



Customer-centric Business Transformation is the Key to Market Leadership

Ruben Moffett

Executive focus on the Customer Experience delivers the key to business success across industries

Industry transformations are happening all around us. Company leaders are juggling the demands of day-to-day operations with the most rapid pace and volume of technology innovations in history. These demands pull leaders in many directions as they try to set the course for their organizations' future. But there is one area that, when executed successfully, has repeatedly delivered sustainable market growth; a full commitment to providing an exceptional Customer Experience (CX).

Businesses and entire industries have been turned upside down seemingly overnight by new market entrants that correctly identified and capitalized on ways to provide better customer experiences. For example:



Amazon and Alibaba took note of the inefficiencies within the traditional brick-and-mortar retail sales models (limited choices and poor customer service) and created online shopping experiences that allowed customers to select across brands with full price transparency, intuitive digital interfaces, and tremendous convenience. **Today, Amazon is the fourth most valuable public company in the world and Alibaba's IPO was the biggest in US history.**



In virtually every metropolitan market in the world, Uber saw an outdated public transportation model in place, which delivered limited and unreliable supply and unsavory pricing. Uber created a digital delivery experience that put control into the customers' hands through online tracking, dynamic pricing, and multiple levels of service offerings. **Uber raised over \$44 million in funding within its first three years in business, and by the beginning of 2017 owned 84% of the US ride hailing market.**



AirBnB provided customers with a huge pool of previously unutilized hotel supply, providing expanded choices and pricing options while also benefiting suppliers who, in turn, also frequently became customers. **Since 2008, AirBnb has expanded to over 65,000 cities worldwide with a market valuation of over \$31 billion.**



WeWork recognized that legacy office space providers were forcing customers into purchasing models that lacked the flexibility and options that small business customers wanted. By focusing on the customers' needs, WeWork created collaborative workspaces with flexible commercial models and **grew from a startup in 2010 to a current market valuation of roughly \$16 billion.**



Netflix capitalized on cable and satellite TV competitors' punitive pricing models and created a more convenient customer experience which has since evolved into streaming media, production and content development, with nearly **100 million subscribers worldwide.**

It is not just newcomers who beat the competition and acquired larger market shares though a CX focus: Apple is an example of a pre-existing giant that ignited exponential growth through a renewed focus on its customers. Their success spread across all business lines, providing customers with expanded access, functionality and flexibility – from mobile phones to laptops and tablets to music and media to wearables. This customer-centric transformation resurrected Apple from its struggles in the late 1990s to being ranked as the world's most valuable brand.

In each of these examples of success, the common thread is that the company inspected their segment with the eyes of a customer. These companies focused on areas where customers were not satisfied with their experiences and choices, and provided those customers with flexibility, power and control.

Recent studies support the value of an enhanced customer experience and have shown direct and significant correlation between performance results (both revenue growth rates and S&P performance) and whether companies are considered CX Leaders or Laggards. Oracle recently validated the importance of CX in its [survey](#) of senior executives who estimated the potential annual revenue loss for companies not offering a positive, consistent and brand-relevant customer experience as 20 percent!

This trend is not slowing. **By 2020, the experience a customer has with your brand will be a more important purchasing differentiator than price or the product itself.**

What is next? The next generation of innovative firms are already shaking up major industries:



The fitness market screamed for the convenience that home equipment and P90X videos delivered, but many missed the energy and peer pressure that on-site gyms and personal trainers provided. Peloton melded the two into an innovative offering that brings the in-person experience and community into anyone's home. This technology-powered solution has shown pervasive appeal in the market, **seeing revenues jump 5x in its third year in business to over \$150 million.**



Redefining the retail home appliance customer experience, Pirch provides customers with an opportunity to fully test all of its appliances in the store, including cooking a meal and taking a shower, to fully experience the products before they buy. This approach is leading the way for retailers to reinvent their traditional stores and is meeting with market approval. **Pirch was included on the 2015 Forbes list of America's Most Promising Companies and Inc.'s 2017 list of the 25 Most Disruptive Companies of the Year.**



Responding to consumers of a different type, HyperLoop One is developing high speed rail technology that will enable commuters and shoppers to travel vast distances in a fraction of the time it currently takes. Four-hour trips will

take only 25 minutes. **Having already raised over \$160 million in venture capital**, HyperLoop One listened to the market and identified a hugely disruptive capability in extremely high demand.



Taking customer orientation to the next level, Kasita's co-founder, Jeff Wilson, lived in a dumpster for a year to rethink micro-home design. The insight he gleaned from that experience led to innovative and modern home designs such as \$135k stackable units intended to occupy urban lots. This innovation enables typically young, entry-level workers to live in the city and own a fully functional home that includes conveniences and modern technologies in an eco-friendly footprint.



SoFi and Aspiration are rapidly taking on traditional banking institutions after seeing success with their initial focus on the student loan segment and alternative investment fee models, respectively. **SoFi funded over \$12 billion in 2016, and Aspiration grew from \$30 million in assets under management to over \$180 million in the last year.**



Lemonade is appealing to Millennials' negative trust perceptions of the insurance industry with their corporate focus on "social good," earmarking some of its profits for donation to charities of its customers' choices. Lemonade heavily leverages chatbots, predictive analytics and AI in its policy setting, underwriting, and claims functions...and customers can sign-up in only three minutes. **After launching in 2016, Lemonade has already raised \$60 million in capital.**



ClassDojo is utilizing online and mobile technologies to transform and facilitate increased parental involvement in their child's education. **Five weeks after launching their website, 12,000 teachers had signed up – all by word of mouth.**

Each of these firms is securing funding and transforming established industries by evaluating their markets from the customers' viewpoints and offering products and services aligned with ever-evolving customer expectations. Many are currently not household names, but they, and others, are likely to be the next Amazon, AirBnB, Netflix or Uber, which is a far better fate than companies like Blockbuster, Sears, Toys 'R' Us, JCPenney and BlackBerry, to name but a few.

So HOW and WHY are these companies successful?

The link between strong CX discipline and exceptional business results holds true across all industries where customers are free to choose and switch between product and service providers. And markets where customers lack alternatives are only exempt for a matter of time.

Key Questions

- 1 What does it take to be a CX leader in your industry?
- 2 How does a company's commitment to CX drive other areas of an organization such as product development and daily operations?
- 3 How does an organization foster a culture of agility capable of excelling, given the pace of change and scope of disruption that technology is driving?
- 4 With so much evidence supporting that the key to increased market share and business success lies in the customer experience, is your company and its leadership team prioritizing focus and investment in this critical area?

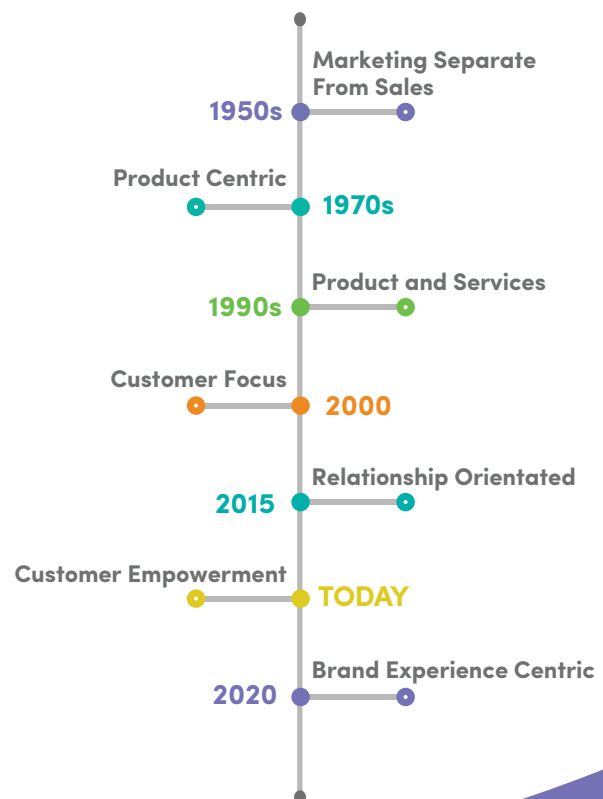
The companies previously mentioned saw what the customers saw: a void in the marketplace. When corporate leaders looked with the eyes of a customer, they created products and services that people wanted. These firms are all now achieving success through a focus on customer orientation and customer empowerment.

CUSTOMER EMPOWERMENT – WHY THERE IS SO MUCH DISRUPTION IN BUSINESS TODAY

Everyone seems to agree with the old adages that, "the customer always comes first," and, "the customer is always right," but how many organizations take those messages to heart and make the customer experience their #1 priority?

Industry research estimates that companies lose \$62 billion each year due to poor customer service, and 89% of customers have indicated that they have already switched brands because of a bad customer experience. These statistics are just two of many that illustrate the criticality of a customer-centric approach in today's market.

As noted in an earlier White Paper titled [Next Generation Customer Experience](#), companies' approaches have continued to evolve over the last century. They are now less inwardly product-oriented and are focusing more on the customers' points of view.



Companies that are aligning with these changing trends have been successful in reshaping their markets and beating their competition. These companies have both understood and embraced the need to truly empower their customers as a strategy to increase market share. Empowerment can sometimes elicit the wrong interpretation or application, as it doesn't mean forcing your customers through self-checkout lines that only reduce your costs and provide little benefit to your customer. Positive empowerment puts the customers in control and provides them with choices of channels, customization, information, and tools that deliver transparency, value and efficiency when engaging with your brand. These are key tenets when developing trust.

CUSTOMER ORIENTATION – HOW SUCCESSFUL COMPANIES ARE DISRUPTING BUSINESS TODAY

How does a company instill a culture that delivers customer-empowering capabilities? It all starts with leadership setting the tone that all employees must consistently put themselves in their customers' shoes. Customer orientation must be the driving force behind marketing campaigns, sales programs, product development and service operations. Companies must research and understand what their customers are experiencing and consistently exceed their expectations. After all, recent statistics indicate that 86% of customers **will pay more** for a better experience.

There are many ways for companies to shape business strategy around the customer experience and empowered customers, but three key steps are vitally important to the journey. Everyone associated with the development and delivery of products and services must understand how their customers think, understand, feel and behave.



See Me: Customers expect customization and personal context. Companies must evolve from the broad stroke, Customer Persona definition to a targeted and personal approach using microtargeting. Companies must empower customers to engage on their own terms through their chosen channels.



Understand Me: Companies must leverage the far-reaching capabilities of Big Data and Analytics to interface with their customers in an efficient and personalized manner. They cannot waste the customer's time with messages, offers and services that are not applicable.



Guide Me: Machine Learning, IoT and Predictive Analytics allow companies to engage more proactively and intelligently. Being one step ahead of the customer's needs puts your company one step ahead of the competition while driving customer loyalty, and in many cases, increased revenue.

Throughout each of these three critical steps, companies are leveraging rapidly emerging advanced technologies, such as:

- CX / customer journey mapping tools and cross-functional reviews of micro and macro-interactions across channels and stages in the relationship provide both quantitative analysis and media-rich examples of actual interactions.
- Omni-channel communications platforms are seamlessly empowering customers to engage with companies on their terms.
- Artificial Intelligence (AI) – a 300% increase in investment in this area is expected in 2017; most consumers already expect proactive offers and predictive customization.
- Bot technology – Gartner [predicts](#) that by 2020, customers will manage 85% of their relationship with the enterprise without interacting with a human.
- Virtual Reality and Personal Assistant technologies are providing the customized and personalized experience remotely.

- Cultivating user communities to develop brand evangelists – Innovative firms are now leveraging their own customers to promote their brands. Tesla has cultivated a passionate base of customers who further promote their brand, and REI has developed a community of outdoors enthusiasts who have made their brand part of the fabric of their activities and events.

Companies everywhere are aware of these trends and techniques and are taking steps to protect and gain market share. In fact, 72 percent of businesses indicate that CX improvement is now their #1 priority, according to Forrester. While easier said than done, creating a culture and business focus on the customer experience can take many shapes, but it is an imperative to survive in today's rapidly evolving business environment. To fully embrace the customer experience and redefine the competitive playing field requires a complete commitment to the transformational opportunities that exist today in your own industry.

If your organization is ready to take the plunge and join the ranks of success stories we've featured in this white paper, Cimphoni is ready to help you make it happen.



Amazon CEO, Jeff Bezos leaves an unoccupied seat at his conference tables as a reminder to everyone of "the customer."

Dollar Shave Club

When the founder of Dollar Shave Club (DSC), Michael Dubin, ran across a family friend who had a surplus of razor blades, he started a subscription-based service from his apartment. Even though industry giant Gillette owned 72% of the market, DSC transformed the buying experience by taking it online...and within four short years, DSC owned 51% of the online market with Gillette retaining only 21%.

But DSC didn't stop there. They leveraged their understanding of the customer experience to shape their product and brand strategy. Moving beyond basic blades, they began to offer a full line of personal grooming products, and their sales and marketing strategies created market demand where it didn't exist before.

DSC cross-sold their existing blade consumer base with peripheral products and services. Many of these customers had never even heard of many of the products being promoted, but DSC effectively created awareness of gaps in their customers' lives and then made it easy and cost-effective to try these products. These same customers now have monthly subscriptions for a variety of products, in addition to their razor blades. Who would have predicted that one of their hottest sellers would be a men's alternative to toilet paper?

ABOUT THE AUTHOR

Ruben Moffett, Partner

Ruben leads Cimphoni's customer experience practice, combining extensive technology, operational and business expertise to help clients maximize and align technology with their strategic objectives. He has more than 20 years of experience in technology, product development, service delivery and operations functions in the business process outsourcing (BPO) industry. Ruben's specialties include customer experience, workforce optimization, business intelligence, software development, infrastructure, cloud solutions and professional and technical services management.

Some of Ruben's recent projects include leadership of Post-Merger Integrations in the Road Service, Insurance & Travel industries, as well as an Interim-CEO assignment for a technology provider in the rapidly growing Identity and Access Management market. Prior to joining Cimphoni, Ruben was COO of TantaComm, a leading workforce optimization solutions provider. He has a Bachelor's degree in history and sociology, and an MBA from the University of Iowa. Ruben spends his free time playing hockey and attending his children's soccer games, cross country and track meets and dance competitions.



About Cimphoni

Cimphoni is built on the premise that technology, when properly applied and led, can deliver practical solutions that transform businesses and improve the products and services we use every day. The Cimphoni team is comprised of highly experienced technology and business leaders with a thirst for innovation, an understanding of the value and application of new technology, a passion for solving problems and a hands-on approach to execution. Founded in 2012, we serve customers throughout the United States from our offices in suburban Milwaukee.

P.O. Box 80
Hartland, WI 53029
t: (888) 470-0448
e: info@cimphoni.com
www.cimphoni.com

Contact Cimphoni

If you would like to enhance your customer experience program, please contact us at (888) 470-0448 or info@cimphoni.com.