

Two Years' Warning:

The Customer Centricity Crisis

A brand new piece of research has revealed that three-quarters of business leaders believe their company won't survive beyond the next two years unless they put more focus on customers.

Yet, astonishingly, nearly half have got 'more important business issues to focus on.'

This paper reveals the mindsets that exist around customer centricity in the world's largest organisations, and the disconnect in attitude and beliefs between leaders and employees.

It shows that leaders are paralysed by the changes required, and are failing to create companies fit for today's increasingly demanding customers.



About this research

Two Years' Warning is based on independent, detailed interviews with 171 CEOs, C-suite members, functional heads and managing directors in 150 companies in the top 500 of the Forbes 2000, and responses from 400 of their staff.

Interviews focused on organisations operating in the following sectors: Financial Services; Retail, Leisure & Hospitality; Utilities; IT & Business Services; and Healthcare.

Contents

Foreword	2
The Customer Centricity Crisis Why leaders need to take real action, now	4
Involve and empower Why involving employees is key	8
'Computer says no' The hard and soft barriers to a customer-centric culture	12
Change. Today Practical solutions to quickly embed customer centricity	16
Sector spotlight A closer look at Financial Services; Retail, Leisure & Hospitality; Utilities; IT & Business Services; and Healthcare	20
HR highlights What's holding back the vital role of the HR function?	23
Conclusion	24

Foreword

My mother's local grocer used to offer her a great personal experience. He knew all of his customers by name; he knew their usual order, and whether they liked their fruit fresh or tinned.

Then companies went mass market, and for a while the benefits for consumers outweighed the disadvantages: we had more choice and lower prices. But when I walk into Aldi this afternoon, I will have no relationship with the person who runs the company – or even the individual who manages the store.

The bigger a company becomes, the greater the distance between its heart and its customers. System-driven businesses service millions of customers, so we become a number and things start to get impersonal.

But businesses that don't put customers at their centre risk losing the trust and loyalty that they have worked hard to build.

Once this trust is lost it can be very difficult, if at all possible, to rebuild it. Just think of VW's recent troubles, or those in the banking and utilities industries.

So how do leading organisations square that dichotomy, of being both large and personal? How do they balance the economic drivers of profitability and their sense of purpose, in terms of servicing the customers and responding to their needs?

In a world where customers make or break organisations, these are timely questions.

Consumers and other stakeholders are in a position of much greater influence to judge and respond to the level of customer experience they receive. Indeed, brands that used to be managed by the marketing department are now controlled by the consumer: rather than a series of ads offering a single, clear message, a million reflections of a brand experience can be found at our fingertips on Google or through TripAdvisor.

The bar that companies need to reach in terms of customer experience is continuing to rise. Organisations have to continually meet this 'new normal' in order to survive and thrive.

“ In this competitive and saturated marketplace, employees are the key differentiators that will drive competitive advantage.”

Meanwhile, disruptive start-ups are threatening established giants. In hugely overcrowded markets, if businesses fail to recognise the importance of customer centricity, more nimble competitors will simply come in and take over.

In this competitive and saturated marketplace, employees are the key differentiators that will drive competitive advantage.

Understanding and responding to this is the mantra of CEOs today – but the problem is that this message often hasn't made it to their employees. So we set out to speak to both C-suite members and their staff to understand what is preventing the world's biggest organisations from actually putting customers at the heart of the business.

Thank you to all the people who took part.

Our research reveals that senior leaders are fully aware of the importance of customer centricity to their future success, but don't always empower or trust their staff to be their agents of change – or know how to unlock their potential.

This report shows the stark situation leaders find themselves in, the barriers to embedding a customer-centric culture, and solutions to help effectively empower employees to make the difference. I hope you find it useful in your own customer centricity journey.



Marcus Hayes,
Co-founder and Director,
The Storytellers

“ The bigger a company becomes, the greater the distance between its heart and its customers.”

The Customer Centricity Crisis

There is no denying that the most exemplary experience boosts customer satisfaction, builds brand loyalty and reputation, attracts new customers, and has a high correlation with greater profitability. An overwhelming majority of senior business leaders maintain that improving the customer experience will not only lead to better returns (82%), but also improved reputation (88%) and loyalty (76%). Nearly all (88%) know that it is absolutely 'fundamental' to their future success.

According to the vast majority (86%), improving the customer experience will be the key industry battleground over the coming years. As a result, nine in ten (90%) are trying to drive a better experience for customers.

Not only that, change needs to happen quickly. Three-quarters (76%) of leaders acknowledge that if they do not focus on customers, their business will not survive beyond the next two years.

Yet surprisingly, almost half (43%) have 'more important business issues to focus on.' The same number (43%) admit decisions are often made which negatively impact customer experience. More than half (56%) are concerned that their company is 'complacent' about customers.

Even more worrying, as many as two-thirds (65%) of leaders believe that it will be up to the next C-suite to bring in genuine customer centricity.

Seven in ten (72%) realise their competitors are improving the experience they offer. Almost all (86%) think that they still need to do far more to put customers at the heart of their organisation.

What did senior business leaders tell us?

82%

maintain that improving customer experience levels



Better returns



88%

think that improving customer experience levels



Improved brand reputation



76%

believe that improving customer experience levels



Loyalty



88%

assert that improving customer experience levels



Fundamental to their future success



66%

maintain that improving customer experience levels



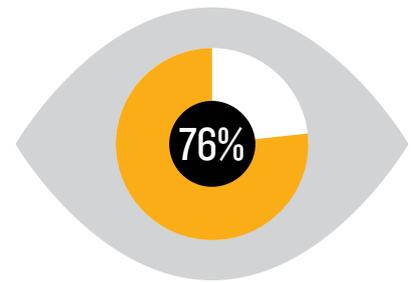
Greatly increased profit



Add to this the fact that a slip-up can damage a business's reputation overnight (according to 81% of leaders) and not making changes will quickly have disastrous results. As customer power increases in every industry, a significant proportion of leaders (85%) think that it has never been more true that 'The Customer is King.'

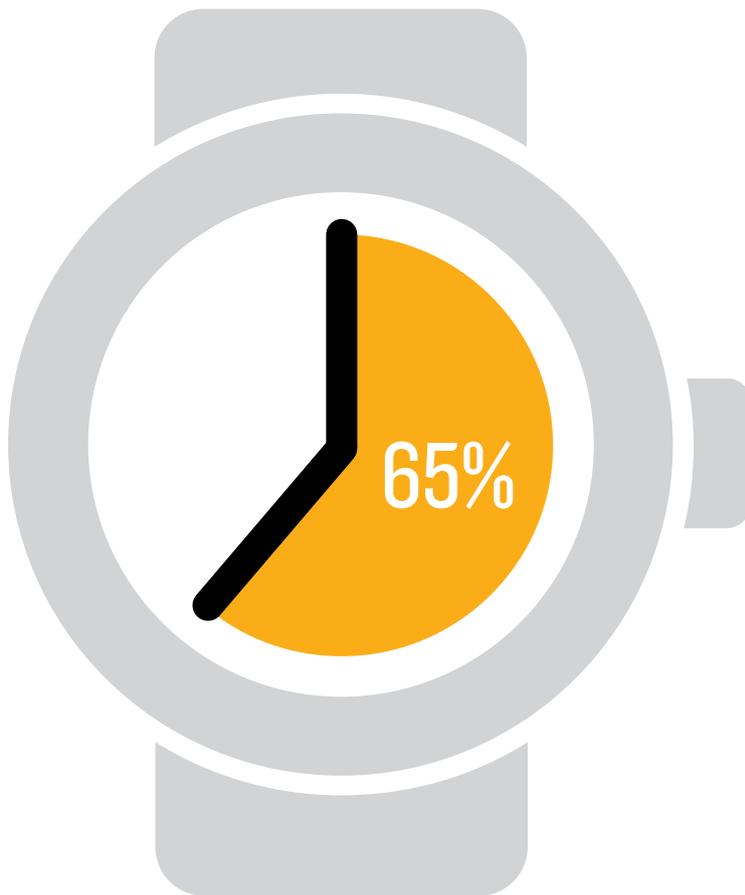
Leaders know that customers are the key to their future success and that they need to deliver a consistent, personal experience or lose out. They are saying all the right things, but here is the rub: they are too distracted by other priorities, such as shareholders and quarterly reporting, to really focus on making changes that put customers at the heart of their company.

This is the Customer Centricity Crisis. The countdown is on, but paralysis prevails.



“ Change needs to happen quickly. Three-quarters (76%) of leaders acknowledge that if they do not focus on customers, their business will not survive beyond the next two years.”

“ Yet surprisingly, almost half (43%) have ‘more important business issues to focus on.’”



65% of leaders believe that it will be up to the next C-suite to bring in genuine customer centricity.

Time is ticking.

Involve and empower

Leaders are clear that they need to focus on the customer, but do not realise the vital role employees must play in this. Half (54%) of boards claim customers are their biggest topic of conversation, but only a tiny proportion (3%) spend their valuable time discussing employees – and these are the very people who will ultimately power great experiences.

As many as a third (33%) of leaders admit that they do not trust their teams to do the right thing by customers. Four in five (81%) employees know they should treat their customers as family members, but fewer than half (43%) of leaders trust them to do so.

Senior leaders should believe in their employees: they know as much, or more, about the wants and needs of customers.

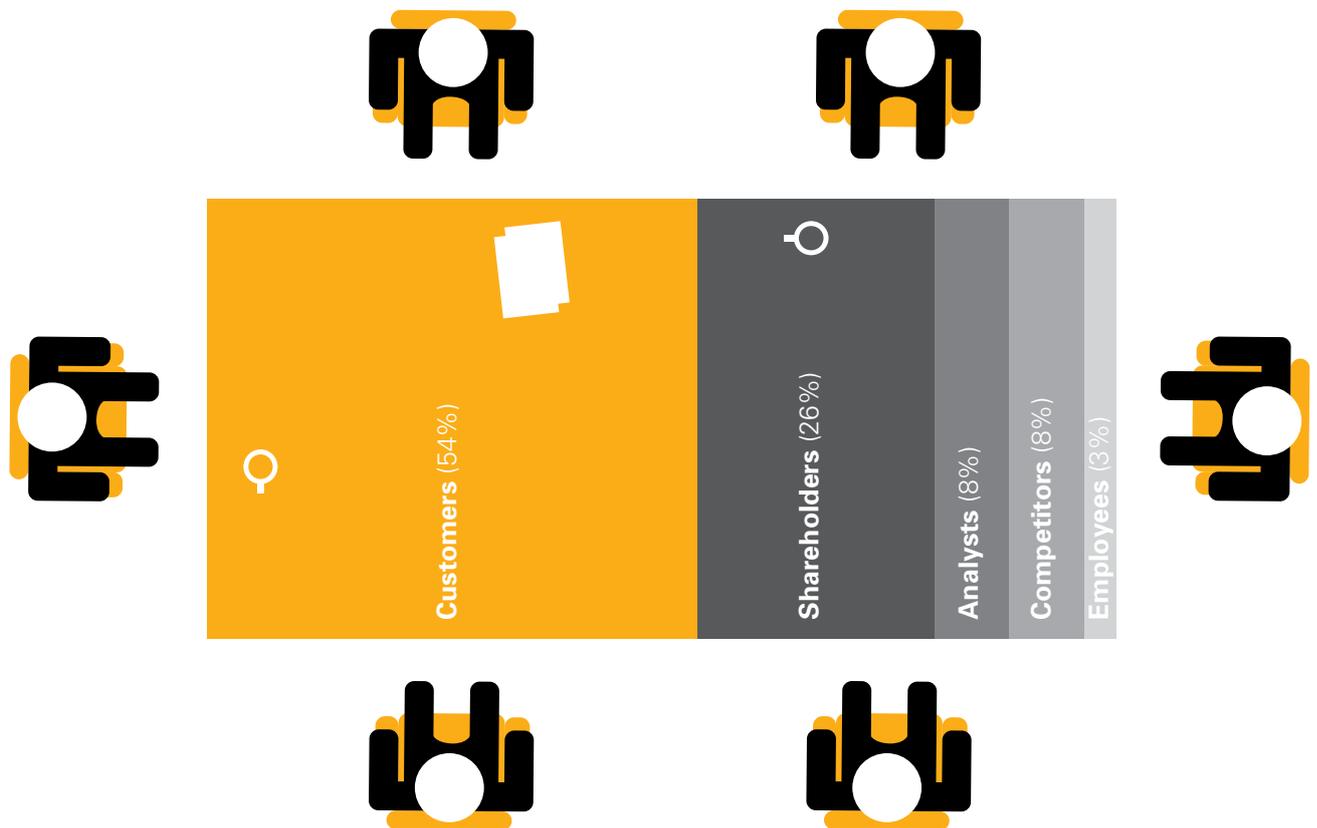
Our research shows employees are passionate about offering a great experience, and more likely to be engaged and motivated if attracting and retaining customers is their number one business priority.

Employees are also more likely than leaders to understand that everybody in their organisation has to be responsible for the customer experience. Meanwhile, the senior leaders we spoke to mistakenly pinpoint the CEO as having sole responsibility, showing their lack of understanding of the nature of a truly customer-centric culture.

People at the sharp end clearly know what's going on. Leaders should tap into their knowledge and experience to solve complex issues and provide solutions. However, senior managers (86%) are far more likely to be asked to share their insights than their junior colleagues (56%) who are often dealing with customers every day.

By asking for such input and then using these insights, leaders will create a workforce that is much more likely to embrace change.

Which stakeholder group is the biggest topic of conversation for boards?



Many employees are not being involved in decision-making, or enabled to put customers at the core of their work.

Fewer than half (43%) are confident they wouldn't be reprimanded if they contradicted policy to make a decision in a customer's interest.

In addition, junior employees are less likely than senior managers to believe they will be recognised for delivering customer experiences beyond business as usual (57% vs. 80%).

If employees feel ownership and understand the journey they are on, success follows. However, the right messages are not getting to the frontline: just 68% of junior employees report knowing the company journey they are on, compared to 86% of leaders. To unlock their full potential, employees need to know what the future holds for the business and them. Then they must be empowered by their leaders to work towards this customer-centric ambition.

Without this journey in place, when leaders talk about customer experiences, their words do not ring true. Trust in leadership is lowest amongst those on the frontline, with just 66% of junior employees trusting their leaders compared to 94% of senior managers who put their faith in those at the top. Similarly, just 68% of customer-facing staff think their leaders are authentic, despite 83% of leaders claiming to be.

Those at the top can talk about customers all they want, but employees won't change their behaviour if leaders do not trust and inspire them, allow them to have a voice and take ownership of change and improvement. Employees will feel more engaged if they feel valued and connected – able to contribute and make a difference. And engaged employees result in improved customer satisfaction.

A valuable resource – a passionate, knowledgeable workforce – is being wasted, and in a multitude of ways.

“ If employees feel ownership and understand the journey they are on, success follows.”

“ Half (54%) of boards claim customers are their biggest topic of conversation, but only a tiny proportion (3%) spend their valuable time discussing employees – and these are the very people who will ultimately power great experiences.”

“ Many employees are not being involved in decision-making, or enabled to put customers at the core of their work.”

'Computer says no'

With time running out, there are a range of barriers preventing the world's leading companies from delivering the customer experience levels for which leaders and employees so clearly strive.

Processes

Introducing procedures is about mitigating risk but it also limits feelings of personal responsibility. As it stands, half (51%) of employees believe their ability to give excellent experiences is stunted by 'one-size-fits-all' processes. A similar proportion (45%) feel checklists inhibit their ability to use their own discretion. The problem is that almost all leaders (84%) believe such checklists are vital to ensuring work is completed to a high standard.

This is clearly having an effect: half (50%) of consumers are often frustrated by individuals following unnecessary company procedures. Two in five (41%) customers vent their frustrations with companies using social media. Damage is being done, now.

Structures

It is no surprise that structures are a major issue. Our research takes into account the views of people working for the world's leading companies, and such multinationals are often guilty of building up layers of management and complex international structures over the years.

Matrixed structures can mean ownership is unclear and change feels impossible to push all the way through these complex layers.

Systems

Adding to outdated systems instead of creating bespoke programmes is a further sign that a business has expanded incrementally over time. What was once right for customers may no longer be the way forward.

In addition, in many companies (46%) systems have been designed by people who have never even met customers, meaning that their needs cannot truly be taken into account.

Significant barriers to meeting the needs of customers, according to leaders:



84%

of leaders still believe checklists are vital to ensuring work is completed to a high standard

BUT



45%

of employees feel checklists inhibit their ability to use their own discretion

Culture

There is no denying that culture drives performance: a century of research tells us so. Yet two in five (39%) leaders believe they have a cultural issue that prevents them from doing the right things for customers.

Ownership is a significant issue. Nobody is willing – or able – to pick up the gauntlet and take responsibility for creating a customer-centric organisation.

- Senior leaders blame the 'granite wall': middle managers (59% think middle managers are the biggest blockers to building a customer-centric culture).
- CEOs in particular blame other members of the C-suite (42% are worried that board members are not aligned) and other leaders (61% are concerned about leadership capability beyond the C-suite).
- Nearly half (44%) of employees feel 'powerless' to solve recurring customer issues because their managers don't want to make changes.

- The exception is middle managers who seem oblivious to concerns, consistently believing that their own company is doing an outstanding job with its customers at all levels: four-fifths (79%) believe that their leaders work to empower employees to make decisions based on customer need, and two-thirds (67%) already think their company offers a perfect customer experience.

The outcome? People from the top to the bottom are unable or unwilling to cause change, feeling restricted and frustrated by mixed messages, unnecessary bureaucracy and corporate inertia.

“ The bad news, as Roger Enrico, former Chairman and CEO of PepsiCo states, is that ‘the soft stuff is always harder than the hard stuff...’ ”

Hard and soft barriers

These poor structures and processes are often the consequence of a lack of true customer centricity: if organisations start by creating a culture where customers are valued, and caring for customers is seen as crucial, people will design processes with customers in mind. These seemingly 'hard' barriers to embedding customer centricity start with the 'soft' ones. The bad news, as Roger Enrico, former Chairman and CEO of PepsiCo states, is that 'the soft stuff is always harder than the hard stuff...'"

Three-quarters (72%) of leaders say they realise fundamental changes are needed to take into account customer needs, but talking the talk only gets them so far. What is vital is taking action and really doing things differently: walking the talk.

If leaders want to make real and lasting change they must re-examine everything, identifying both the hard and soft barriers they face to embedding a customer-centric culture. They must be prepared to do things differently and make bold decisions for the long term. Fail to do so, and customer loyalty will suffer.

59% of leaders blame middle managers

42% of CEOs are concerned about board alignment

44% of employees feel powerless

79% of middle managers think their business is doing an outstanding job with its customers

Change. Today

So how can leaders implement the necessary change – and do so quickly?

The narrative of customer centricity across many organisations is muddled and full of contradictions – not only between leaders and employees, but also between what leaders say and what they do.

This has a demonstrable effect on the mindset and behaviours of employees who are designing and executing the customer experience. Narratives are shaped by the stories that people tell each other and come from their personal observations and experiences, so it is vital they are consistent and positive across the whole business.

There are six key ways that business leaders can help ensure consistency of understanding, attitude and mindset across their organisation and so shape a customer-centric culture:

1. Craft a clear and emotionally compelling **business story** – one that puts the customer at the heart of the journey the business needs to go on to realise its purpose and vision, and one that positions employees as co-beneficiaries of success.

The business story needs to be defined and articulated, to be written down and told. This makes it explicit and ensures that 'focusing on the customer' has a consistent interpretation across the organisation.

2. Ensure **leaders** are championing this journey, inspiring others to follow them, role modelling the behaviour change required for its success and working together to remove any barriers.

What leaders think, say and do creates a story in every organisation – and that story influences how employees act and behave. Aligned and visibly united executive teams are critical for successful change.

3. Identify and share **emotionally moving stories** from customers that illustrate the real consequences of the business's actions, as a means of challenging and changing mindsets.

Stories can have a profound effect on the mindsets and behaviours of employees. Many people don't link what they do directly to customers and so there can be conflicts in behaviour. Real stories told in a compelling way can help employees to envisage the consequences of their actions.

4. Inspire and empower **employees** to act. In doing so, they will create their own stories of what it means to put the customer first: of what 'good' looks like. Turn this into a language that everyone can understand, and tell memorable stories about the experiences of colleagues that engage on an emotional level.

Identifying role models and sharing their stories within an organisation can inspire others to act. Then they become the heroes – not victims – of the business story, each understanding their own role.

People will only engage if they see their role and a framework within which to do so. Leaders need to involve employees in establishing new ways of working, focusing on key aspects such as service, innovation and efficiency.

“ What leaders think, say and do creates a story in every organisation – and that story influences how employees act and behave.”

5. Plan for, create and celebrate **belief-building** success stories that demonstrate how customer-centric behaviours are driving the business forward. Show that genuine changes are taking place and the effect that this is having.

This will recognise, reinforce and ritualise people's own service excellence stories. These success stories demonstrate that positive change brings benefits, not only to the individual but to the wider organisation.

6. Listen to the stories of what's stopping people being customer-centric and share responses that will help to remove the **obstacles**. Adapt or build the skills, structures and systems to empower them.

Often in businesses their systemic nature means that processes become obstacles to providing what customers want: 'computer says no.' By effectively building a bank of these stories, every organisation can see results in a very short space of time.

**Engage middle
management**

**Share stories of
service excellence**

Leaders as authentic role models

**Belief-building
success stories**

**Emotionally compelling
business story**

**Share stories of
'what good looks like'**

Inspire and empower employees

Aligned executive team

**Unite people behind
a common purpose**

Sector spotlight

Financial Services: Behind the times

Financial Services organisations are clearly committed to becoming customer-centric: as many as 93% of people working in this sector are trying to drive a better experience for their customers. 86% say they are going even further and working towards putting customers at the heart of everything they do.

However, the sector is facing a number of internal barriers in achieving this goal, including its international footprint (52%), structure (48%) and internal communication (47%). Two in five (39%) claim that their leadership is a significant barrier to meeting the needs of customers.

The intentions are there, but leaders need to do more to empower their workforce, leading by example, communicating openly and emotionally and removing barriers to help employees deliver the service that they know is needed today.

Retail, Leisure and Hospitality: On the right track

People working in retail, leisure and hospitality businesses are most aware of the benefits of improving the customer experience, with three-quarters (75%) understanding that it will improve their brand reputation and seven in ten (70%) believing it will increase all-important loyalty.

But while these sectors excel in some areas, businesses also face a number of hurdles in meeting the needs of their customers including internal communications (54%), systems (54%) and structure (50%).

It would be easy to assume people working in retail, leisure and hospitality are incredibly close to their customers. But even here, much more needs to be done to become truly customer-centric. Vivaly, leaders must ensure that employees are getting the messages and tools that they need to improve the customer experience, and make real, tangible changes to the way that they do things.

Utilities: Time to wake up

Utilities companies often get a bad rap when it comes to looking after their customers, so it's a surprise to see that this is the sector taking the least action to correct these issues.

People working in utilities are the least likely to be trying to drive a better experience for customers (79% compared to an average of 88%), as well as least likely to name customers as their top priority (64% compared to 70%).

Almost two-thirds (63%) believe they already offer a 'perfect' experience, suggesting a level of complacency about their current performance.

But there is hope: they are acutely aware that a customer service slip-up could damage their reputation overnight (85%) and that it has never been more true that 'The Customer is King' (78%).

It's time to make changes to reflect this moving landscape and address the often deep-seated cultural issues that have led to utilities firms becoming distracted from the people who will ensure their success – their customers.

Financial Services

Retail, Leisure and Hospitality

Utilities

IT & Business Services

Healthcare

IT & Business Services: All in good time

At first glance, IT & Business Services appear to be highly-focused on doing what's right by their customers. These businesses are the most likely to believe that 'The Customer is King' (85%) and are working to embrace this change with a huge proportion (92%) trying to drive a better experience for customers.

But it's not all rosy: IT & Business Services face a number of crucial barriers to meeting the needs of customers including structure (46%), processes (42%) and internal communication (37%).

Leaders in this area need to address these concerns to ensure that their employees are able to reach their full potential.

Healthcare: Ticking time bomb

Healthcare is one of the worst performing sectors when it comes to customer centricity.

A shocking half (48%) of people working in healthcare think they have more important business issues to focus on than customers – higher than in any other sector. Three in five (61%) believe that their organisation is worryingly 'complacent' about customers – again this is more than in any other sector.

But why is this? Nearly half (45%) name leadership as a significant barrier to meeting the needs of customers and half (48%) place the blame on systems.

Healthcare leaders need to take action swiftly, for there is no denying that customers must be at the centre of everything in this sector.

HR highlights

What's holding back the vital HR function?

As this report has discussed, leaders must act now to empower their staff, because it's their employees who are at the coalface in creating the customer experience and building relationships. The HR department then, clearly has a vital role to play in creating a much-needed customer-centric culture – hiring, training and retaining the people with the right motives and attitude.

The good news is that most HR professionals realise creating this culture is essential. Nearly all (86%) believe more needs to be done to put customers at the heart of their organisation. Nine in ten (92%) think the customer experience is the only way to differentiate from competitors.

It would be easy to assume, therefore, that they are champing at the bit to make change happen. In reality, three-quarters (76%) consider their organisation to be 'complacent' about customers – well above the average (50%).

And, even more concerning, this is leading them to focus their attention elsewhere too: we found that three in five (58%) people in the HR function believe they have 'more important' issues to focus on than customers – higher than in Finance (53%), Sales and Marketing (38%) or Operations (32%).

Everyone, in every function, has a role to play. HR can be instrumental in helping leaders to initiate these vital conversations with their teams, to identify each individual's contribution.

What often sets HR professionals apart from their peers is that they instinctively understand people and the importance of personal relationships. In our experience, those who harness this, champion customer centricity and take steps to embed it throughout their organisation, are the ones who succeed and are valued for their strategic direction.

Conclusion

Customer behaviours have changed irrevocably, and businesses are failing to keep up. This is a critical juncture and there are just two options: adapt or face imminent extinction. The clock is ticking. Every day of complacency is a day closer to disruption by a competitor agile enough to ensure customers receive the experiences they demand.

Organisations cannot become customer-centric by merely paying lip service to it. Everyone from the leadership team downwards needs to play their part. But invariably it is employees who must deliver the levels of experience that are expected today. Their actions and behaviour help build trust and loyalty: without their engagement, productivity and performance suffer. If businesses cannot transform themselves, this will only become more pronounced over the coming years.

If you are a leader reading this, take note: there is no doubt that customer centricity is today's key battleground.

It's time to address the dangerous disconnect that exists between those at the top and those on the frontline. It's time to put up your dukes and make fundamental change happen. The good news is that however large your organisation, it doesn't necessarily require laborious process and system re-engineering, or long-term, complex culture-change programmes before you can start to see any change happening. There is so much you can do to make an immediate impact.

Let's have that conversation. Consider this your two years' warning.



Alison Esse,
Co-founder and Director,
The Storytellers

**Contact us to see how
we can help you.**

+44 20 7590 5440
alison.esse@thestorytellers.com

About The Storytellers

Founded in 2003, The Storytellers are world leaders in helping large organisations accelerate change and drive performance, using the power and influence of story and storytelling.

The Storytellers Ltd

5 Cromwell Place, London SW7 2JE
+44 020 7590 5454
makechange happen@thestorytellers.com

Follow us on Twitter **@storyacademy**

Check out our blog: **www.thestorytellers.com/blog**