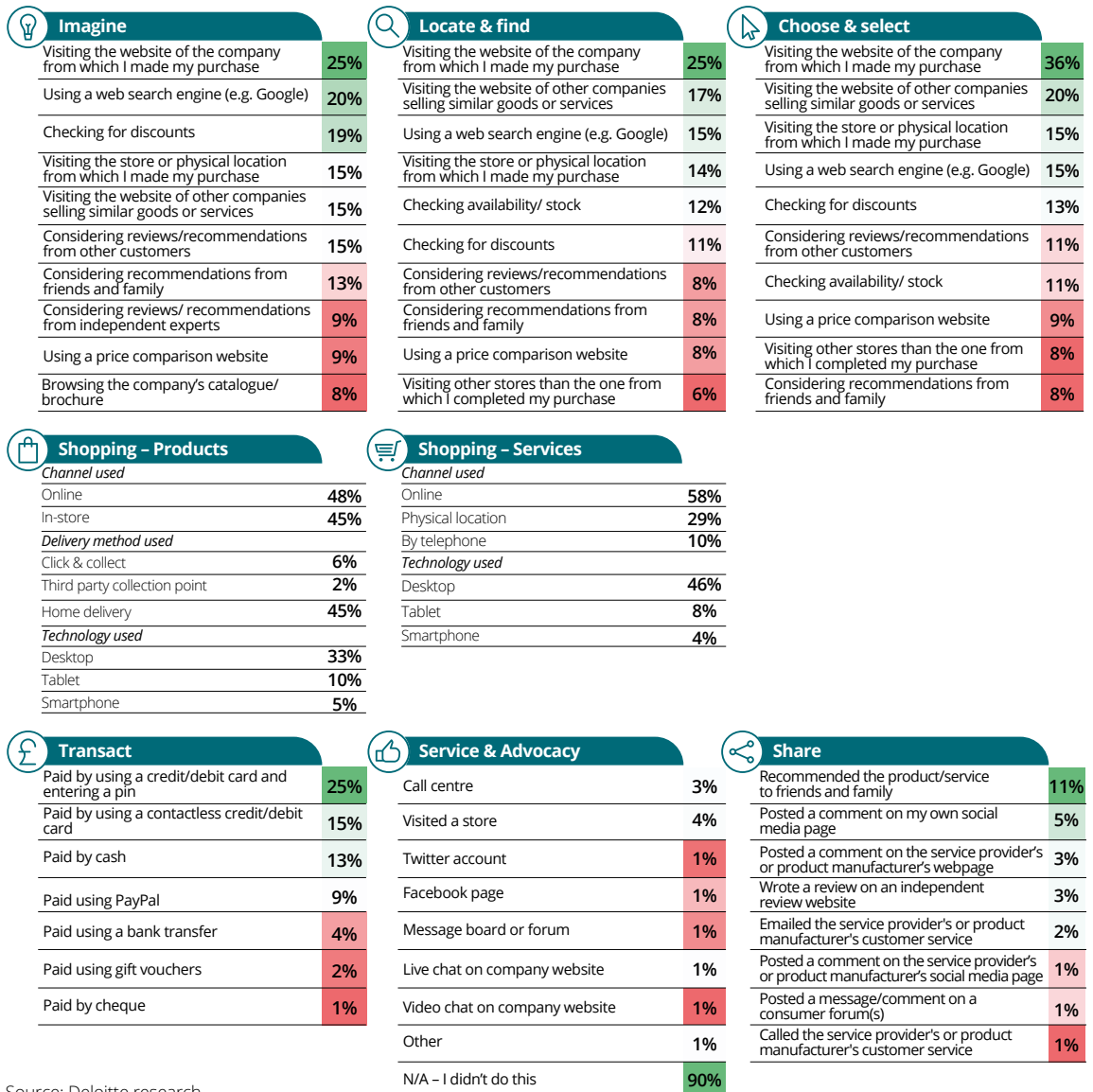
Deloitte research shows that across the shopping journey, from finding inspiration to completing a transaction or sharing the experience with others, consumers have many paths-to-purchase.

Looking at the first few stages of the shopping journey, our findings show that consumer activities will be different depending on whether they are looking for inspiration or whether, once they know what they want, they are looking to find where the product or service is available (see Figure 3).

Figure. 3 Different stages of the shopping journey
% UK consumers who made a purchase in the last three months

Imagine	
Visiting the website of the company from which I made my purchase	25%
Using a web search engine (e.g. Google)	20%
Checking for discounts	19%
Visiting the store or physical location from which I made my purchase	15%
Visiting the website of other companies selling similar goods or services	15%
Considering reviews/recommendations from other customers	15%
Considering recommendations from friends and family	13%
Considering reviews/ recommendations from independent experts	9%
Using a price comparison website	9%
Browsing the company's catalogue/ brochure	8%

Locate & find	
Visiting the website of the company from which I made my purchase	25%
Visiting the website of other companies selling similar goods or services	17%
Using a web search engine (e.g. Google)	15%
Visiting the store or physical location from which I made my purchase	14%
Checking availability/ stock	12%
Checking for discounts	11%
Considering reviews/recommendations from other customers	8%
Considering recommendations from friends and family	8%
Using a price comparison website	8%
Visiting other stores than the one from which I completed my purchase	6%

Choose & select	
Visiting the website of the company from which I made my purchase	36%
Visiting the website of other companies selling similar goods or services	20%
Visiting the store or physical location from which I made my purchase	15%
Using a web search engine (e.g. Google)	15%
Checking for discounts	13%
Considering reviews/recommendations from other customers	11%
Checking availability/ stock	11%
Using a price comparison website	9%
Visiting other stores than the one from which I completed my purchase	8%
Considering recommendations from friends and family	8%

Shopping – Products	
Channel used	
Online	48%
In-store	45%
Delivery method used	
Click & collect	6%
Third party collection point	2%
Home delivery	45%
Technology used	
Desktop	33%
Tablet	10%
Smartphone	5%

Shopping – Services	
Channel used	
Online	58%
Physical location	29%
By telephone	10%
Technology used	
Desktop	46%
Tablet	8%
Smartphone	4%

Transact	
Paid by using a credit/debit card and entering a pin	25%
Paid by using a contactless credit/debit card	15%
Paid by cash	13%
Paid using PayPal	9%
Paid using a bank transfer	4%
Paid using gift vouchers	2%
Paid by cheque	1%

Service & Advocacy	
Call centre	3%
Visited a store	4%
Twitter account	1%
Facebook page	1%
Message board or forum	1%
Live chat on company website	1%
Video chat on company website	1%
Other	1%
N/A – I didn't do this	90%

Share	
Recommended the product/service to friends and family	11%
Posted a comment on my own social media page	5%
Posted a comment on the service provider's or product manufacturer's webpage	3%
Wrote a review on an independent review website	3%
Emailed the service provider's or product manufacturer's customer service	2%
Posted a comment on the service provider's or product manufacturer's social media page	1%
Posted a message/comment on a consumer forum(s)	1%
Called the service provider's or product manufacturer's customer service	1%

Source: Deloitte research

When comparing shopping behaviours across product and service categories, the research also shows very different journey behaviours. For example, in the more commoditised categories such as shopping for groceries or train tickets, consumers will typically engage in very few activities because they know exactly what they are looking for. When the purchase requires more consideration, consumers are more likely to engage in more activities before making a decision. This is particularly true for categories such as major household appliances or packaged holidays (see Figure 4).

With every new business model offering a better experience, consumers' expectations grow as does the pressure on traditional businesses to adapt and transform their business models.

Figure. 4 Where does inspiration come from?
% UK consumers who made a purchase in the last three months

Thinking specically about what you did before completing a purchase to find inspiration and help you decide what to buy, which if any, of the following influenced you? (Please select all that apply)

	All categories	Groceries in store	Major household appliances	Train tickets	Packaged holidays
Visiting the website of the company from which I made my purchase	25%	3%	45%	10%	50%
Using a web search engine	20%	2%	35%	5%	25%
Check for discounts	19%	14%	29%	11%	21%
Visiting the store or physical location from which I made my purchase	15%	19%	27%	1%	14%
Visiting the website of other companies selling similar goods or services	15%	2%	34%	2%	25%
Considering reviews/recommendations from other customers	15%	1%	35%	2%	28%
Considering recommendations from friends and family	13%	4%	19%	4%	17%
Considering reviews/recommendations from independent experts	9%	0%	27%	2%	20%
Using a price comparison website	9%	1%	18%	4%	7%
Browsing the company's catalogue/brochure	8%	0%	10%	2%	22%
Check for vouchers/coupons	8%	7%	16%	2%	2%
Receiving offers via email	7%	4%	5%	4%	14%
Visiting other stores or physical locations than the one from which I completed my purchase	6%	4%	12%	2%	3%
Reading reviews in the press or magazines	6%	1%	9%	1%	9%
Talking to staff	5%	1%	8%	6%	14%
Using an app	4%	1%	1%	6%	1%
Looking for information on social media sites	3%	2%	3%	1%	5%
Looking for information on blogs	3%	0%	5%	0%	3%
Considering recommendation from staff	2%	0%	3%	1%	3%
Calling customer service	1%	1%	2%	1%	2%
Use an in-store touchscreen	1%	1%	1%	2%	0%
Receiving offers via social media	1%	1%	1%	0%	0%
Other	4%	2%	3%	4%	5%
I didn't do anything	29%	58%	6%	58%	10%

Source: Deloitte research

Beyond the initial stages of the path-to-purchase where consumers are looking for inspiration, they are increasingly expecting to pick and choose from a selection of shopping channels, using different technologies and delivery methods depending on the category. Our research shows that the online channel and home delivery are increasingly becoming the preferred options for categories such as major household appliances or flights, while in-store shopping remains the main channel for groceries (see Figures 5 and 6).

Figure 5. Channel, delivery methods and technology used by product category
% UK consumers who made a purchase in the last three months

	All product categories	Groceries online	Groceries instore	Subscription based meal kits	Sports and/or leisure goods	Books, media	Music and/or media subscription services	Clothing and/or footwear	Furniture and/or homewares	Major household appliances	Electrical equipment	Car
Channel used												
In-store	45%	8%	94%	0%	58%	31%	6%	66%	56%	34%	36%	67%
Online	48%	91%	4%	100%	43%	59%	58%	32%	42%	59%	59%	14%
Delivery method used												
Click & Collect	6%	6%	0%	6%	13%	1%	5%	4%	5%	8%	12%	2%
Third party collection point	2%	0%	2%	0%	2%	3%	5%	5%	1%	2%	3%	1%
Home delivery	45%	93%	4%	95%	29%	59%	55%	22%	43%	65%	46%	16%
Technology used												
Desktop	33%	57%	3%	67%	27%	43%	45%	22%	28%	46%	43%	6%
Tablet	10%	21%	2%	6%	10%	15%	7%	7%	6%	11%	15%	4%
Smartphone	5%	13%	0%	28%	5%	3%	10%	2%	4%	4%	2%	3%

Source: Deloitte research

Figure 6. Channel and technology used by service category
% UK consumers who made a purchase in the last three months

	All service categories	Tickets for a day/ evening out	Meal out	Car hire	Train tickets	Packaged holidays	Hotels/ accommodation	Flights
Channel used								
Online	58%	54%	10%	79%	38%	60%	80%	96%
Telephone	10%	5%	17%	13%	1%	18%	17%	1%
Physical location	29%	37%	72%	2%	56%	20%	3%	3%
Technology used								
Desktop	46%	40%	5%	68%	31%	46%	59%	81%
Tablet	8%	4%	2%	6%	4%	12%	18%	13%
Smartphone	4%	10%	3%	5%	3%	2%	3%	2%

Source: Deloitte research

Get to know the individual

Beyond understanding the path they take to completing a transaction, businesses need to get to know consumers as individuals better. Businesses need to rethink their consumer segmentations to focus more on serving an audience of 'one' to offer personalised experiences that are timely and relevant to a specific individual. Businesses should move beyond simple personalised recommendations to more genuine real-time personalisation and targeting. Legacy research tools are no longer fit for purpose. In addition to traditional consumer insight methods such as focus groups or segmentation surveys, businesses need to use advanced tools to collect the right data about individual consumers and use it to respond in real time to their specific needs. Businesses are now able to 'listen', for example using social media and to 'remember' by collating and storing personal data and preferences to avoid asking consumers the same question twice and recognising them when they next interact with the brand.

The issue of trust

Establishing a lasting relationship with consumers is based not only on giving them what they want but also on gaining their trust. Having appreciated the importance of customer reviews in improving sales conversion, many companies have started to encourage consumers to post reviews by

incentivising or rewarding them with gifts or money. But this resulted in a backlash and an increase in the number of people not trusting any reviews. Deloitte research shows that compared to 2014 there has been an increase in the number of people claiming they do not trust anyone to provide honest feedback. However, this lack of trust is perhaps directed more at the company rather than independent sources of feedback. The research shows that consumers' trust in retailers and manufacturers has declined by more than half since 2014. Businesses need to act, as at risk is the erosion of consumers trust in businesses' ability to provide honest information about their products and services, not the importance of independent reviews which will more and more be the main source for product or service information (see Figure 7).

In addition to traditional consumer insight methods such as focus groups or segmentation surveys, businesses need to use advanced tools to collect the right data about individual consumers and use it to respond in real time to their specific needs.

Figure 7. Most trusted sources for information
% UK consumers

In general which of the following do you trust to provide honest feedback on product/ service information and reviews? (Please select all that apply)

Source	2016	2014
Family/friends	58%	60%
Customer reviews	51%	60%
Independent product/service experts	33%	43%
Store staff/retailer website	7%	16%
Product manufacturer/service provider	5%	12%
Other	1%	
Not applicable – I don't trust anything or anyone to provide honest feedback	15%	9%

■ 2016   ■ 2014
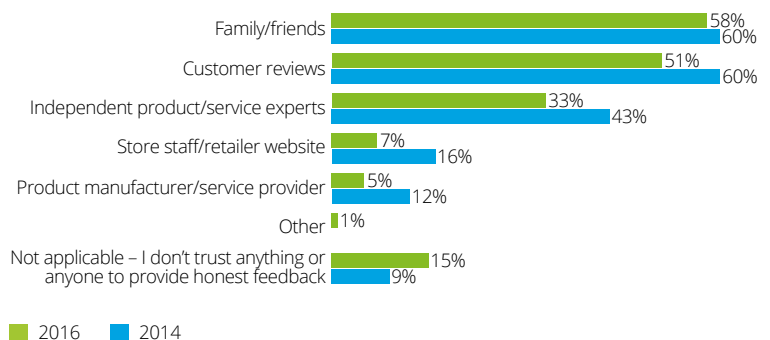
Source: Deloitte research

Companies need to adapt their operating model

The central wheel diagram titled "Customer journey" contains the following segments and labels:

Outer ring stages: Listen, Adjust, Reach, Engage, Propose, Transact, Support

Inner ring stages: Share, Imagine, Locate and find, Choose and select, Shopping, Transact, Service and advocacy

Listen segment:
- I didn't do this
- Recommend
- Company's website
- Write review
- Email company

Adjust segment:
- Other website
- Search engine
- Visit store
- Customer reviews
- Company's website

Reach segment:
- Search engine
- Visit store
- Other website
- Check stock
- Company's website

Engage segment:
- Company's website
- Visit store
- Other website
- Search engine
- Discounts

Propose segment:
- Online, Home, Desktop
- Visit store, Click & collect, Tablet
- Channel, Delivery, Technology

Transact segment:
- Credit/debit card
- Contactless card
- Bank transfer
- Paypal
- Cash

Support segment:
- Call centre
- I didn't do this
- Twitter account
- Message board
- Visit store

There are many paths to purchase
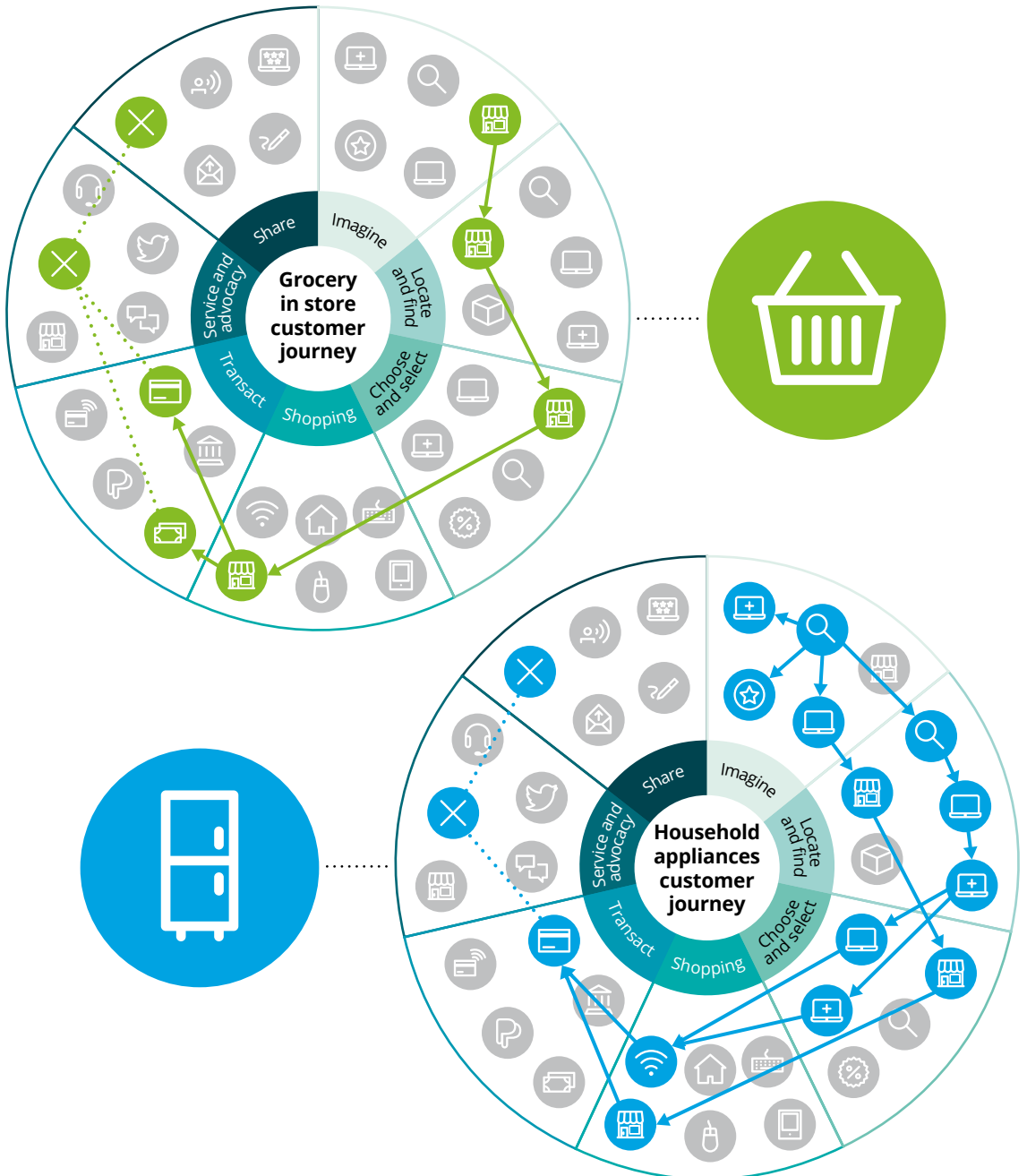
Focusing on what the business wants to be known for

The share of 'the experience' in the overall business proposition is growing. Focusing the entire company on delivering a positive consumer experience will be key to securing new growth opportunities.

What is the customer experience?

The customer experience can be defined as the sum of all the interactions a consumer has with a brand as well as their opinion of the brand. Interactions include visiting the website or store, speaking to a member of staff or reading a marketing email. The opinion of the brand, on the other hand, is often driven by the feelings consumers have when they interact with or think about the brand. Customer experience is holistic in nature and does not focus on any single interaction or feeling, but rather on the impact of all of these things together. It was Aristotle who said "the whole is greater than the sum of its parts" and this is certainly true with the customer experience. And every part of the company has a role to play in consumers' experiences.

Why the customer experience matters in delivering growth

Customer experience can be the key source of competitive differentiation. If a business can create an experience that seamlessly connects all the interactions a consumer has with their brand, and does this in a unique way, it will not only gain a strong competitive advantage but will also have a positive impact on the bottom line. Typically, companies will focus on a particular part of the experience in which to lead. Apple aims to inspire; Amazon owns the online fulfilment space and John Lewis differentiates itself on the customer service skills of its 'partners'.

At the core of a great customer experience is the ability to provide a seamless experience regardless of touch point, yet many companies are a long way from achieving this.

Analysis done for the retail sector by Deloitte Consulting in the US shows that experience differentiation can lead to stronger financial performance indicators especially when combined with product differentiation.[1] The team developed a framework to group retailers into one of four cohorts. Each retailer was given a score based on the level of product and experience differentiation, from low to high. By plotting each retailer along these two dimensions they were able to develop four distinct groupings (see Figure 8).

> It was Aristotle who said "the whole is greater than the sum of its parts" and this is certainly true with the customer experience. And every part of the company has a role to play in consumers' experiences.

In the first group are a number of retailers competing predominantly on value and convenience. These retailers focus on driving down operating costs to offer customers better value and convenience. The second group of retailers focus on creating highly differentiated experiences but sell a set of products not that differentiated and often available at many other retailers. They also focus on providing easy and enjoyable interactions with staff, offering education and entertainment, and personalised content.

The third group of retailers compete with highly differentiated products and services that cannot be found elsewhere, although the brand experience offered is less differentiated. Finally, in the fourth cohort, there are a small number of retailers who successfully offer both highly differentiated products and experiences. They understand consumers and offer experiences and unique products or services that address, or even surpass consumers' needs and expectations.

The analysis also showed that retailers competing on both highly differentiated offerings and experiences, delivered solid EBITDA growth of almost 15 per cent per year and revenue growth of nearly 11 per cent. In contrast, retailers competing on value and convenience had compound annual revenue growth of 3.5 per cent and experienced a negative compound annual EBITDA growth of 3.2 per cent.

Defining where to play

The changing environment described in the first section points to an opportunity for businesses that can find new ways to remain connected to consumers and create value (and margin) by differentiating their brand both in terms of their products and the experience they offer.

Figure 8. Experience vs product differentiation
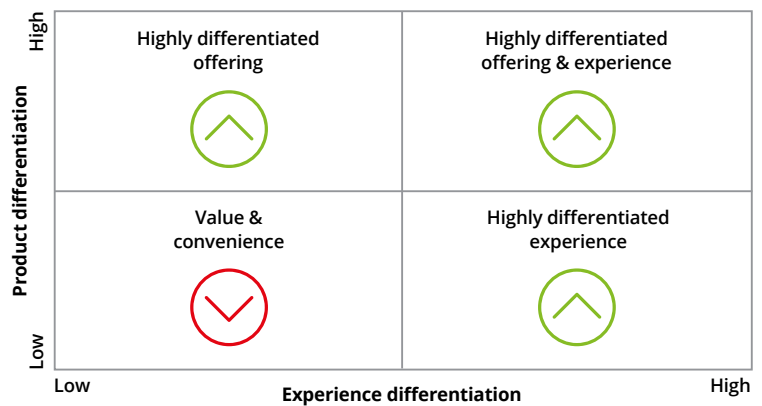
Source: Deloitte Consulting 2015

Businesses cannot do it all and need to be strategic in deciding what they want the company to be known for and act on it before their competitors. This can range from simply improving one aspect of the existing experience, to developing entirely new innovative and engaging propositions to meet consumer needs.

When considering the level of product and experience differentiation in which to invest, businesses need to achieve a balance between the value their product or service offers consumers and the cost of delivering the added experience and product differentiation. Businesses need to define what the brand stands for, what

is unique about it, who the consumers are and what the issue is the product or service will help them to solve.

Creating a clear, communicable and meaningful vision for the customer experience is critical in ensuring that the business transforms towards a more customer experience-focused model.

The customer experience governance model

While businesses are eager to transform their existing model to become truly customer centric, the reality is that breaking through the functional barriers and reviewing existing key performance indicators to measure customer experience is challenging. Transformation is being hindered by an inherent resistance to change, a lack of leadership, organisational culture and/or the costs involved in implementing the required change.

Having a customer experience vision will not be enough unless the governance is in place to implement and reward it. The customer experience needs to be a strategic priority, not only at board level, but also across the entire company where every function works towards and believes they play a critical role in the overall customer experience. Decisions around the framework, vision and direction for the business, including the experience they want their customers to have, first needs to be endorsed by the executive leadership. Without the leadership and new key performance indicators to measure it, changing organisational behaviours will be very difficult. Regardless of where the company starts on the path to changing the customer experience, the goal is twofold,

first to make the customer experience vision a priority and second to make it a function inherent in the business model.

There are three types of structures commonly used to drive customer experience within an organisation: a standalone customer experience team, a customer experience team within a function, often within the strategy or marketing team, or no specific customer experience team. The latter implies a multidisciplinary approach where the customer experience strategy is driven by a set of processes across all functions.

The marketing function often becomes the customer experience function by default. However, the conflict inherent in this structure is that the customer experience group does not own the selling channels. In a retail business the store channel and the online channel often will have business development teams. If there is a customer experience team it must play an active role in the governance process for approval of any activities that might influence the customer experience either directly or indirectly. Each project should be presented to both a finance and a customer committee. The key role of the customer experience team is not only to approve the investment for each customer experience project but also to ensure consistency

through path-to-purchase and to avoid the silo mentality. However the customer experience team should not tell the rest of the company what to do but rather coordinate, motivate and empower teams to think of ways to serve customers better.

The business transformation required for implementing the customer experience vision will also have implications for the skill set the company will need. The leadership will need to incentivise the behaviours that favour implementing the customer experience vision. If an executive decides to reward staff based on customer satisfaction, and gives customer satisfaction scores equal weighting to other financial performance indicators, there will be a paradigm shift in the organisational culture.

Ultimately, the successful implementation of a customer experience strategy could negate the need for a customer experience team. Companies might not need a customer team if they have the right mechanisms in place to reward staff based on customer satisfaction scores. Also giving staff the autonomy to solve customer issues can often remove some of the barriers that prevents the staff, and ultimately the company, from delivering its customer experience vision.

Defining the customer experience

Developing a customer experience model aligned to what the business wants to be known for.

Approach to rethinking the customer experience

There are a number of practical steps a company can take when seeking to optimise its customer experience.

1. Diagnose the 'as-is' consumer experience

The first task is to assess, with a minimum amount of detail, the existing customer experience to understand what is working, what is not and why. There are two key lenses through which to consider this: the customer and the market.

When considering the customer lens, a company needs to assess where the 'pain points' and 'magic moments' are for their customers. For example do customers get frustrated with the customer service? Do they enjoy the personalised note in the delivery box? A thorough review of the current customer experience, using the right insights from across the business such as primary consumer research and Net Promoter Scores (NPS)[2], will help identify where improvements are needed.

The market analysis involves an assessment of how the company fares against the leading direct and non-direct competitors. Does the company lead the market in some areas? Themes and examples from market leaders will emerge and should provide the necessary inspiration. This market analysis should enable the company to understand better where they fall below, are consistent with or lead the market across their customer experience activities.

2. Set a realistic 'to-be' goal

Once the current customer experience performance has been measured, the next step is to determine the company's customer experience ambitions and ensure they match the corporate strategy. Often, due to limited resources, companies set goals in specific areas admitting it is okay to be 'average' in other areas where it would be difficult to differentiate their product or service. There is no clear rule regarding the number of areas in which companies should strive to become leaders, and some will be much broader than others. For example, a company wanting to

lead the way in omnichannel retail will focus on the entire journey whereas leading in delivery speed can be more focused on the latter parts of the experience.

Once defined the goal should be tested with the target market. Companies might find that the areas in which they believe they should invest are in reality not important to customers with whom they wish to engage.

3. Set out clear and actionable next steps

Having set a clear goal for the customer experience, a prioritisation exercise is required. Generally, customer experience investments will fall into three high level categories which are driven by the anticipated share of investment or effort required:

1. *Correct* – lower effort and/or investment, tactical quick wins

2. *Optimise* – medium effort and/or investment, optimise existing capability

3. *Disrupt* – higher effort and/or investment, disrupt and innovate.

The 'correct' category will typically include changes which are clear from the outset and require minimal effort or investment to improve the experience such as optimising the layout of a website homepage, or increasing the number of staff on the shop floor.

'Optimise' relates to areas in which capability exists but is not optimised in the right way, for example inspirational content not being used across touchpoints consistently.

The third category, 'disrupt' refers to the areas where the company is looking to lead. Such areas can, but not always, require significant investment in strategic initiatives such as rethinking customer service, loyalty offering or content strategy.

Companies can be overly confident with the disrupt category. For example they could launch a new channel, product, service or process improvement without fully understanding or allowing for the impact on the wider customer experience, resulting in a disjointed experience for consumers.

In contrast, some companies can shy away from any attempt to disrupt. They might believe they are working towards leading the market but in reality end up being too focused on improving what they already do or hiding behind the performance indicators that manage the efficiency of the business.

Companies should be willing to invest in innovation even when the returns are not clear because the value lies not only in creating tangible customer impact but also in generating key learnings for the business. An iterative 'test, learn, and be willing to fail' approach is vital if a company is looking to innovate across its customer experience and beyond. It requires the buy-in from the board and a cultural shift towards the fail-fast mentality.

It is important to note that during the end-to-end process of rethinking the customer experience there should be no limits to the number of questions that are asked. If the assessment prompts the company to look wider than the customer experience and explore new business models or product offerings, then this should be an option. It can be a deeply educational process which can pose difficult questions and challenges to the leadership team.

How to measure customer experience

There are three levels of customer experience that can be measured: the overall customer and brand relationship, the discrete customer journeys and individual events or interactions.[3]

- Relationship surveys allow customers to indicate their satisfaction about their overall relationship with the company or brand, and are typically run at least once a year

- Journey surveys allow customers to indicate their satisfaction at the end of a particular experience and tend to be based on a survey a couple of days after the event took place

- Interaction surveys allow customers to indicate their satisfaction with a specific event, for example a transaction or a complaint. Unlike relationship or journey surveys, interaction surveys are administered immediately or soon after the event.

Companies often focus heavily on the relationship metric, which is typically used by the marketing department. However, this metric can be influenced by a whole host of external factors making it difficult to identify the drivers. On the other hand, interaction surveys can be limiting in that they only provide insight into a single event. To gain the best measurement of customer experience, a mix of all three is required. The company should identify correlations between all three and share results across the business to drive the right actions from everyone across the organisation. It is important not only to share this information but also to assign customer experience performance metrics and staff responsibilities across the business, not just the front office. Making customer experience measurement an inherent part of the reward programme will be critical in promoting a customer-first strategy.

Companies should also seek to understand the primary drivers of satisfaction. Once the drivers are understood, it becomes much easier to predict scores. For example, if a customer reported a broadband fault in their home and the support team was able to attend the following day, the ability to select from a dedicated timeslot or receive a phone call before the support team arrives might not be as important to the customer. Their satisfaction score of the event could be the same without these additional services which only become critical to the customer after a few days. Such insight enables the business to make informed decisions between investing in reducing the time slot window from four to two hours and investing in providing reliable next day support to attend to faults.

Making customer experience measurement an inherent part of the reward programme will be critical in promoting a customer-first strategy.

Companies should also seek to understand the primary drivers of satisfaction. Once the drivers are understood, it becomes much easier to predict scores.

What about the rest of the value chain?

Rising consumer expectations are driving change across the value chain.

B2B organisations can learn lessons from B2C businesses
Increasing choice of products and delivery options, combined with the availability of information that can be accessed in real-time and on-the-go, have raised consumers' expectations. These raised expectations are driving change across the value chain, reshaping competition, redefining what it means to be a profitable business. Through this process new demand is created – as are new competitors.

Business-to-consumer (B2C) operators have been on the frontline of these changes for the last ten years, but as consumer influence spreads across more of the value chain, business-to-business operators (B2B) are also being challenged to respond to the changing behaviours of their end-consumers.

Business buyers are also consumers. Consumers that have become used to a certain level of experience and service are reluctant to leave this behind when at their workplace.

The most successful B2C businesses focus on delivering a seamless experience to their consumers. They have used digital platforms to ensure that consumers have access not only to relevant information they need to make a purchase, but also to compelling content. They ensure that the process is personalised and that they are able to identify and recognise individuals, regardless of the shopping channel they choose to shop and ensure that the experience is tailored to their preferences, utilising data drawn from their previous purchase behaviour. Moreover, B2C businesses have redesigned their supply chains and are reorganising their operational structures to facilitate this process.

The challenge facing an increasing number of chief marketing officers (CMOs) at B2B businesses is how can they deliver a similar experience for their trade customers? How can they provide access to product information and reviews across a range of digital platforms and in real time?

How can they engage with buyers and influencers across a range of platforms, including social media, by using compelling content?

A growing opportunity to go direct
Changing consumer behaviour has had a knock-on effect beyond the way people consume products or services and has potential consequences across the entire supply chain serving the business-to-consumer sector. This is particularly true for consumer brands which have traditionally acted as trade suppliers to the B2C sector. Chief marketing officers in companies who have traditionally manufactured consumer goods are now being asked to rethink these products' route to market. They are also being asked to start developing the same kind of customer experience and brand experience that the CMOs at B2C businesses have been developing for years.

Consumer expectations have been raised, not just by businesses' efforts to improve the shopping experience, but also by developments in consumer technology. Consumers are becoming more demanding in terms of the amount of the information they expect to have access to regarding the products or services they buy. People have become used to having instant access to information online, and in addition, they are increasingly interested in where products come from – where ingredients were grown, or where a product was made. This means that manufacturers are required to have a more direct relationship with consumers than they did in the past.

Some brands are embracing this change and are playing a driving role in its development. Digital technology has made it much easier for manufacturers and distributors to have a direct relationship with their customers, allowing them to reach and interact with consumers. This means more than just shopping online – it could mean developing a dialogue on social media, or using digital marketing methods to give a brand a new dimension and for a business to have a direct dialogue with consumers.

As they continue to develop expertise in new areas, many are starting to make acquisitions or create their own brands that are designed to trade direct-to-consumer in a way that their traditional brands were not. Retailers are likely to continue playing a role in consumer packaged goods (CPG) companies' business models, because consumers are used to buying certain types of products at the supermarket, and because the business model of these brands has been designed around this approach. But digital technology coupled with changing consumer behaviour have opened up new routes to market for CPG companies, and new potential future revenue streams.

The number of ways manufacturers connect with consumers will continue to evolve and could possibly expand. The emergence of the subscription business model, for instance, is a particularly interesting way for CPG companies to serve consumers, with many of their products suiting the model. For example, Dollar Shave Club, which sends its customers new razors on a regular basis, is a subscription model that attracted Unilever's interest who acquired the business in July 2016.

The internet of things (IoT) could also benefit CPG companies. Consumers can already purchase devices for the home which enable them to buy washing detergent or kitchen rolls by pressing a button or talking to a speaker. These devices may well be of more use to CPG companies, that sell a smaller range of products in large volumes, than to retailers who sell a wide range of products. IoT technology is developing quickly, and it is likely that in a few years consumers will buy some household products in an automated fashion. If a CPG company decides to develop the necessary infrastructure to fulfil these orders directly, it could help protect or increase margins. It also gives the company direct access to and control of the relationship with the consumer, as well as any relevant data that could be collected.

In future the distinction between B2B and B2C is likely to become less clear. And, in today's digital world, it is more and more about the end-consumer. The overall customer experience will be determined by how seamless and effective the experience is across the entire value chain.

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Appendix
Consumer research findings

Methodology

To better understand consumer experience, Deloitte commissioned an online consumer survey carried out by an independent market research agency. The survey was conducted with a UK nationally representative sample of 2,084 adults aged 18 and over.

Research design

Respondents were asked about a given category they shopped in over the last three months. They were asked about each stage of the shopping process from finding inspiration to whether they shared their experience with others.

Figure 9. Consumer activities at the phase of inspiration of the path-to-purchase
% of UK consumers who made a purchase in the last three months

Thinking specically about what you did before completing a purchase to find inspiration and help you decide what to buy, which if any, of the following influenced you? (Please select all that apply)

Source: Deloitte research   ■ Products   ■ Travel/ Hospitality/Leisure services   ■ Total
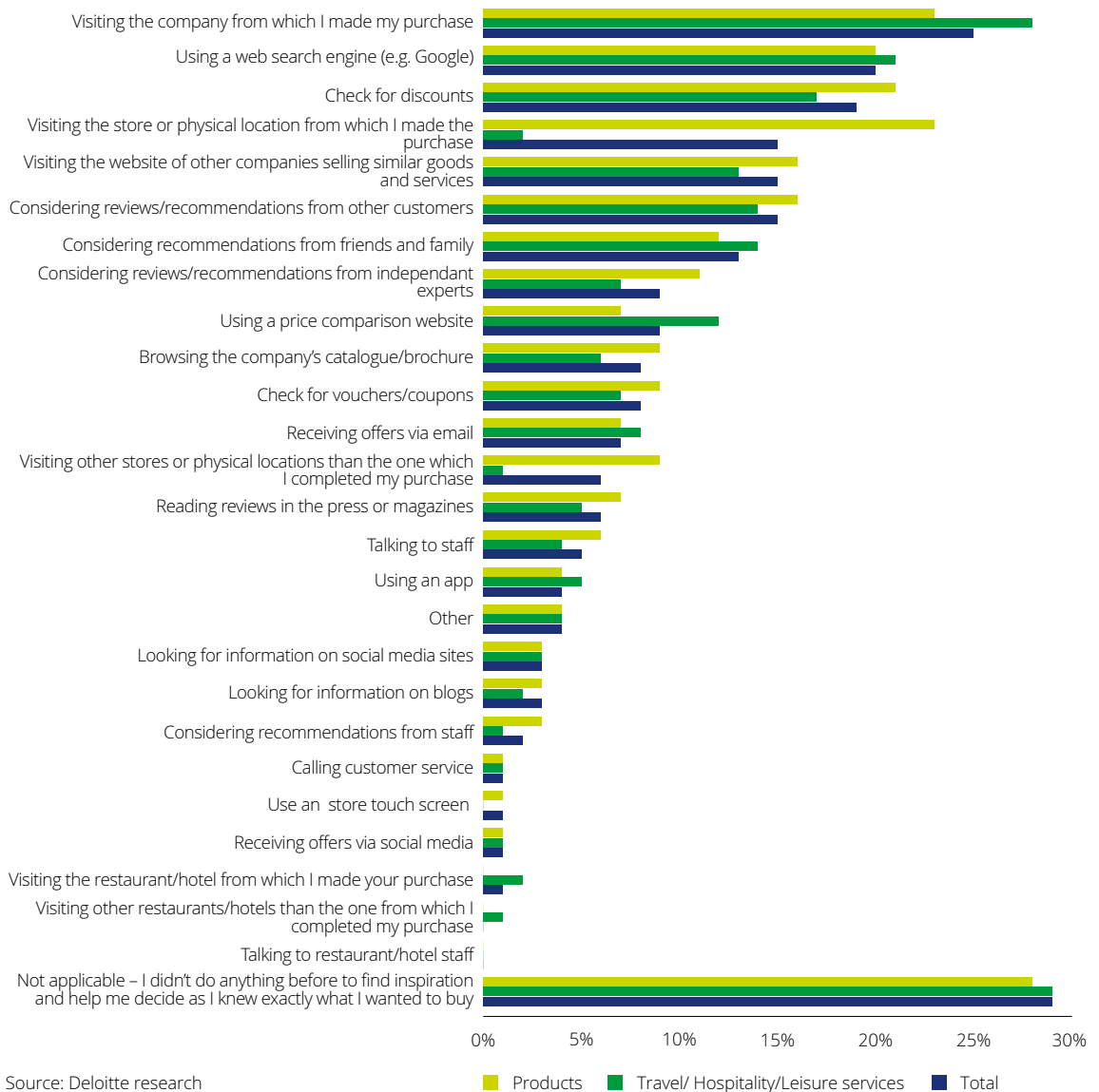
Figure 10. Consumer activities when locating the product or service
% of UK consumers who made a purchase in the last three months

Thinking specifically about what you did to select the product or service you bought (e.g. assessing/comparing different product or service), which, if any, of the following did you do? (Please select all that apply)

Source: Deloitte research

Products   Travel/Hospitality/Leisure Services   Total
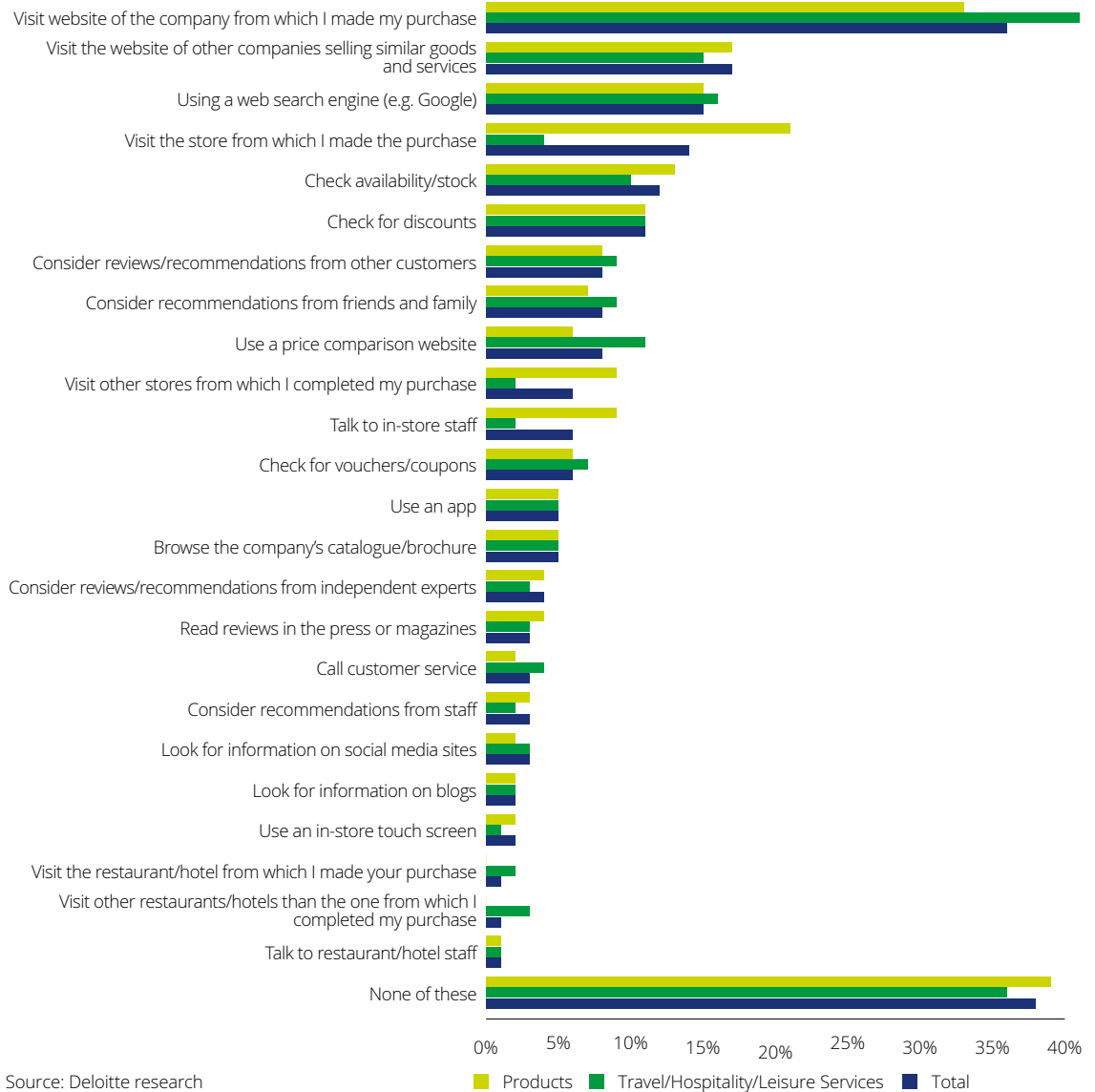
Figure 11. Consumer activities when selecting the product or service
% of UK consumers who made a purchase in the last three months

Thinking specifically about what you did to select the product or service you bought (e.g. assessing/comparing different product or service), which, if any, of the following did you do? (Please select all that apply)

Source: Deloitte research

Products Travel/Hospitality/Leisure Services Total
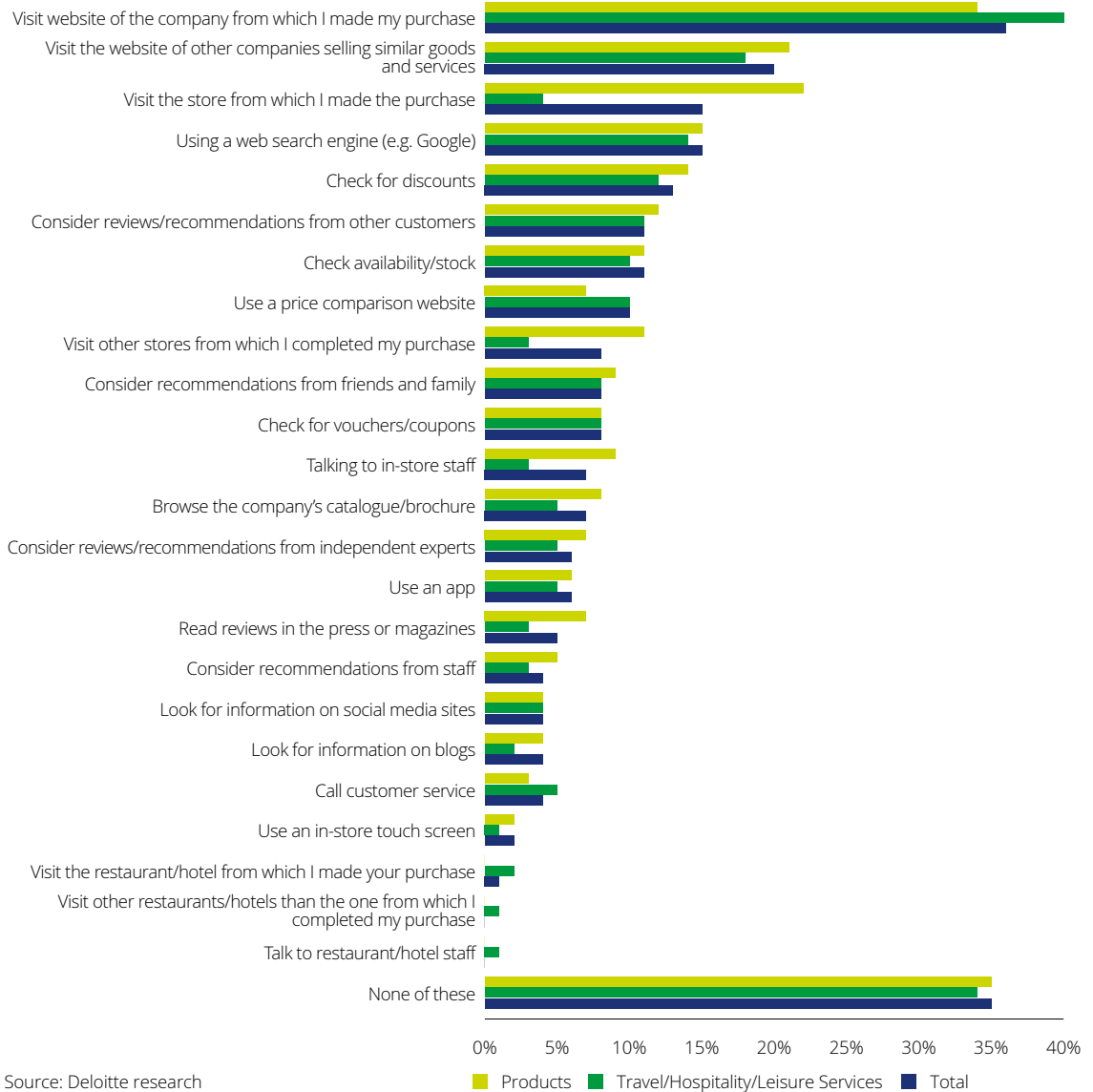
Figure 12. Channels, delivery methods and technology used to buy the product
% of UK consumers who made a purchase in the last three months

Thinking specifically about where and how you bought the product or service, which one of the following did you do?

Channel	%
Buy in-store	
Buy online using desktop/laptop and delivered to home	
Buy online using a tablet and delivered to home	
Order in-store for home delivery	
Buy online using desktop/laptop and delivered to the store for collection	
Buy online using smartphone and delivered to home	
Buy online using desktop/laptop and delivered to a third party location	
Buy online using smartphone and delivered to store for collection	
Buy online using a tablet and delivered to store for collection	
Buy online using a tablet and delivered to third party location	
Buy from a catalogue/mail order	
Buy online using smartphone and delivered to a third party location	
Buy via TV shopping	
Other	

0%   5%   10%   15%   20%   25%   30%   35%   40%

Source: Deloitte research

Figure 13. Channels, delivery methods and technology used to buy the service
% of UK consumers who made a purchase in the last three months

Thinking specifically about where and how you bought the product or service, which one of the following did you do?
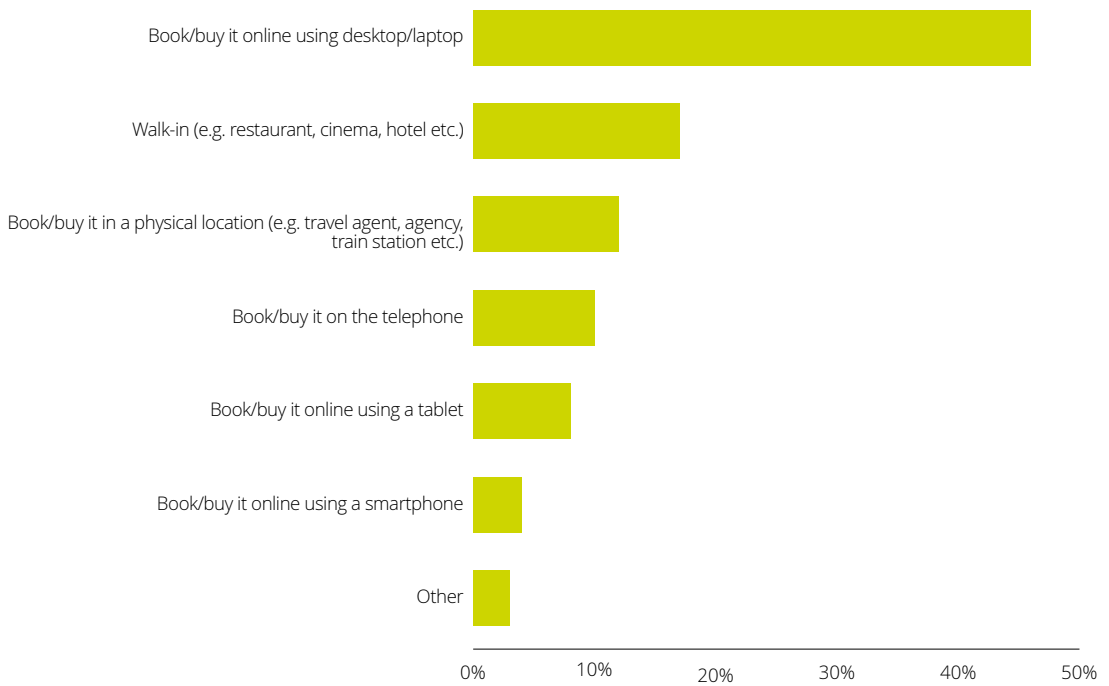
Source: Deloitte research

Figure 14. Payment methods used
% of UK consumers who made a purchase in the last three months

Which payment method did you use to purchase your product or service?
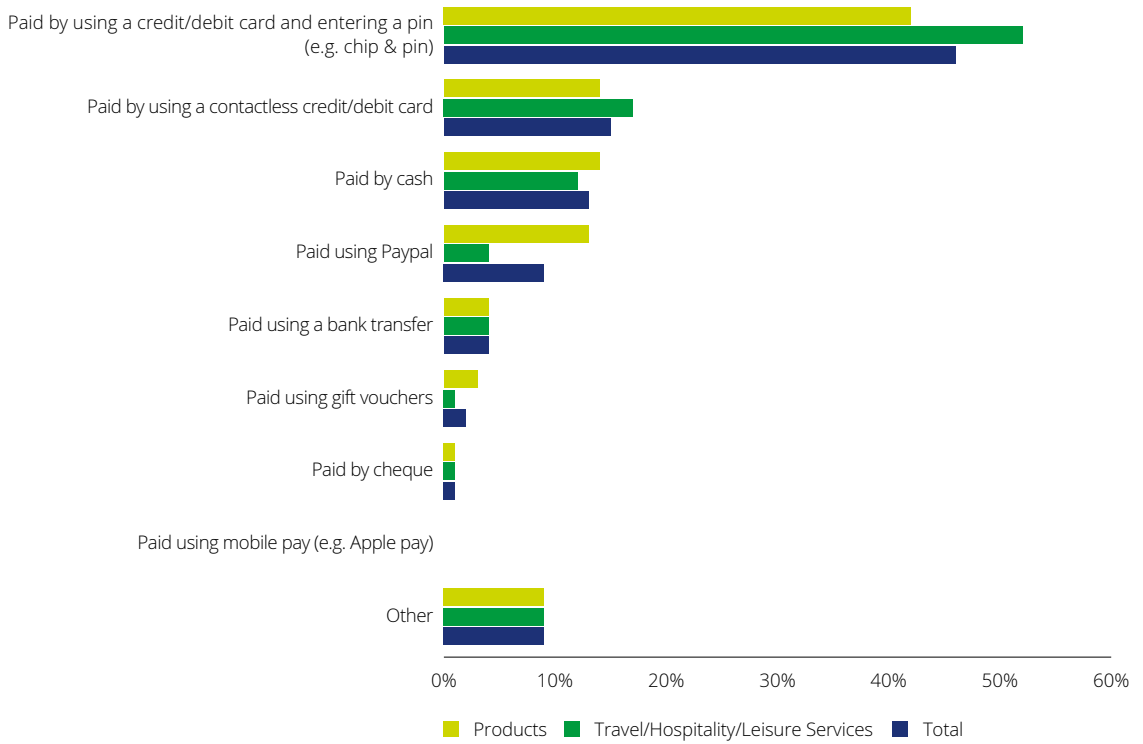
Source: Deloitte research

Figure 15. Customer service activities
% of UK consumers who made a purchase in the last three months

Did you contact customer service?
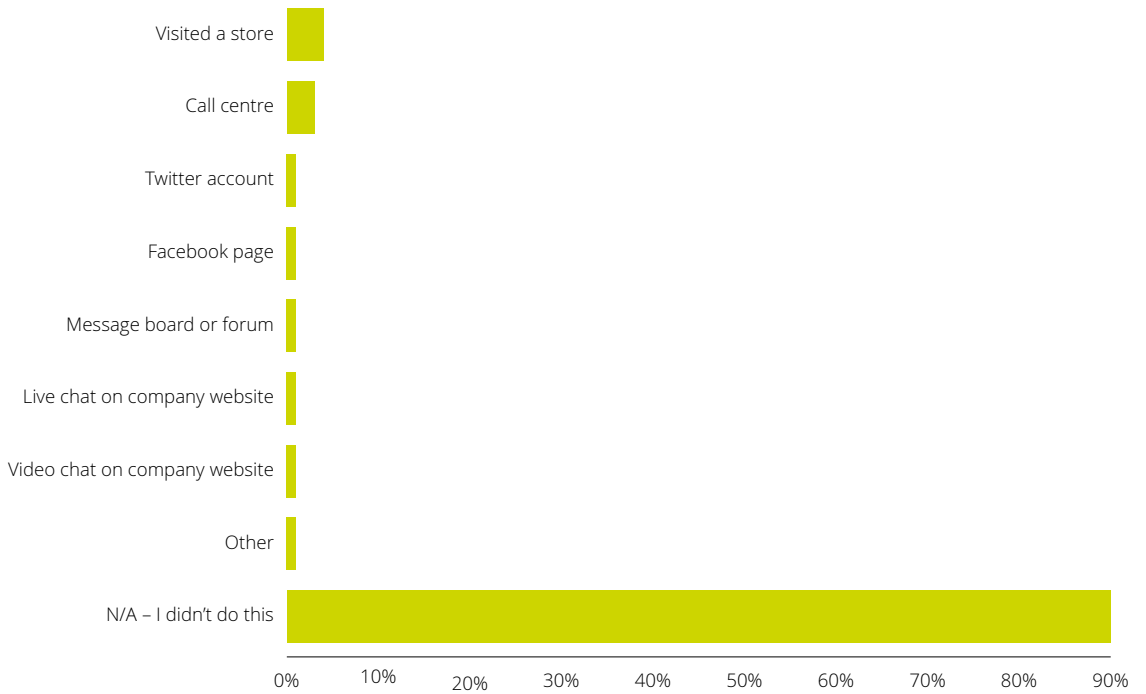
Source: Deloitte research

Figure 16. Consumer activities when sharing their purchasing experience
% of UK consumers who made a purchase in the last three months

Thinking specifically about whether you shared your experience about using or enjoying your product or service, which, if any, of the following did you do? (Please select all that apply)

Products   ▪ Travel/Hospitality/Leisure Services   ▪ Total
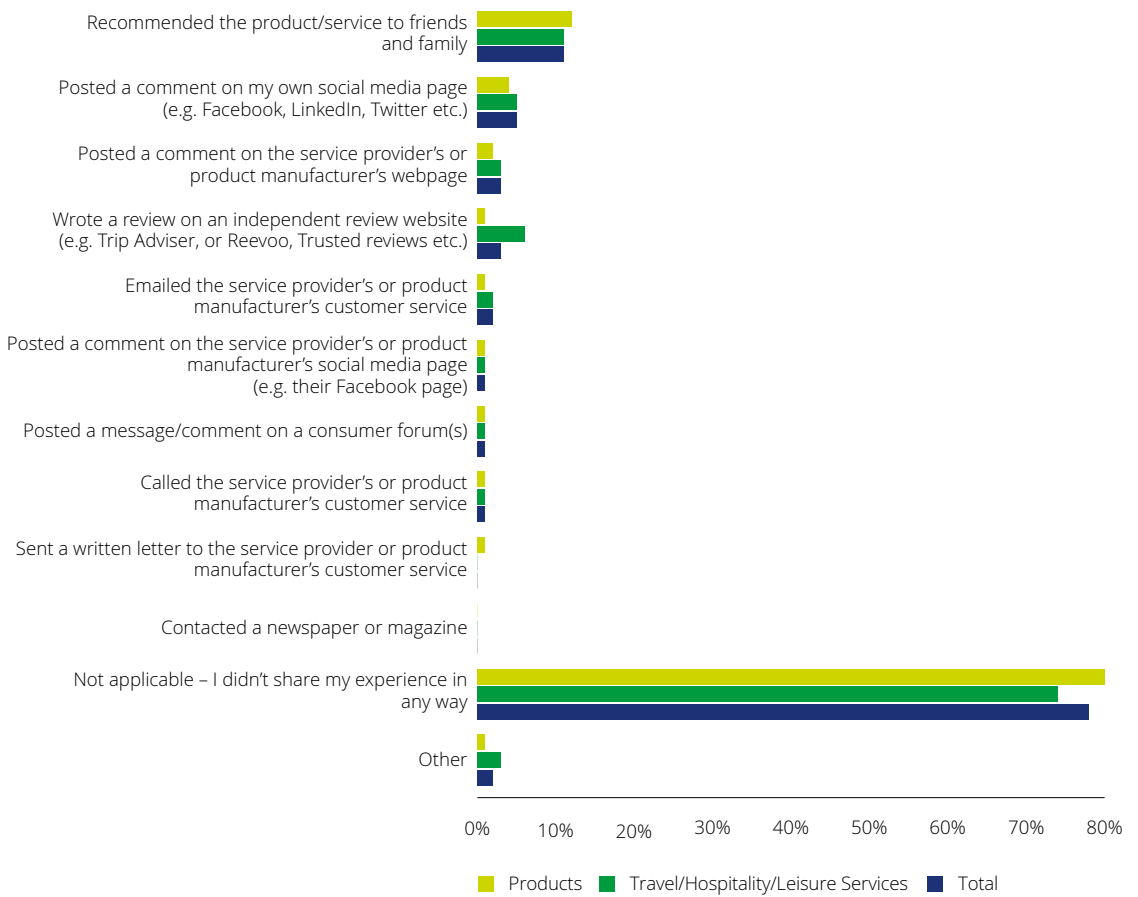
Source: Deloitte research

Endnotes

1. https://cmo.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/us-cb-retail-volatility-index-POV.pdf

2. Net Promoter Score (NPS) measures the loyalty that exists between a provider and a consumer. NPS is based on a single question based on a consumer's overall interaction with a company which is: how likely are you to recommend our company/product/ service to your friends and colleagues? Net Promoter Score is a registered trademark of Fred Reichheld, Bain & Company, and Satmetrix Systems

3. http://reprints.forrester.com/#/assets/2/153/'RES91981'/reports

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Notes

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