

The rise of the customer-led economy

An Economist Intelligence Unit research

Executive summary

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It has long been a truism that winning a new customer costs far more than retaining a current one. When customers have choices, retaining them requires knowing what they value—and acting on it. The better a company knows its customers, the easier it becomes to see to it that they keep coming back (and to avoid missteps that encourage them to look elsewhere). Providers of products and services have recognised these truisms for as long as the market economy has existed. But never before has there been such a strong imperative for companies to strengthen customer bonds by forming deep, intimate relationships. Never have such powerful tools been available to do so. And never have executives felt the need to embrace these tools to the extent that they do today.

These are some of the implications of a global study of senior executives conducted in June 2013 by The Economist Intelligence Unit (EIU), sponsored by Salesforce.com. Respondents were

located in Europe, North America and Asia-Pacific and were close to the heart of their businesses, managing key functional areas in 19 different industries.

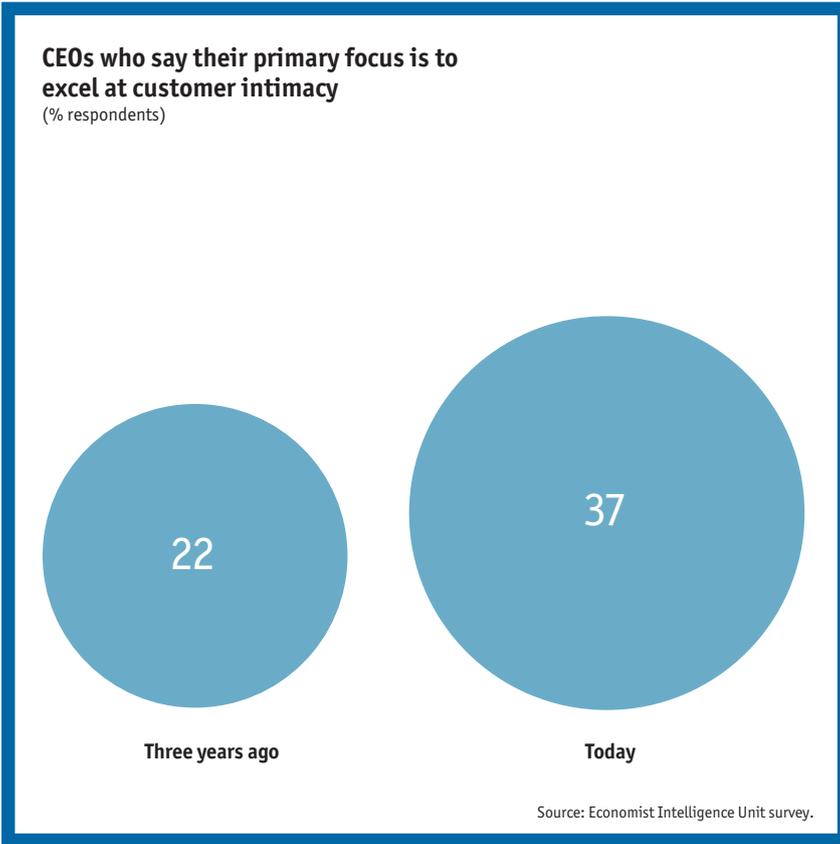
In responding to the survey, executives addressed the following points:

- 1.** Customer intimacy is the new imperative for CEOs.
- 2.** CMOs are leading the charge for a superior customer experience.
- 3.** Connecting customers, partners, employees and products improves the customer experience.
- 4.** Connecting products has become as important as having the right products.
- 5.** The most critical technologies for connecting with customers are mobile, social and cloud.
- 6.** There is a mobile app gap: executives recognise the need, but lag in execution.

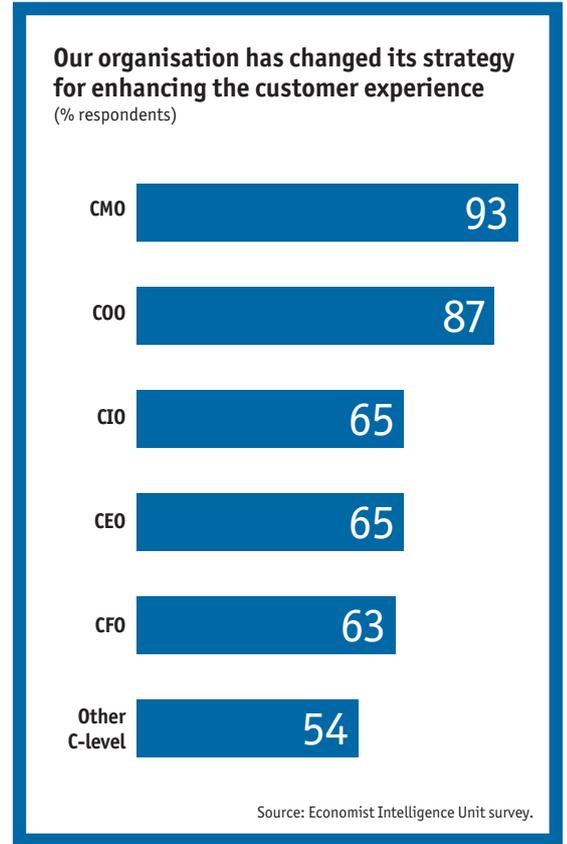
About the survey

In June 2013 The Economist Intelligence Unit (EIU) conducted a global survey of 1,354 business executives, sponsored by salesforce.com. Survey respondents hailed from Western Europe (31%), North America (29%), Asia-Pacific (27%), Middle East and Africa (6%), Latin America (5%) and

Eastern Europe (2%). The respondent pool was quite senior, including 167 CEOs, 115 COOs, 108 CMOs and 103 CIOs. Senior executives polled were responsible for all of the principal functional areas in 19 different industries. ■



- Customer intimacy is the new imperative for CEOs.** The movement to organise interactions around preferences of the customer is being driven from the top, which suggests that the entire enterprise now has a mandate for change. The number of CEO survey respondents who say their principal value discipline is “customer intimacy” has surged by 76% over the last three years. This wasn’t the case for other value drivers; for instance, the proportion that cite operational excellence as a key source of value barely changed, while emphasis on product leadership fell substantially over this period. CEOs recognise that their customers are communicating in new ways, and they understand that their companies need to adapt to this new environment.

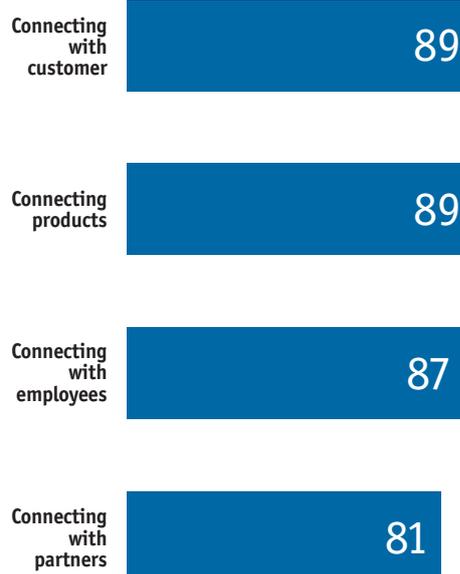


- CMOs are leading the charge for a superior customer experience.** CEOs want to focus more on the customer—and the rest of the C-suite agrees. Executives in all functional areas say their companies are changing their strategy to improve the customer experience. Although customer-facing functions are most likely to say so, CIOs, COOs and even 63% of CFOs—a group not always known for its customer sensitivities—agree that their companies are shifting strategy to get closer to customers.

But of all the C-level executives, the CMO is most attuned to the customer revolution: 93% of CMOs say that their companies have refined their strategies to respond to the changing market. The marketing function has always been responsible for the customer experience. But marketing now has the attention of the CEO, the expertise to leverage the new channels of digital and social media, the authority to spend money to improve connections with customers and a mandate to move forward.

All types of connections improve customer satisfaction

(% respondents)



Source: Economist Intelligence Unit survey.

- **Connecting customers, partners, employees and products improves the customer experience.**

Connecting directly with customers is the top priority for most survey respondents. But respondents are clear that the customer experience also improves when employees, partners and products can unite to pursue a common goal. More than 80% of respondents say that all four types of connections—direct links with customers as well as links among employees, partners and products—pay off in the quest to become more customer-centric.

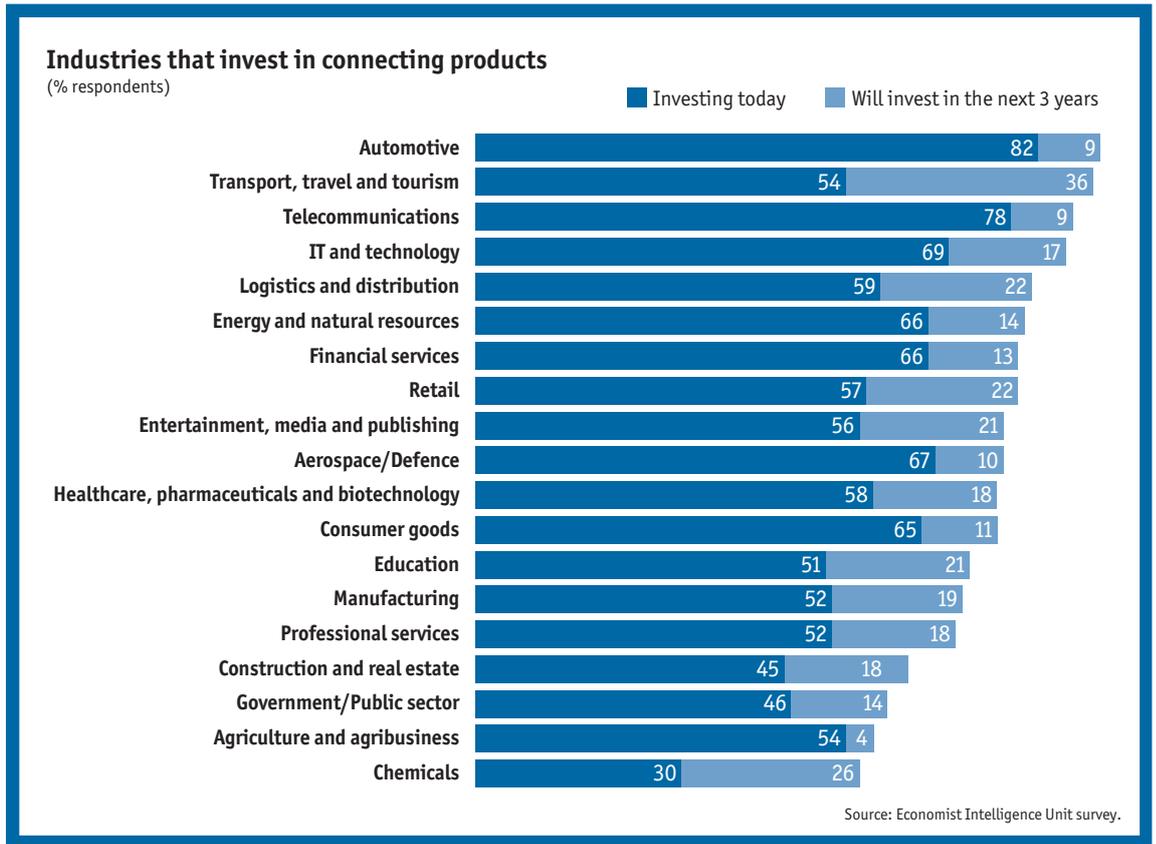
What form do these connections take? People are resources for serving the customer. The customer's experience improves as people who

have different knowledge and expertise connect. For instance, a customer service representative who knows which consultant to contact can deliver better service than one less connected within the organisation. Instead of "Let me research your issue and I'll get back to you," the customer hears, "I know someone who addressed the exact problem that you're describing. Let's talk to him."

Technology helps. The survey found that the companies with the strongest overall performance were significantly more likely than others to invest in every category of collaborative technology: among employees, between customers and employees, enterprise social networks and mobile devices and applications.

- **Customer intimacy is as much about connecting products as it is about having the right products.** There is a lot of talk about "smart" products: the enabling of products with technologies ranging from cloud-based application interfaces to embedded customer apps and integration with social networks. We refer to this trend as "connections among products". About 60% of survey respondents are investing in this area, and the percentage will rise to 75% over the next three years. Moreover, the most profitable companies are more likely to already have connected products on the market.

Goods-producing industries like automotive rank high among those connecting products now. But most services companies are also committed, including those in financial services, healthcare, media, professional services and education. Companies that determine how to connect their products to "wrap around" the customer's needs have an enormous opportunity to improve the customer experience and differentiate themselves from competitors.



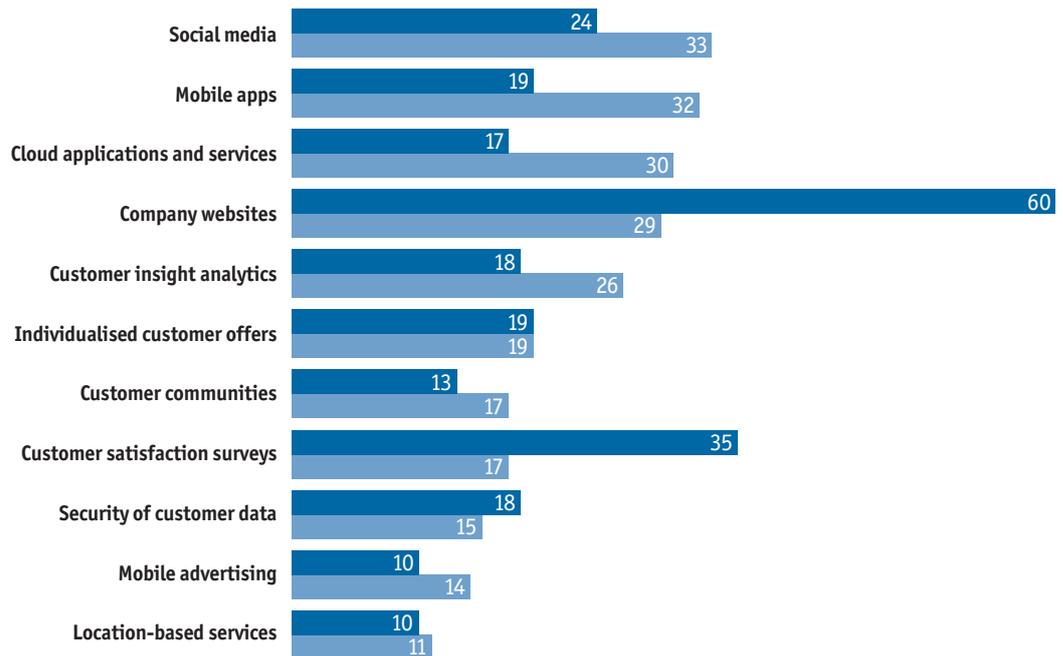
● **The most critical technologies for connecting with customers will be mobile, social and cloud in the next three years.** Survey respondents are reallocating technology investments to follow their customers as they migrate across channels. They are shifting away from investments in company websites and customer surveys and embracing three critical channels: social media, mobile and cloud applications, and services. Companies are

embracing the same cloud-based, increasingly mobile-enabled channels that customers use to connect with one another, including Facebook, Twitter, YouTube and dozens of others. Moreover, companies are using these channels not just to engage customers but also to empower their employees and partners to support customers wherever they are.

Technology investments to connect with customers

(% respondents citing each technology as one of their top three priorities)

■ Today ■ In the next 3 years



Source: Economist Intelligence Unit survey.

● **There is a mobile app gap: executives recognise the need, but many lag in execution.**

Survey respondents point to a clear shift towards mobile applications. The proportion that lists mobile technologies as one of the top three investment priorities jumps from 19% today to 32% in three years. And, 54% say the senior executive team sees mobile apps as a “key instrument” for improving connections with customers.

Yet, only about half of those who see mobile apps as key (26%) have actually implemented

them. It is partly a skills issue: companies may lack the specialised knowledge to create the “killer apps” that can differentiate their products. It may also be a user design issue. The consumerisation of IT is really about the proliferation of personal connected devices, and the most visible manifestation is the mobile app. Consumers don’t lower their expectations because an app comes from, say, an insurance company. They expect every app to match their best experiences—and their best experiences are getting better.



Conclusion

Smaller, faster, cheaper, smarter and better connected—that is how technology has evolved in the years from the mainframe to the smartphone. According to the EIU survey, many in the C-suite now see an opportunity to form a stronger, deeper connection with the customer. In fact, it is already happening: the more profitable the company, the more likely its executives are to say that they apply their profound knowledge of the customer to improve the simplicity and clarity of their connections.

But deepening and expanding these connections will require CMOs to up their short line game, CFOs to invest in tighter connections across people and products and all customer-facing employees to embrace the mobile, social and cloud technologies that have already taken hold among consumers. The broad outline of the game plan is clear: it is now up to the enterprise to make it happen. ■

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