

What Do You Do When Your Customers Are More Advanced Than You Are?

How to drive competitive advantage in a customer-centric world

Facing disruption, most companies are rushing to invest in technology to get closer to their customers. While this is an important first step, companies will also need to transform themselves by focusing on their customers from the inside out. This requires companies to invest in new talent, shift organizational structures and adapt their cultures.

Taking a step back, it is important to note that every company has customers, whether they are consumers, clients, patients, bankers or buyers. Across all industries, these customers are more in control of their decision-making because they have unlimited access to technology, enabling them to be steps ahead of the companies that serve them. Organizations must now find new ways to “activate” their customers in order to grow their business. To respond to this growing need, Russell Reynolds Associates is launching the Customer Activation & Growth Practice to help advise our clients to become more “customer centric” and stay ahead of these fast-moving, ever-changing market trends.

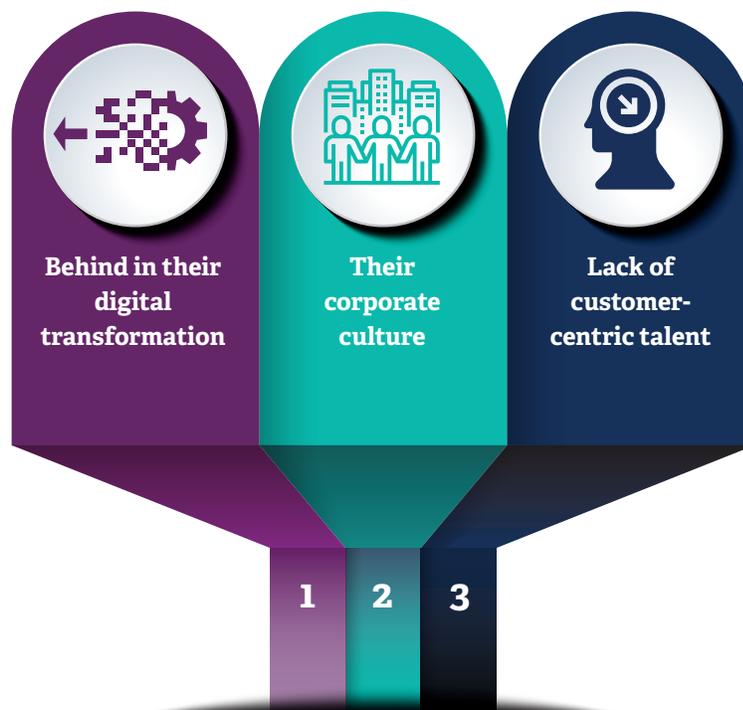
To learn more, Russell Reynolds Associates recently surveyed CEOs, board members, chief marketing officers and chief digital officers across industries about customer trends and challenges in their businesses.

Customer engagement has become a key corporate strategy, but it is still elusive for most organizations

Our research tells us that companies continue to struggle with customer understanding and new purchasing dynamics. Demographic shifts and drivers such as sustainability, the importance of health and wellness and a shifting global economy are all causing customers to adjust their behaviors.

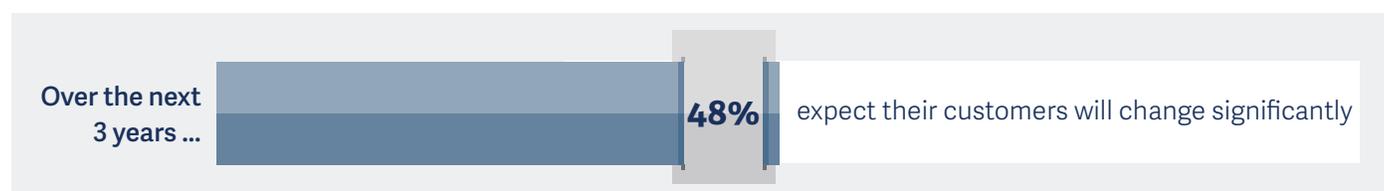
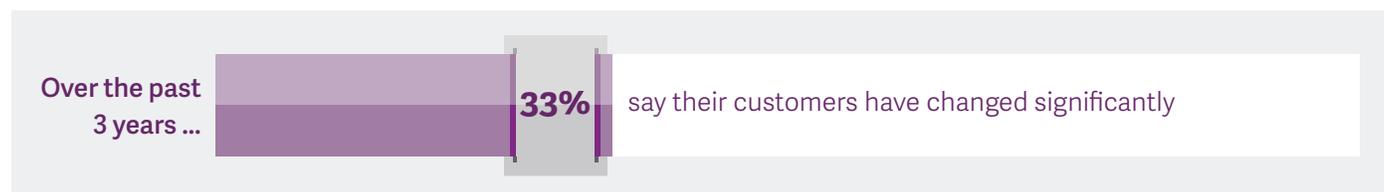
Seventy-five percent of leaders say their business has already been disrupted due to customer behavioral changes; only 14 percent say that they know their customers “very well”—this is true for both large and small companies alike.

EXECUTIVES SAY THAT THE TOP THREE REASONS FOR THIS LACK OF UNDERSTANDING ARE:



Customer fluidity is on the rise

Over the past three years, a third of respondents say that their customers have changed significantly—becoming more diverse, less loyal and more price sensitive. Additionally, almost half (48 percent) of respondents expect their customers will change significantly—over the next three years. In fact, 43 percent of all senior executives believe that their current customers are not the customers they will need to stay competitive.

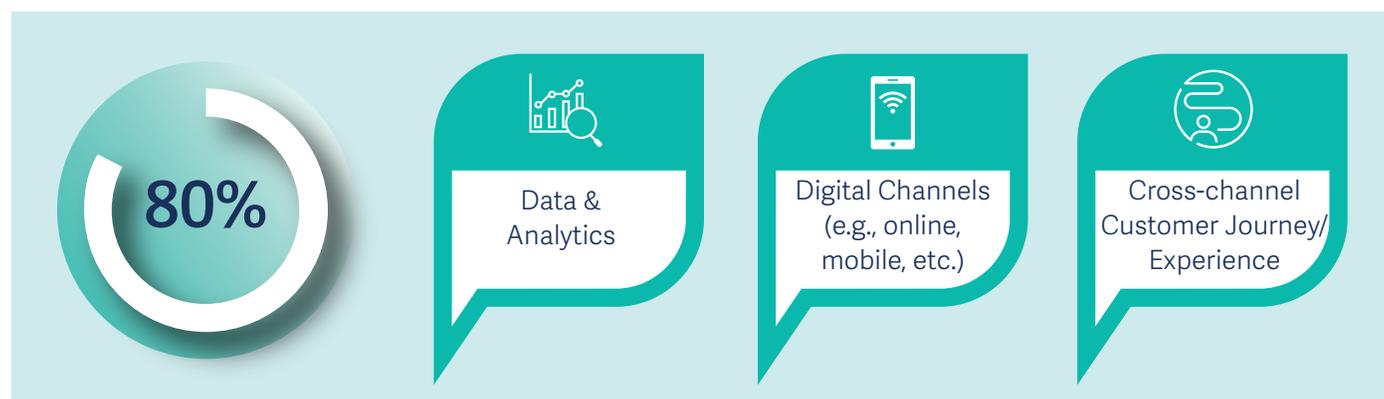


As customers have become more fluid than ever, businesses need to be able to respond or face being left behind. Nimble, smaller businesses have unsurprisingly been more successful than larger corporations at reacting or being proactive to change. This is largely due to the lack of flexible talent at large organizations.

Companies plan to “double down” on data, digital and customer experience investments

As a response, most companies plan to dramatically increase customer-related investments over the next three years. Having historically invested in technology to tackle disruption, companies are realizing that, by itself, technology investment is not enough. Four out of five respondents to our survey expect their company will increase its customer-related investments somewhat or significantly over the next three years as compared to the past three years.

COMPANIES ARE FOCUSING INVESTMENTS IN THREE AREAS:



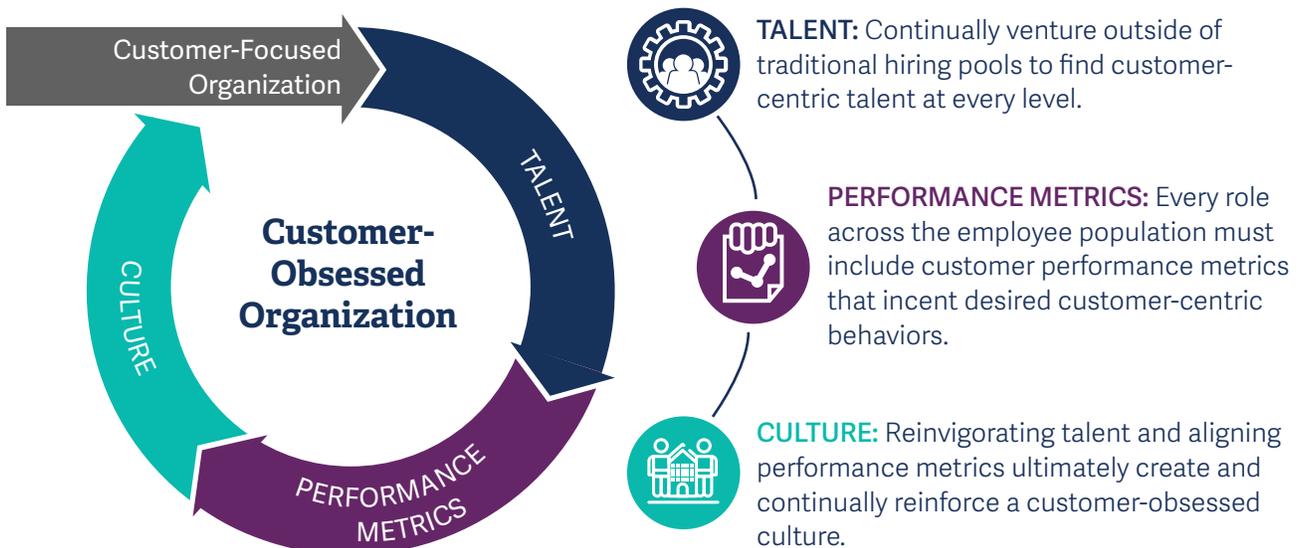
Yet culture remains one of the most significant barriers

Despite visible CEO sponsorship for customer-centricity and increased financial investments, corporate cultures are taking considerably longer to shift. Senior executives from both large and small companies report that their CEO strongly emphasizes putting the customer at the center of all decision-making. However decision-making roles, rights and processes may not be aligned to this strategy and may ultimately continue to impede accuracy, speed and the desired business results. Smaller companies tend to have more entrepreneurial and agile cultures, which is a key reason why many are successful today. No business is immune to modern customer dynamics and all must take measures to stay ahead of the curve.



Companies are looking to external talent and redefining performance metrics to create a customer-centric culture

The customer must be embedded throughout every aspect of an organization for the culture to become truly customer centric. To do this, companies not only need to hire customer-centric talent across the C-suite, but also enable customer-focused behavior through performance metrics and ultimately shift the culture to enforce a relentless focus on the customer.



Where is your company on its customer activation journey?

Russell Reynolds Associates has found that companies are at different points on the customer activation journey, from stuck in a transactional mindset through to being customer centric at the core. Based on the situation a company is in, leaders need to take different actions to enhance their customer engagement.

Transactional Mindset: The company is detached from its end customer, doesn't believe it needs to change and is focused on transactional relationships with its business customers.

Organizational Resistance: The company is aware of the need to focus on the customer, but leaders are unsure of why and how.

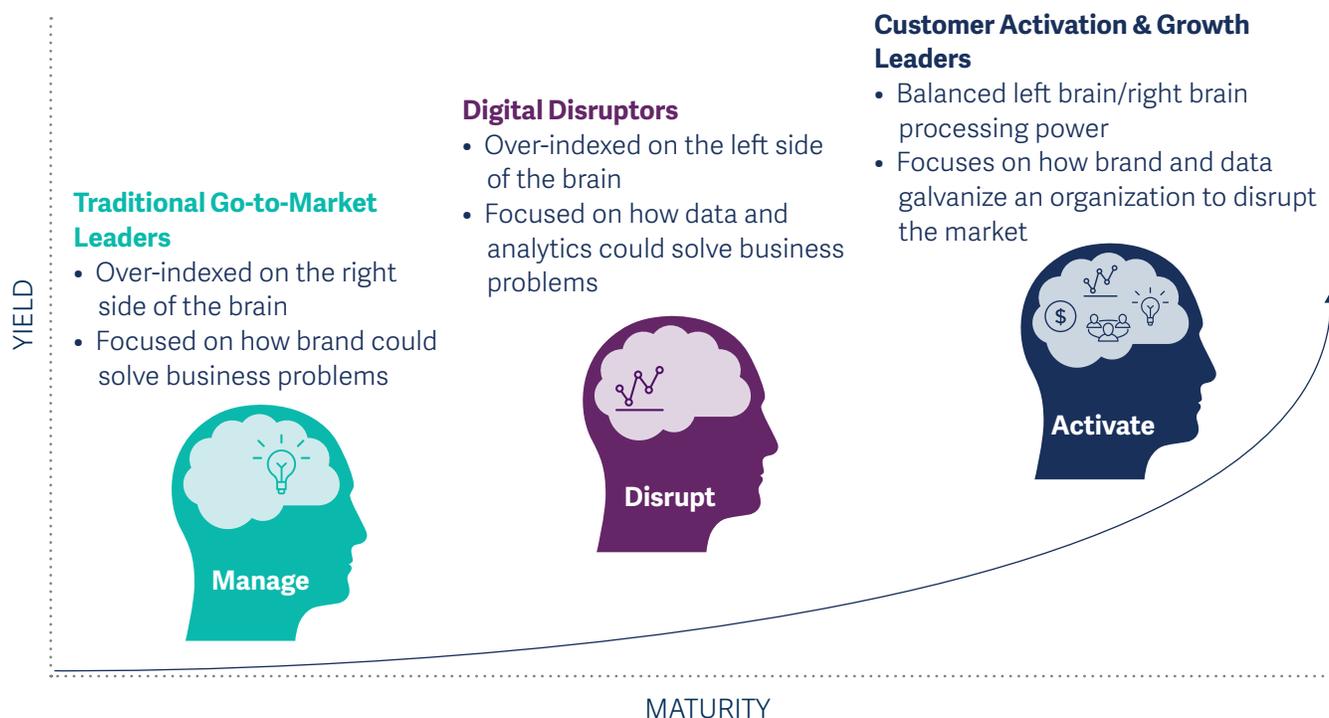
Organizational Restructuring: The company wants to change and focus on the customer; however, new talent would be unlikely to thrive due to cultural and structural barriers.

Customer Focus: There is no debate about what to do or where to focus; the C-suite is bought in and is ready to develop a customer-focused strategy.

Customer Centric: Built as a customer-centric company, the company is scaling quickly but currently lacks the right talent to enable optimal growth.

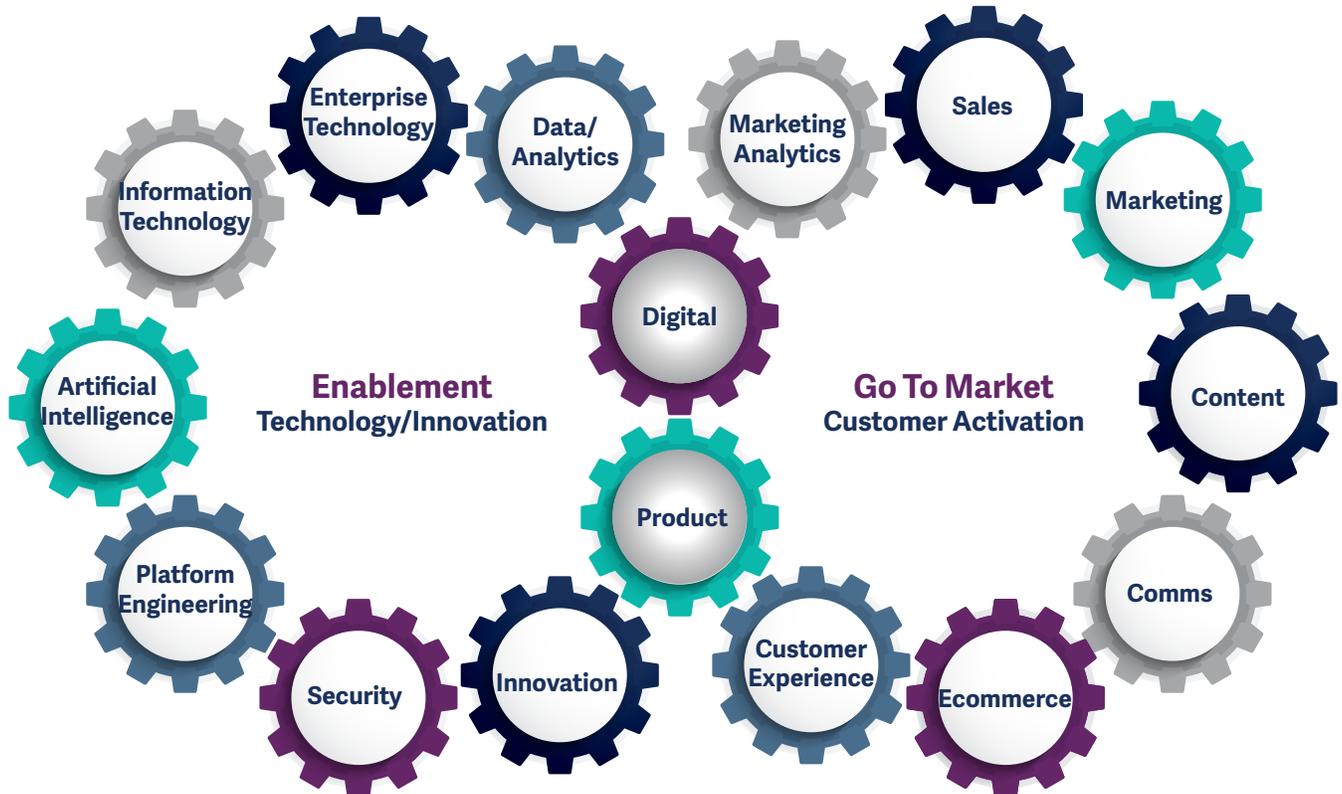
Identifying customer-centric leaders

Customer-centric leaders are not disruptors for disruption's sake. They know how their mandate fits into the company's growth agenda. Their purpose is not to disrupt an organization; it is to: (1) help fight disruption in the market; and (2) gain alignment internally to enable the company to be more disruptive externally.



When hiring customer-centric leaders, companies must consider not only their current needs state, but also their future needs state. While a business issue, such as digital disruption, may be front and center today, organizations need to understand that their businesses are continually evolving and need to remain customer centric in the face of change.

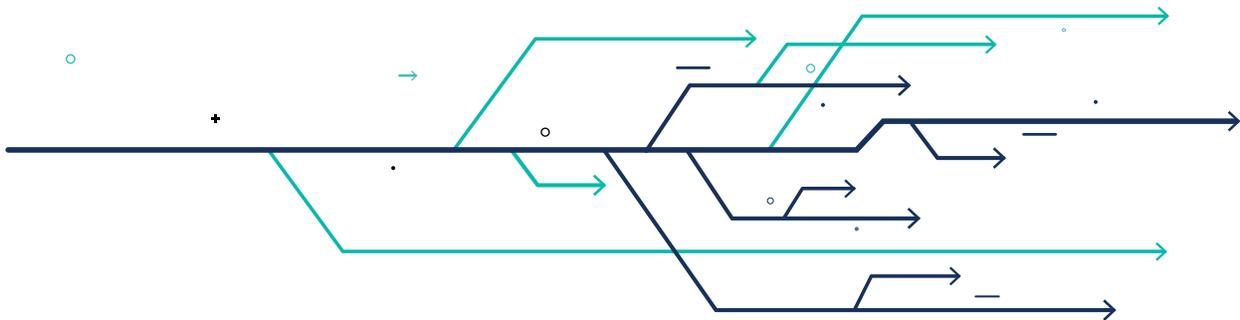
Linking back-end-enablement and go-to-market functions is essential for success



For organizations to effectively activate their customers, technology enablement and go-to-market strategy must work hand in hand. This means building front-end capabilities with back-end intelligence and successfully working in unison across functions.

How are you driving competitive advantage in a customer-centric world?

It is imperative that leaders in every company, regardless of industry, take a closer look at their organization to ensure that they are prepared to handle the shift to a customer-driven world. Not only is it necessary to reassess go-to-market strategy, such as new business models, new go-to-market capabilities and new technology platforms, but every leader also needs to think about whether he or she has the right organizational structure, talent and culture to make this critical shift.



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Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led. www.russellreynolds.com.



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