

The rise of the customer-led economy

An Economist Intelligence Unit research programme sponsored by salesforce.com

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The rise of the customer-led economy is an Economist Intelligence Unit report, sponsored by salesforce.com.

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The paper draws on two main sources for its research and findings:

- A global survey—conducted in June 2013—of 1,300 executives. The respondents are based in Europe (35%), North America (30%) and Asia-Pacific (24%); the remainder are from the Middle East and Africa and Latin America. A total of 90 countries are represented. C-level executives represent 61% of the total number of respondents, who hail from 19 different industries.
- A series of in-depth interviews with senior executives from major companies and other experts listed below.

Mike Walters, Head of UK Corporate Payments, Barclays

Rob Hawthorn, Managing Director, Client Service, Barclays

Eric Bosco, CEO, ChoiceStream

Bill Guild, Vice-president, Marketing, ChoiceStream

William Johnson,
CEO, Citi Retail Services

Ronan Beirne, Global Marketing Innovation
Director, Entertainment and Data, Diageo

Jennifer Sey, Chief Marketing Officer, Levi's brand

Eran Liron, Executive Vice-president, Marketing
and Corporate Development, NICE Systems

Roderick Morris, Chief Marketing Officer, Opower

Sean Carney, Chief Design Officer, Philips

Laurent Faracci, Chief Marketing Officer, US,
Reckitt Benckiser

Marco Bill-Peter, Vice-president of Global Support
Services, Red Hat

Mark Rodrigues, Managing Director, Specialist
Customer Sales for the Financial & Risk Business,
Thomson Reuters

Chris Babel, CEO, TRUSTe

Ben Galbraith, Vice-president of Global Products,
Wal-Mart Global eCommerce

We would like to thank all interviewees and survey
respondents for their time and insight.

The report was written by Neil Baker and edited
by Gilda Stahl.



“To satisfy the customer is the mission and purpose of every business.” Management guru Peter Drucker’s words are as true today as they were in 1973, when he first published *Management: Tasks, Responsibilities and Practices*.

But for decades the gap between big companies and the customers who bought their products and services has grown only wider. The customer might be king, but his crown slipped.

Now, technologies and practices are emerging that give firms an opportunity to rebuild an intimate sense of connection with customers—to know them as though they were running a corner store.

Yet those same technologies—social media, cloud computing and the “Internet of things”—have empowered customers, too. They can share their brand disappointments and their stories of service that is subpar with consummate ease. Likewise, they are able and willing to tell their friends and family about companies that have made them go “wow.”

This is the customer-led economy, an emerging world of bewildering strategic options. To understand how companies are adapting, The Economist Intelligence Unit (EIU), sponsored by salesforce.com, conducted a global survey of business executives and interviewed leading firms.

Our findings show that:

- **A large majority of companies are fundamentally rethinking their strategies for engaging individual customers.** These changes have been largely driven from the top, with the CEO commonly taking personal responsibility for redefining how the company connects with customers and how it empowers employees and partners to improve the customer experience.
- **Emerging technologies are the principal enablers of this new customer-centric thinking,** as companies strive to follow their customers as they migrate across channels. Mobile and cloud-based applications are leading this trend, along with more intensive use of social media tools and connected products.
- **The benefit of connecting customers, employees, partners and products is ultimately customers who are more satisfied.** More than 80% of the executives surveyed in each of these categories said that improving those connections would enhance the customer experience. ■



The customer is king, again

The rules of engagement have changed

“The deepest connections are those that connect the consumer to product. People experience our brand through our product—through wearing it, having life experiences in it.”

Jennifer Sey,
Chief Marketing Officer,
Levi's brand

The balance of information between businesses and their customers has shifted radically. From buying decisions to service, the customer is now in the driver's seat. Companies across industries—from retail to consumer goods to utilities to financial services—are working out how this seismic change affects them and how they can possibly respond.

In our survey, nearly 89% of top performers say they have responded to these emerging market conditions by adopting new strategies for enhancing the customer experience, compared with 71% of other respondents. The biggest motivator is their desire to increase customer loyalty (27%), with competitive pressure a close second (24%).

Customers in the spotlight

Companies must find new ways to give their customers a better experience. High-performing businesses* know this and are more likely than other firms to have adopted a customer-centric strategy. According to our survey, 89% of them have responded to market conditions by trying to enhance the customer experience, compared with 71% of the rest. ■

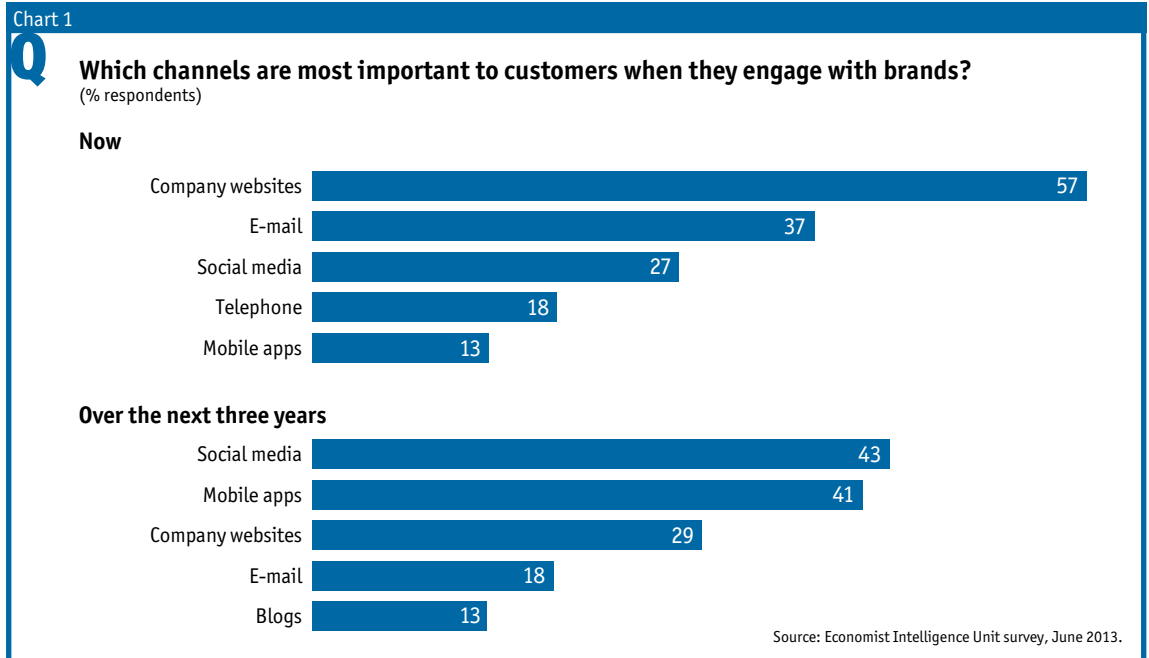
* Survey respondents were asked to self-assess their organisation on several indicators of corporate performance, including responsiveness to changing customer demands. This is a key indicator of success in adapting to the new customer-led economy. About one in five respondents rate their firm as “well above average” relative to its peers (hereafter “top performers”).

Into the unknown

This is largely uncharted territory. “These changes in the world around us will completely transform the business and consumer landscape over the next decade,” says Ronan Beirne, global marketing innovation director, entertainment and data, at beverage company Diageo. “As technological change accelerates and adoption rates soar, the true power of technology to disrupt the status quo, power growth and transform economies is just coming into shape.”

The ways people communicate, socialise and relate to companies and brands are changing forever. “Consumers are behaving differently and we must too,” says Mr Beirne. “We still need great products that offer real benefits to people that touch them at both a rational and emotional level. But today we need to boldly take advantage of the inflections in technology, media and entertainment to enable a deeper engagement with consumers.”

Companies need to look at all the ways customers can engage with them—new and old—says Jennifer Sey, chief marketing officer for Levi's, a clothing brand. “The deepest connections are those that connect the consumer to product,” she says. “People experience our brand through our product—through wearing it, having life experiences in it. So it is critical to look at all the brand touch points as a means to drive that connection—including retail stores, e-commerce



and wholesale shop-in-shops. If these touch points are ignored, we wouldn't be optimising the equity and demand-driving opportunities."

Venturing into this fast-moving, customer-led world can be invigorating. In February 2012 Barclays, a London-based global bank, launched Pingit, Europe's first mobile payment app. When Mike Walters, head of UK corporate payments, first put together a proposal for a business version of Pingit, he was asked for a five-year plan. That's just not possible, he replied.

"The rate of change in mobile app technology is so fast that the best thing for us is to be aware of our customer trends, and then be fast to execute. That is more important for us than knowing what the functionality of an app might look like in three years' time," says Mr Walters.

Within 18 months of the Pingit launch, Barclays released 13 upgraded versions, tweaking the customer experience based on feedback collected via the app itself. Rob Hawthorn, managing director, client service, at Barclays Corporate Banking, says, "I have been working for the bank for 33 years, and I have never seen anything move as quickly as Pingit—not just from the deployment of technology perspective, but from the client behavioural change perspective, too."

Customers expect better

Most companies know that they need to radically change the way they communicate with customers. Our survey found the route they mainly rely on today is their website (51%), followed by e-mail (40%). Only 23% use social media and 10% use mobile apps. Customers might have embraced social media and mobile apps, but many of the companies they interact with lag far behind (see Chart 1).

They are keen to catch up. Survey respondents told us that over the next three years social media would become their number-one channel, with twice the proportion of companies relying on it compared with today (43%). Across the same period, use of apps will quadruple to 41% (see sidebar, page 8).

Companies that cannot realign their channels to emerging customer preferences will suffer. For not only are customers better informed and better connected, they expect the companies with which they interact to be as plugged in to this new world as they are.

"Customers require their service providers to know them, to understand what they want and to be able to respond to that very quickly," says

“The rate of change in mobile app technology is so fast that the best thing for us is to be aware of our customer trends, and then be fast to execute.”

Mike Walters,
Head of UK Corporate
Payments, Barclays

“Today, we find that customers traverse channels often. They can be on the web one moment, then move to social media and then pick up the phone.”

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Eran Liron,
Executive Vice-president,
Marketing and Corporate
Development, NICE Systems

Eran Liron, executive vice-president, marketing and corporate development, at NICE Systems, a company that sells software for analysing customer interactions.

To make the challenge harder, customers are changing their channel choices. Five years ago they would usually stick with the channel that made them most comfortable, says Mr Liron. Those who liked to shop online would shop online, those who preferred the phone would use the phone. “Today, we find that customers traverse channels often.

They can be on the web one moment, then move to social media and then pick up the phone,” he says.

As they flip flop between channels, customers expect an experience that is “consistent and continuous,” says Mr Liron. Whether they are researching a purchase or seeking support, they don’t want to have to keep starting over.

Few organisations can deliver that kind of consistent experience. They don’t have a holistic view of the customer, and their channels are poorly connected. ■



Fight fire with fire

Connecting with customers

Technology has flipped the traditional relationship between company and customer. Businesses that cannot adjust to that new reality will struggle. But those same disruptive changes create exciting new possibilities for companies with the imagination to turn these technologies to their benefit.

“I’ve worked in marketing for over 20 years and it’s like my dream is coming true,” says Laurent Faracci, chief marketing officer, US, at Reckitt Benckiser, a consumer goods business. The combination of insights from data analysis and social media intimacy means that instead of using proxies to target marketing segments like “housewives aged 35-49,” Reckitt Benckiser is now thinking about how the brand fits into people’s lives so it can build one-to-one connections with each consumer, he says.

Connections and content

To build more intimate relationships with customers, companies need better ways to reach them, and knowledge about their interests and preferences. High-performers are investing heavily in both areas. Our survey found that 70% of them had invested in connective technologies and data analysis, compared with 54% of the remainder. ■

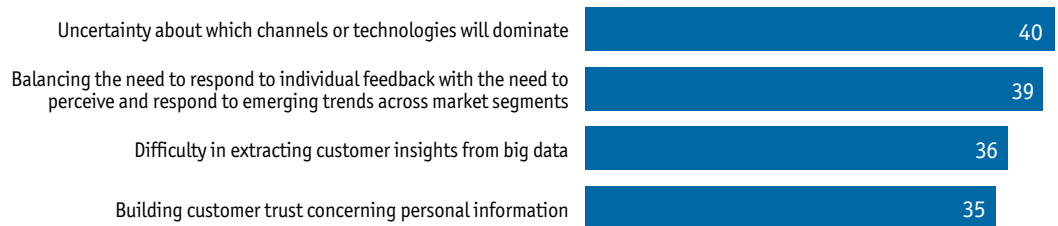
“Consumer goods marketing has always been about being customer-centric,” says Mr Faracci. “But when I look back at what we were doing, we were just using proxies, we were using clusters of people that would get us close enough to reality.

Chart 2



What are the biggest challenges for companies striving to rethink how they connect with customers?

(% respondents)



Source: Economist Intelligence Unit survey, June 2013.

“We need to be at the forefront of the new behavioural norms to be able to converse with consumers in a way that will be relevant to them in their digital world.”

”

Ronan Beirne,
Global Marketing Innovation
Director, Entertainment and
Data, Diageo

But we were not really talking to the person as a human and considering how our brands and products were playing a role in their lives.”

Backing the wrong horse

The top-performing companies in our survey are already using data to understand customers better, and using new communication channels to talk to them in new ways. Yet many companies are hesitant. Our survey found their number-one challenge when it came to rethinking customer connections was uncertainty about which technologies or channels will dominate (see Chart 2, previous page).

Are they missing the point? Companies need to follow their customers as they migrate across channels, and re-allocate their technology investments to make that possible. “We need to be at the forefront of the new behavioural norms to be able to converse with consumers in a way that will be relevant to them in their digital world. To do this, we need to embrace the whole spectrum of technologies available,” says Mr Beirne of Diageo.

Levi’s Ms Sey adds, “We are making investments across the board to improve the consumer experience, including upgrades to our e-commerce

platform and retail investments to facilitate an integrated experience across channels. These initiatives cut across many divisions and bring everyone’s focus to connecting the consumer to the products they love.”

Engagement sweet spot

When companies gather the information needed to understand their customers better and then engage with them via their preferred channel, the effects are impressive.

Opower, a software company, works with utility firms that want to help homeowners manage their energy use. Historically, this kind of “demand response” programme has fallen flat. To work, a customer must install a one-way device in his home that lets a utility company control his energy use in exchange for monthly discounts. In the US, the industry spends around US\$700m a year on such schemes; in 2012, only 7% of US households signed up.

Taking a different approach, Opower uses a mix of cloud-connected devices, mobile apps, data and traditional engagement tools like direct mail and phone. It crunches data from more than 120 different sources—including the customer’s utility

Bridging the app gap

Our survey respondents say their use of apps will quadruple over the next three years, but many are struggling to get started. More than half (54%) of senior executives see mobile apps as a “key instrument” for improving connections with customers. But only about half of them have actually released an app.

Creating killer apps that will differentiate a brand is not easy. Customers 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.

This is something companies need to resolve. The proportion that think mobile technologies generally will be a top investment priority in three years’ time is 70% higher than today. For that investment to deliver value, companies need to take their first steps into the app world today.

That means rolling out customer-focused apps, but also experimenting with the kind of “internal apps” that have huge potential to drive productivity gains, improve service and foster innovation. ■

How Wal-Mart is building loyalty

Wal-Mart has always been focused on relentlessly lowering prices for its customers. “But we have realised that in the modern e-commerce landscape, to give customers what they want, we have to do more,” says Ben Galbraith, vice-president of global products, Wal-Mart Global eCommerce.

“Our mobile strategy is all about leveraging what we think is our competitive advantage—that is our stores,” says Mr Galbraith. More than half of Wal-Mart’s customers now own smartphones, and mobile accounts for one-third of the traffic to the company’s website.

Customers use its app to make shopping lists, look up products and find items on shelves. Those who have the app make twice as many trips to Wal-

Mart each month compared with those who don’t—and they spend up to 40% more each month.

While Wal-Mart’s website offers a more transient experience, the app will focus on building loyalty. “Our strategy so far has been about pioneering and experimenting in different ways,” says Mr Galbraith. “We are now entering a phase where we really want to emphasise consistency across the channels.”

As more of our business moves to mobile, it is important that the customer has a unified interface to us. It is difficult for us to predict which of our channels a customer will use, so we can’t offer a compelling online experience but only do it in one channel any more. ■

“
We are now entering a phase where we really want to emphasise consistency across the channels.”

”

Ben Galbraith,
Vice-president of Global Products, Wal-Mart Global eCommerce

company—to create personalised tips on how the customer can reduce her energy bills. Some of those messages are about long-term use trends—“did you know, you used more power last month than your neighbours?” Others reward customers who act immediately.

“All these messages are powered by the same platform, so we can give people a coherent experience across channels and one that is personalised based on how they like to be communicated with,” says Rod Morris, the company’s chief marketing officer. The result: engagement rates are as high as 70%, he says. ■



Better together

Connecting employees and partners

“My vision, which my board shares, is to have 100% customer engagement. If that means doubling the amount of support we provide, so be it.”

”

Marco Bill-Peter,
Vice-president of Global
Support Services, Red Hat

Companies can engage with their customers better when they involve all their employees. When they extend that effort to business partners too, the effects can become powerful. Firms pioneering the move to greater intimacy know this. They are investing in new technologies not just to improve their marketing, but to empower all their people to refocus their activities around the customer. In short, delivering a better experience is part of everyone’s job.

Our survey found that 40% of companies have invested in technologies to connect their customers with customer-facing staff, and 44% have invested to improve connections among employees. Whether they are investing to connect employees, partners or products, the standout benefit companies want to achieve is clear: better customer support.

IT company Red Hat has completely rethought its approach to customer service. Four years ago it decided that the industry’s traditional approach to support “was annoying the heck out of customers,” says Marco Bill-Peter, vice-president of global

support services.

A caller with a complex problem would have to go through two layers of support before she could finally talk to someone with the in-depth knowledge needed to answer her questions. The aim of this kind of tiered support is typically to “deflect” callers to cheaper channels. “But that is the antithesis of long-term customer value,” says Mr Bill-Peter. “My vision, which my board shares, is to have 100% customer engagement. If that means doubling the amount of support we provide, so be it.”

Service in the swarm

Red Hat now provides support through “swarms” of staff organised around topics. Each swarm includes individuals with different levels of knowledge, which means the more experienced ones do not become demotivated dealing with basic questions and the newer staff can learn from their superiors. Some staff are members of more than one swarm, and the swarms share information and collaborate across locations.

The move to swarming has doubled the percentage of customers engaging with Red Hat. “I think that trend could make a lot of customer service executives panic, but I think increased engagement provides value and generates loyalty,” says Mr Bill-Peter. It has also cut the cost of support as a percentage of Red Hat’s revenue.

And the benefits of swarming are spreading, breaking down silos within Red Hat. It has already brought engineering and support people closer,

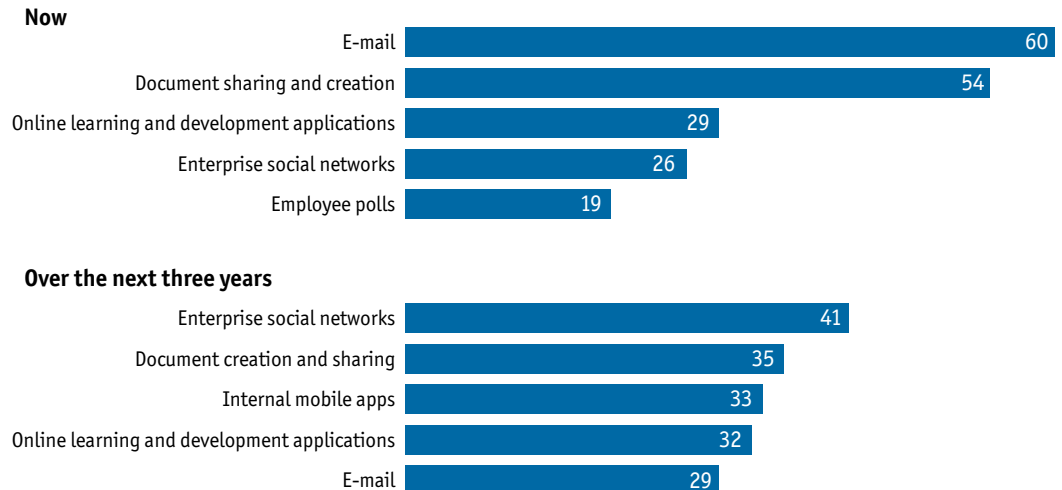
Stronger together

Organisations need to invest in technologies that connect customer-facing employees with customers. They also should develop ways of connecting these employees with one another. More than 71% of top-performing businesses have invested in one or both of these areas, compared with 60% of other firms. ■

Chart 3

Q In which of the following technologies has your company invested most to improve connections among employees?

(% respondents)



Source: Economist Intelligence Unit survey, June 2013.

connecting those responsible for improving the company's products to vast amounts of real-world customer feedback. Now, teams across the business—from product documentation to legal—are starting to form and join swarms. "As a company, we see this collaborative model going into other fields. It leads to innovation across the business and makes people think about how they do things," he says.

Better collaboration tools

Executives in our survey report the same hunger for collaboration. For those companies that have invested in technology to improve connections among employees, the standout tools today are e-mail (60%) and document creation and sharing (44%). But a shift is under way. In three years'

time the main collaboration tools will be enterprise social networks (41%) and internal apps (33%). E-mail will fall to fifth place (see Chart 3).

If companies can extend those collaboration tools to partners outside their organisation, the effects could be powerful. Some 92% of companies in our survey say enhanced connections with partners could transform their industry.

Many are keeping their powder dry, however, or are uncertain about how to move forward. Nearly one-third (29%) say they will invest in partner collaboration over the next three years but have done nothing yet.

This lack of dynamism might be attributable to a narrow view of potential benefits. One-third of companies in our survey believe the greatest benefit would be cheaper collaboration. But top-performing companies—which are 50% more likely to invest in partner collaboration tools—see such efforts as a way of enhancing the customer experience.

Moreover, it is this strong focus on the customer—and especially on loyalty—that is driving a shift towards both employee and partner collaboration tools at the expense of tools that simply improve operational productivity. ■

Connecting partners

The most effective technologies for connecting a business with its partners will improve the quality of innovation and reduce the cost of collaboration. Top-performing companies are much more likely to invest in these areas—62% of them have made such investments, compared with just 46% of other firms. ■



The future is here today

Connecting products and services

The “Internet of things”, where the cloud connects billions of products and devices to the Internet, is often seen as an idea for the future. But it is a reality today. Our survey found that 41% of companies already have some kind of “connected product” on the market. And two-thirds plan to invest in this area over the next three years. High-performing companies are leading the way.

Companies are active in this area in almost every industry. Sectors like communications and high-tech may have fairly obvious uses for connected products, but more than half of the companies in financial services, media, energy, retail, healthcare and professional services are also investing in this field.

Among their disparate plans, one goal stands out: companies are investing in connected products not so much to boost sales but to improve customer engagement. Those that have invested already say their number-one goal is better customer service (55%), followed by superior customer experience (51%). Almost half (45%) view their investment as a competitive necessity (see Chart 4).

Leaders get connected

Only a minority of the companies in our survey currently have connected products on the market. But many are investing in the underlying technologies. Top performers are taking the lead: some 44% have invested here, compared with just 31% of other companies. ■

New ways to connect

As companies start to see the potential for connected products and services, they are looking to change the way they make these connections. This shift will enable them to offer more deeply integrated products and services.

Over the next three years the percentage of companies using the cloud to connect products and services will almost double. Some 79% of those in our survey said cloud would be their go-to platform. Social networks will also come to the fore, along with embedded customer service technologies, enhanced location awareness, near field communications, biometrics and RFID.

It’s all about the experience

Companies are using connected products to provide new experiences to customers. GE Aviation is connecting its jet engines to a social network that brings partners and engineers together, providing diagnostic information to improve performance and longevity. Toyota’s socially connected car, which the company calls “an iPhone on wheels,” can send tweets from its own social profile. Burberry has developed connected purses—place one on an in-store reader and it shows the customer how the product was made.

Philips has a history of connected products ranging from hospital scanners to TVs. The company recently launched a series of cloud-connected consumer devices, including air-purifiers, baby monitors and coffeemakers. “These

Chart 4

Q Why has your company invested in technologies to create connected products? (% respondents)



Source: Economist Intelligence Unit survey, June 2013.

“We are moving away from the mind-set of trying to figure out what people want to buy and pushing it to them. Now we are looking at real-time engagement opportunities with customers.”

Sean Carney,
Chief Design Officer, Philips

connected products are all part of our bigger thinking. We want to move away from point solutions and take a more holistic view of how data from those devices comes together and how we can create value from it,” says Sean Carney, the company’s chief design officer.

In the US, Philips has teamed with Weight Watchers to market a connected product called Direct Life. This is a wearable device that gathers data about the user’s activity levels. By crunching data collected from thousands of devices, Philips can alert users who are at risk of dropping out of their weight-loss programme. “That means we can engage with consumers in a way that helps them to achieve their specific goal—in this case, to lose weight,” says Mr Carney.

Breaking product boundaries

The common denominator that underpins all of Philips’ connected products is a desire to think about customers in a different way, he adds. “We are moving away from the mind-set of trying to

figure out what people want to buy and pushing it to them. Now we are looking at real-time engagement opportunities with customers.”

The company’s connected light bulb—hue—goes a step further. Philips released an API and SDK for the device, enabling other developers to build apps that connect to hue. “We have seen people connect hue to their iTunes accounts, for instance, so they can have mood lighting in their lounge that reflects what they’re listening to,” says Mr Carney. “If I open up and allow third parties to create new user experiences, they can generate value in ways we simply haven’t envisaged.”

Connecting products via the cloud, and making them open, has profound consequences. “We now think about holistic, end-to-end user experiences. That affects how we innovate,” says Mr Carney. “We are feeding our innovation pipeline based on real-time insights from connected products, from social media and from all the other ways of engaging with customers.” ■



Leaders, step forward

A new focus on customers demands strong leadership

The CEO takes charge

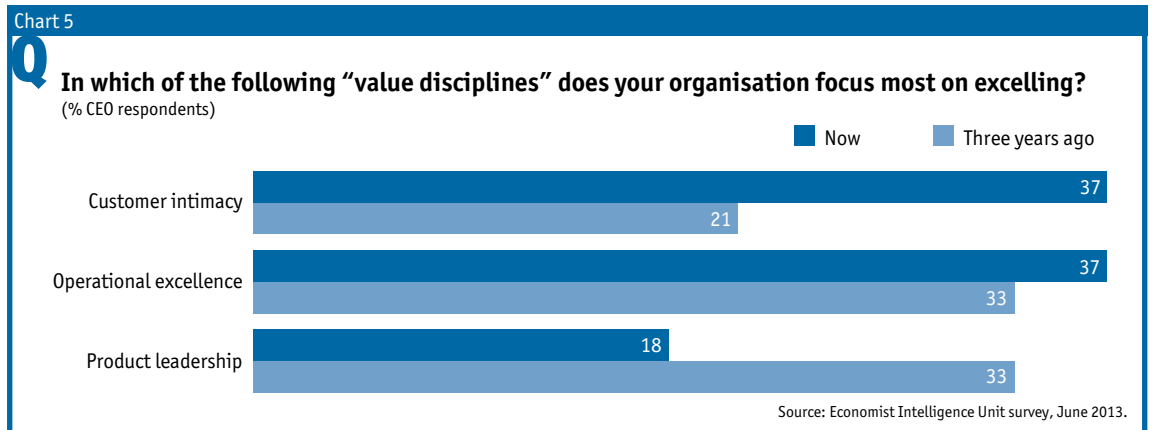
Reorienting a business towards customer intimacy requires clear leadership from the top. The top-performing companies have an edge here. Senior leaders at 58% of these companies have defined the need to be more customer-focused as a key goal, compared with 51% of other firms. And at these leading companies, the CEO is more likely to take personal responsibility for redefining how the company connects with customers, employees and partners (47% vs. 37%). ■

As Barclays emerged from the financial crisis, new CEO Antony Jenkins decided that the bank needed to get closer to its customers, make their lives simpler and put them “firmly in the centre of everything we do.” So services like the Pingit app and Cloud It—a new service that lets customers store their photos and documents online—are not

marginal experiments; they are a core part of Mr Jenkins’s aim to make Barclays what he calls the “Go-To bank.”

His focus is not unique. Our survey shows that achieving customer intimacy has emerged as a top priority for CEOs over the last three years. The proportion that considers it their main value discipline has jumped by 76%, while the percentage focusing on operational excellence increased only marginally and those directing attention at product leadership fell substantially (see Chart 5).

The need to change is such that executives in all functional areas feel involved in the effort to become more customer focused, not just those in sales, service and marketing. Not surprisingly, chief marketing officers (CMOs) are emerging as the new force in the customer-led economy.



Left behind?

The technologies needed to reorient a business around its customers are proven. Our survey shows that nevertheless many companies remain hesitant. The challenges that hamper their efforts to rethink customer engagement, such as uncertainty about how this new world will evolve (40%), can best be overcome through clear direction from the very top of the organisation. ■

“My role as CMO is about leading, enabling the organisation to realise the potential and the game-changing nature of what is happening.”

”

Laurent Faracci,
Chief Marketing Officer, US,
Reckitt Benckiser

Listen to your CMO

The answers from CMO survey respondents suggest that their companies have a much better understanding of what it takes to thrive in the customer-led economy.

For one, they are about twice as likely as the average respondent to say that their firm has achieved excellent success at interpreting detailed

customer data. They are also much more likely to have developed new strategies for enhancing the customer experience as a result of the changing market.

A strong CMO is invaluable. At Reckitt Benckiser, Mr Faracci is driving a cultural change to enable employees to be more empowered to experiment with different consumer engagement tactics. And he is ensuring that the business forms the kind of external partnerships needed to thrive in this new world, including deals with Facebook and Wal-Mart that let Reckitt Benckiser geo-target social media content and other marketing.

“My role as CMO is about leading, enabling the organisation to realise the potential and the game-changing nature of what is happening,” he says. That includes helping colleagues to adapt to a technological and social revolution that “can be really confusing and somewhat daunting.” ■

6

Conclusion

Adapting to a customer-led economy is a significant challenge for companies. Time and again our survey revealed that it is the top-performing businesses—those that are beating their peers already—that are pioneering change. Companies that want to kick-start or accelerate their response to this fundamental shift in the business landscape need to act on the following key points:

(1) Lead from the top

Success in the customer-led economy demands leadership from the top. The best-performing companies have made success in this area a core goal, with their CEO taking significant personal responsibility.

(2) Move fast

The customer-led economy is evolving rapidly. The best-performing companies are responding today. Nearly nine in ten are investing already. The rest risk being left behind.

(3) Be omnivorous with technology

The technologies that enable firms to connect better with customers, employees and partners are most effective when they are deployed in a unified way. The best-performing companies are not waiting to see “which approach works”—they are investing widely and coherently.

(4) Get employees involved

In a customer-led world, engagement is part of everyone’s job. Don’t leave it to those with “customer service” in their job title. The best-performing companies are connecting all employees in the effort to understand and delight customers.

(5) Bring partners into the conversation

Technologies that connect a company with its partners will cut the cost of collaboration. But they boost the quality of innovation, too. The best-performing companies are investing for both reasons.

(6) Unlock the power of connected products

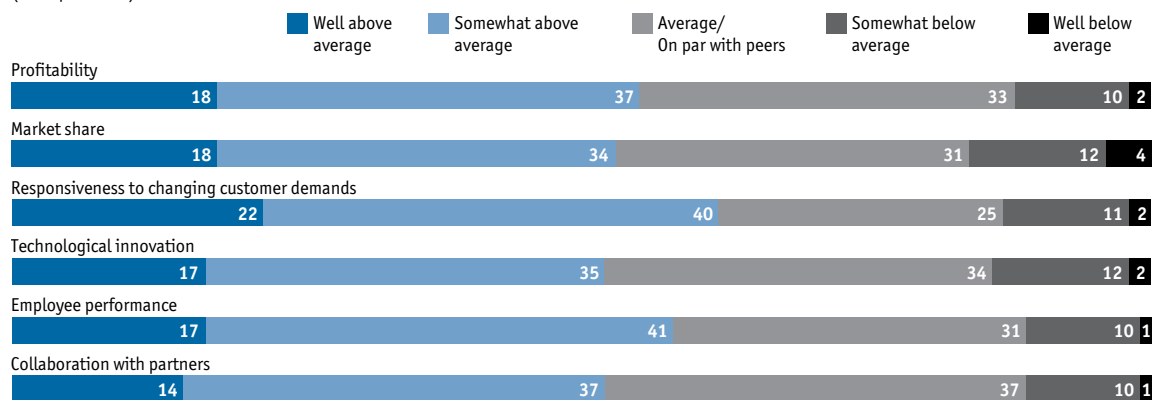
Companies are beginning to connect their products and services to the Internet in new and surprising ways. The best-performing firms are leading the way. They see connected products as a way of building sales and—more important—of improving the customer experience and increasing loyalty. ■

Appendix: survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

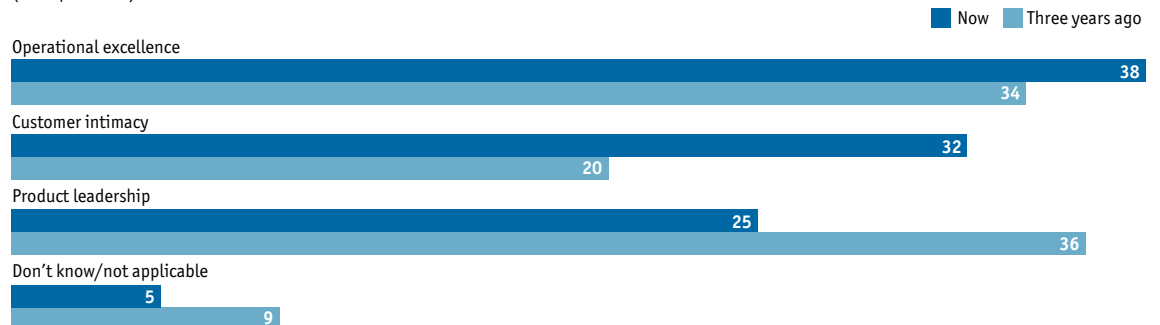
How effective is your organisation in each of the following performance indicators compared with its peers?

(% respondents)



In which of the following “value disciplines” does your organisation strive most to excel in?

(% respondents)



How would you describe the quality of your organisation’s current connections with customers?

(% respondents)

We have a strong understanding of customer needs and expectations and we use that information to improve the simplicity and clarity of our connections with individual customers

29

We have a good understanding of customer needs and expectations, and we are developing methods of applying that information to improve connections with individual customers

55

We have a limited understanding of customer needs and expectations, which constrains our ability to improve connections with individual customers

12

We do not collect data on customer preferences or expectations

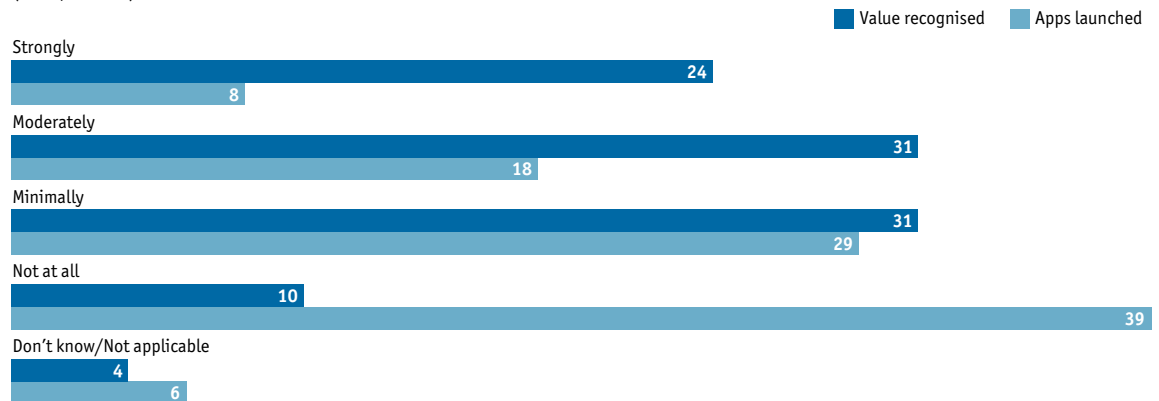
3

Don't know/Not applicable

1

Has your company’s senior executive team recognised the value of mobile applications as a key instrument for improving connections with customers and, if so, have mobile apps been launched?

(% respondents)



To what extent has your organisation changed its investment in technologies to improve customer insights over the past two years?

(% respondents)

Substantial increase

21

Moderate increase

54

No change

20

Moderate decrease

2

Substantial decrease

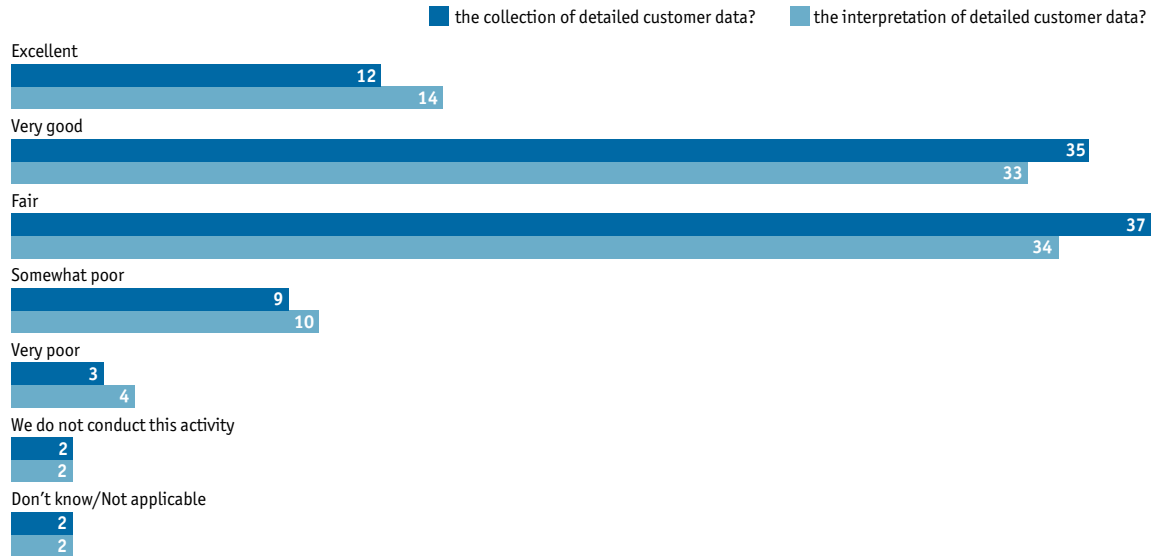
0

Don't know

2

How successful is your organisation at:

(% respondents)



Has your organisation changed its strategy with respect to enhancing the customer experience as a result of the changing market?

(% respondents)



Which of the following statements best describe your organisation's current position with respect to becoming more customer-focused?

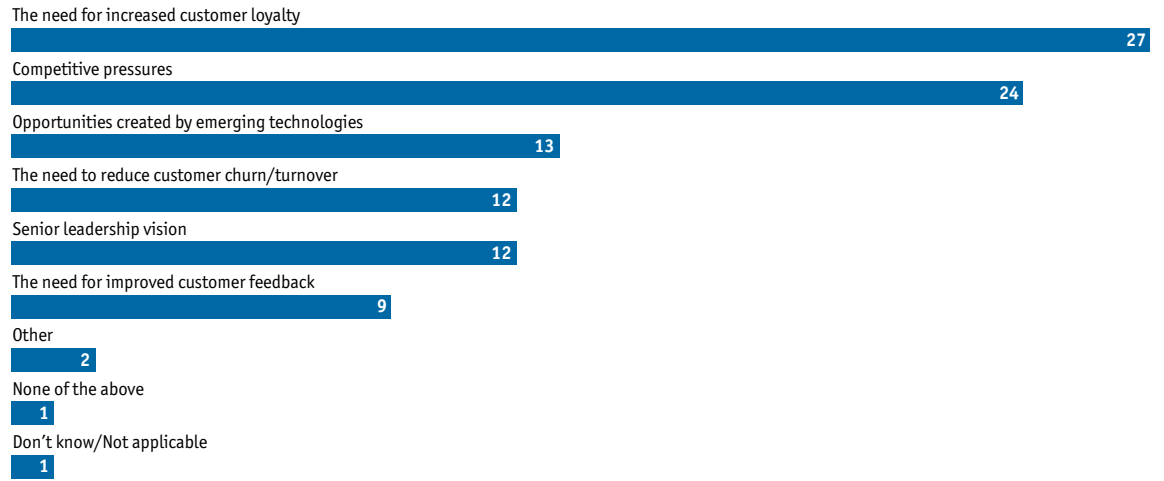
Please select up to three.

(% respondents)



What was the single biggest factor that motivated your organisation to embark on more customer-focused strategies?

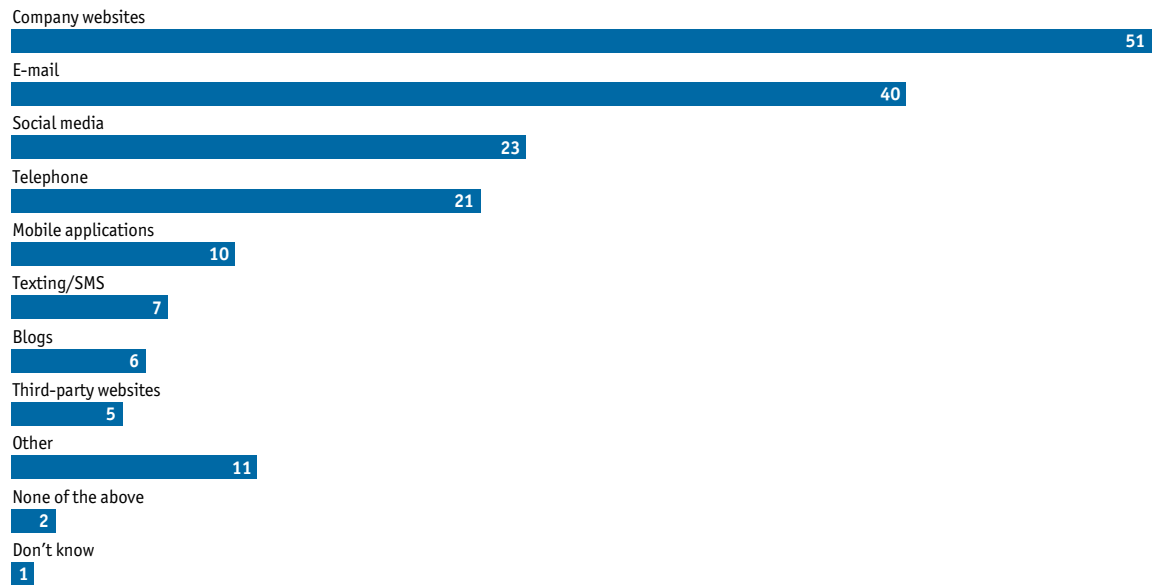
(% respondents)



Which channels do you currently rely on most to engage customers with your brand?

Please select up to two.

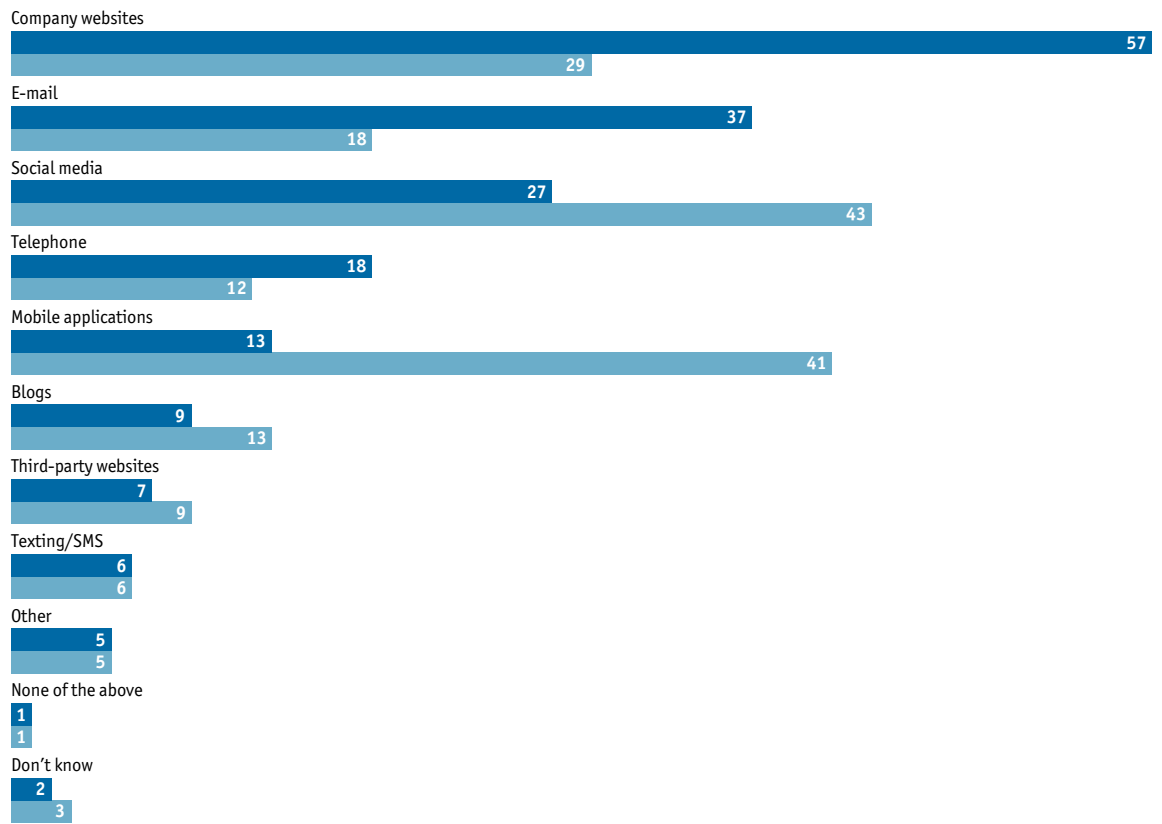
(% respondents)



In your opinion, which channels are most important to customers when they engage with brands?

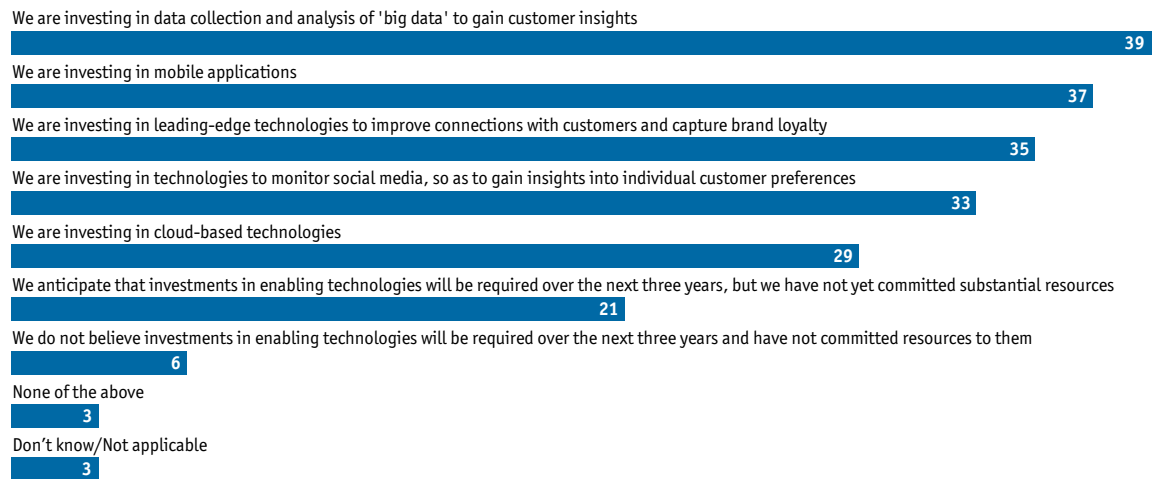
Please select up to two.
(% respondents)

Now In three years



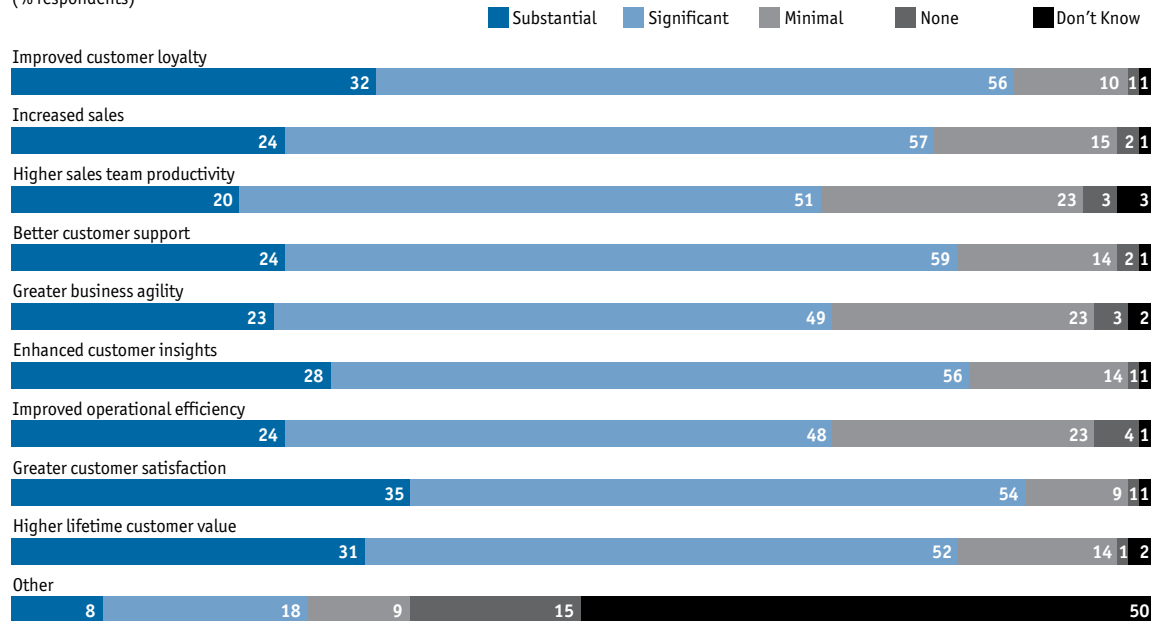
Please select the statements that characterise your organisation's strategy for connecting with customers.

Select all that apply.
(% respondents)



How effective is your organisation in each of the following performance indicators compared with its peers?

(% respondents)



What strategies has your organisation adopted to connect employees more effectively?

Select all that apply.

(% respondents)

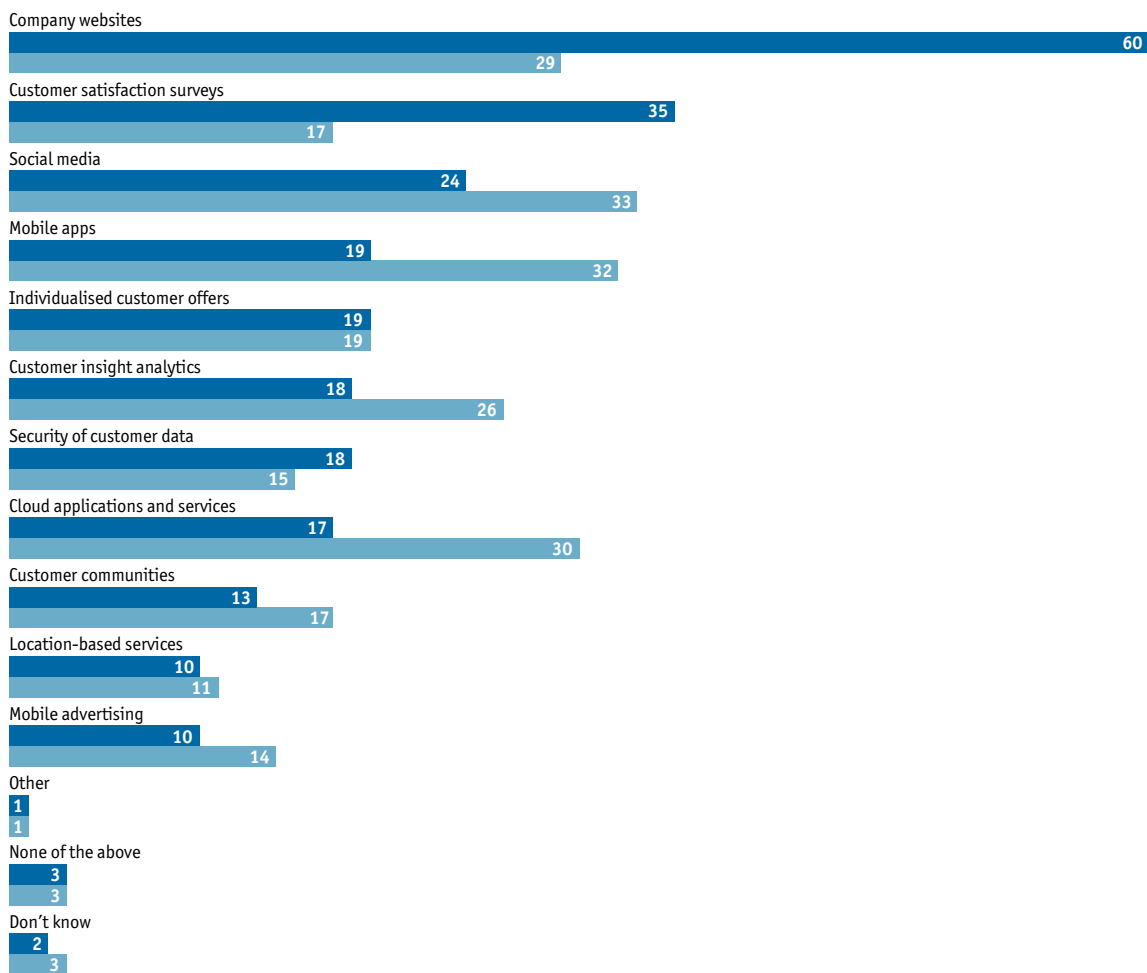


Please indicate which technologies your organisation has invested in most to connect with customers.

Select up to three.

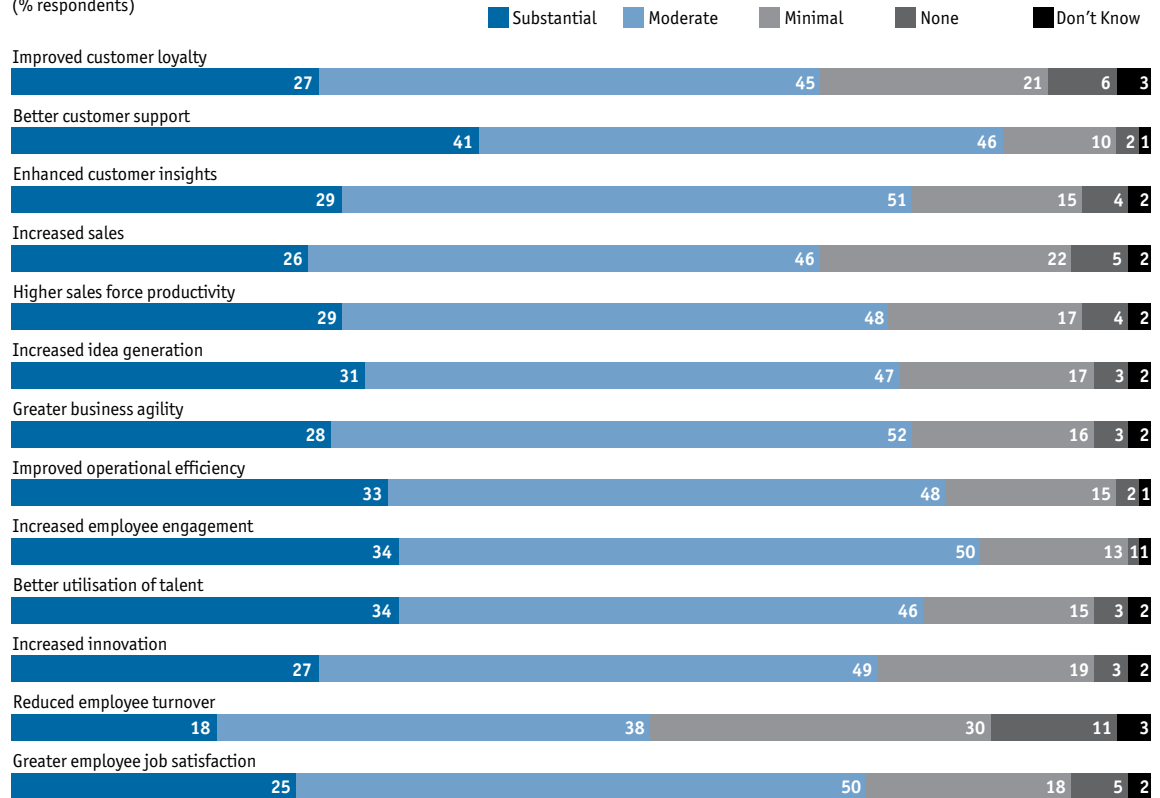
(% respondents)

■ Now ■ Most likely to in three years



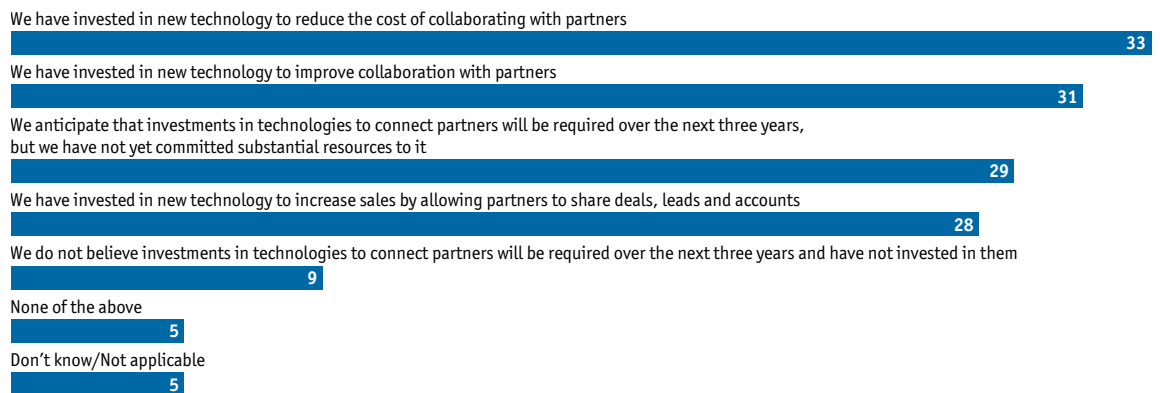
What benefits do you expect to achieve from your strategy for enhancing connections among employees?

Please rate each potential benefit from none to substantial.
(% respondents)



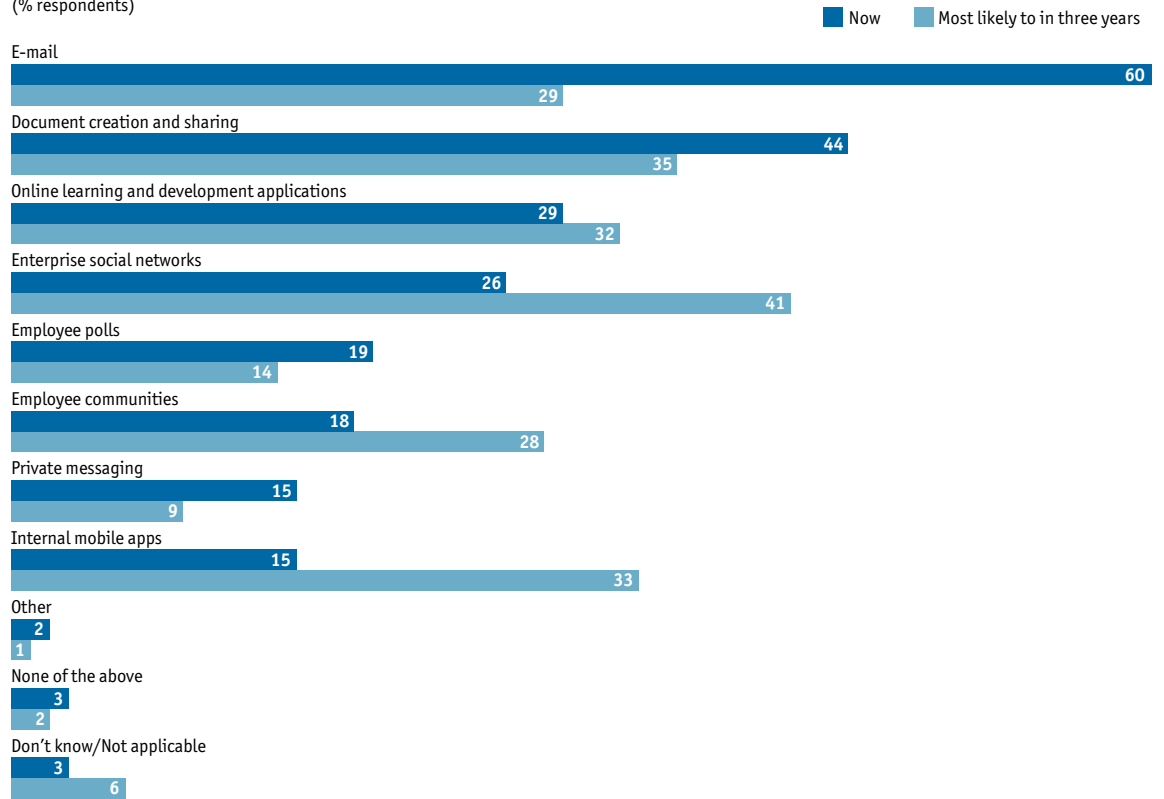
What strategies has your organisation adopted to connect with partners more effectively?

Please select all that apply.
(% respondents)



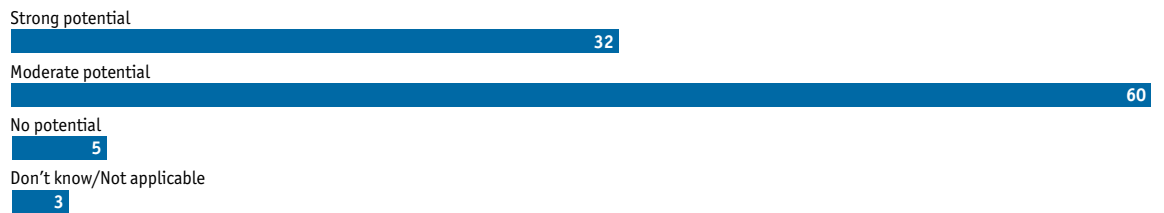
In which of the following technologies has your organisation invested most to improve connections among employees?

Select up to three.
(% respondents)



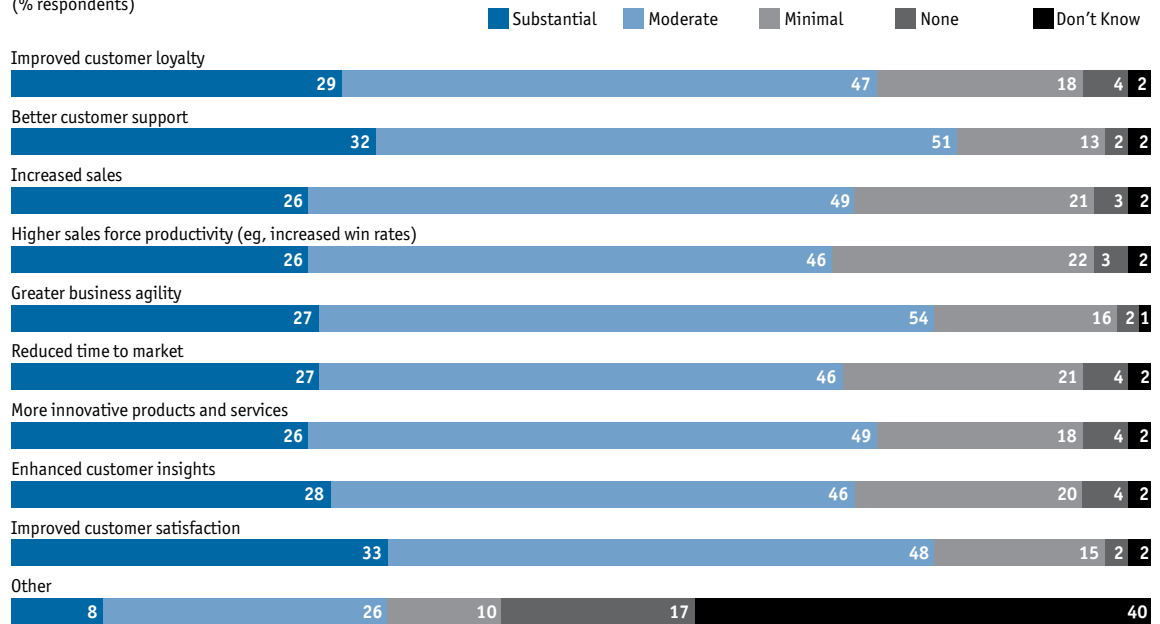
To what extent do you believe that investments in enhanced connections with partners have the potential to transform your industry?

(% respondents)



What benefits do you expect to achieve from your strategy for enhancing connections with partners?

Please rate each potential benefit from none to substantial.
(% respondents)



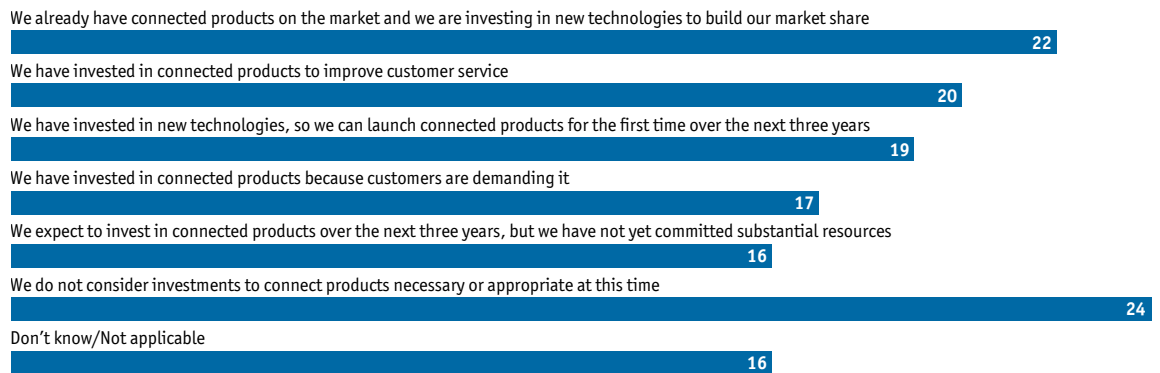
Does your company currently have connected products on the market?

(% respondents)



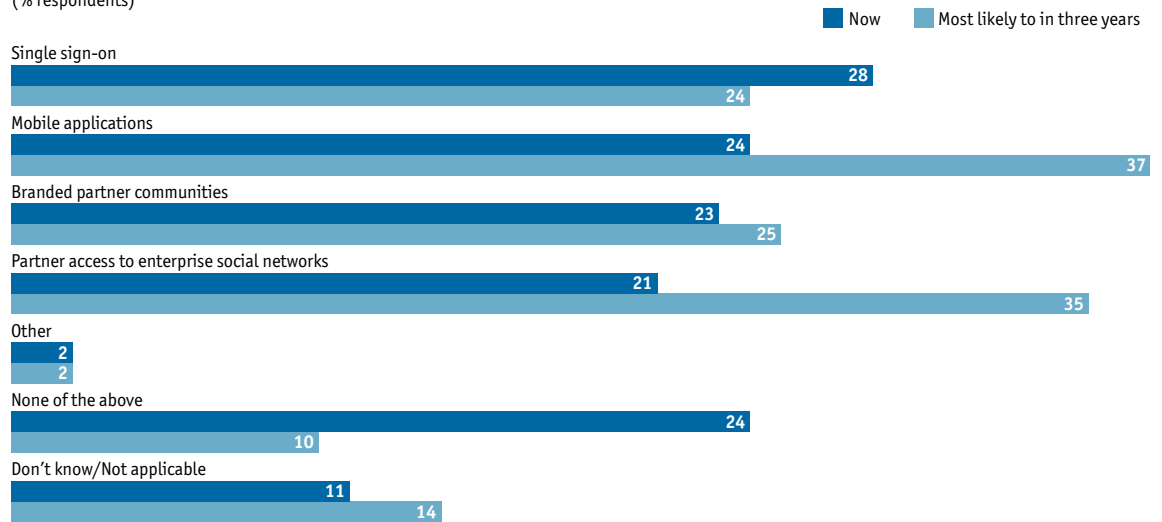
What strategies has your organisation adopted to make its products more connected?

Please select all that apply.
(% respondents)



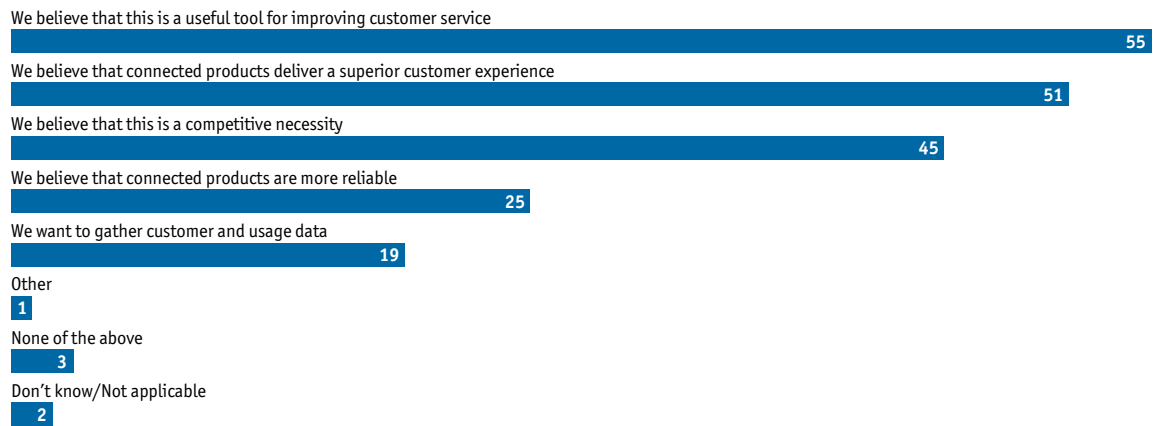
In which of the following technologies does your organisation invest most to improve connections with partners?

Select up to two.
(% respondents)



Why has your company invested in technologies to create connected products?

Please select all that apply.
(% respondents)



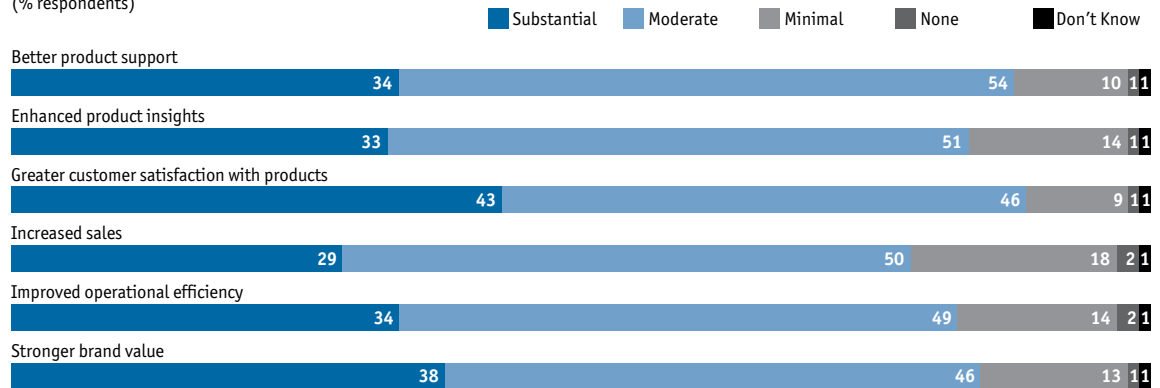
To what extent do you believe cloud-based technologies are likely to become the primary platform for integrating connected products?

(% respondents)



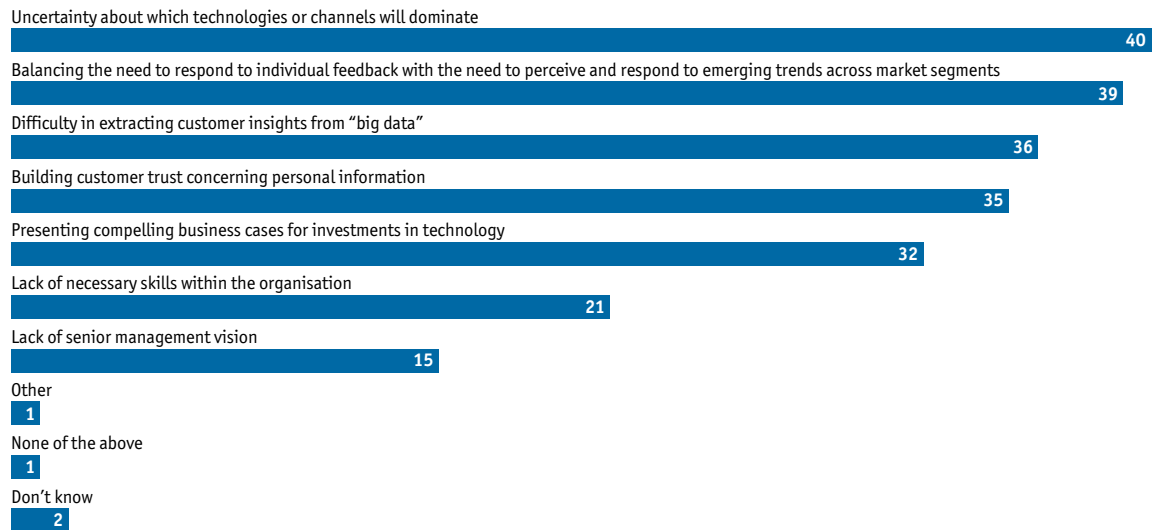
What benefits do you expect to achieve from your investments in new technologies to connect products?

Please rate each potential benefit from none to substantial.
(% respondents)



In your opinion, what are the biggest challenges for companies striving to rethink how they connect with customers?

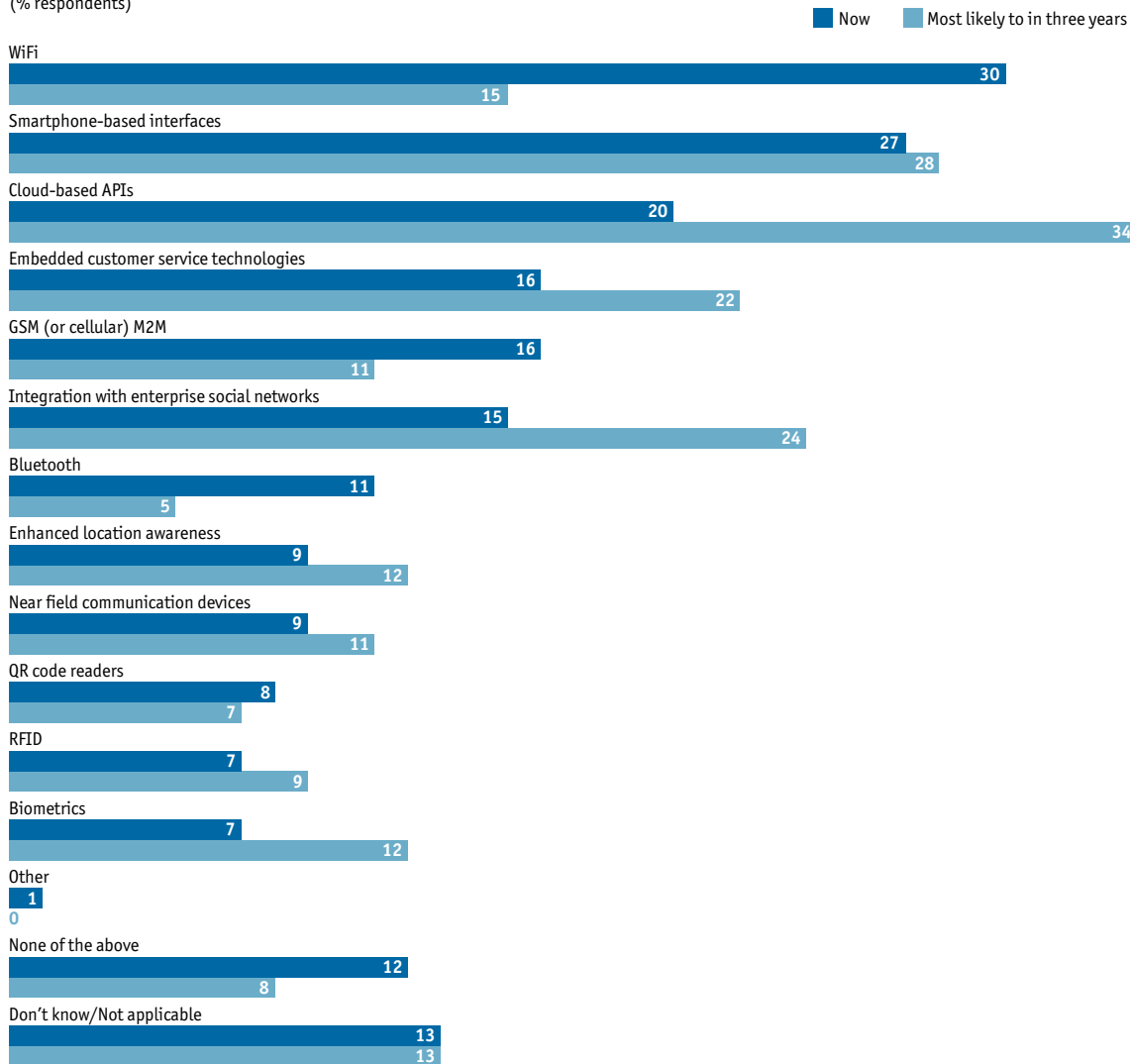
Please select up to three.
(% respondents)



In which of the following technologies has your organisation prioritised investment to improve connections with products?

Select up to three.

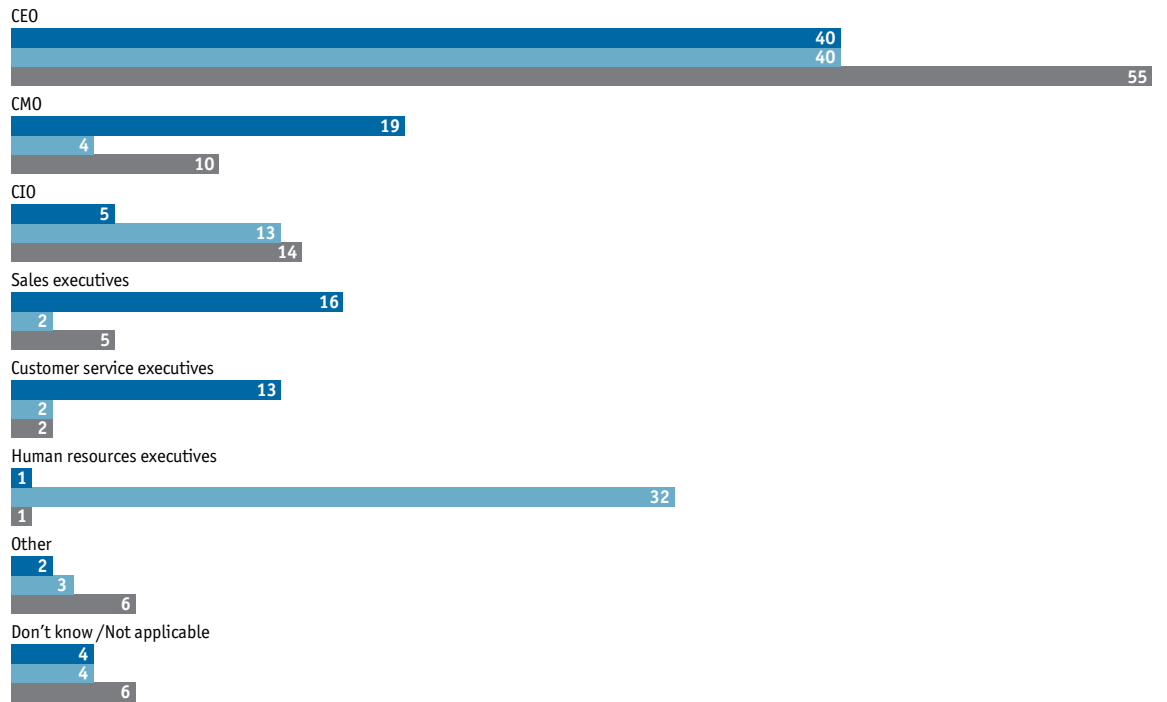
(% respondents)



Where in your organisation does final authority reside for approving and allocating resources for initiatives to improve connections with customers, employees, partners and products?

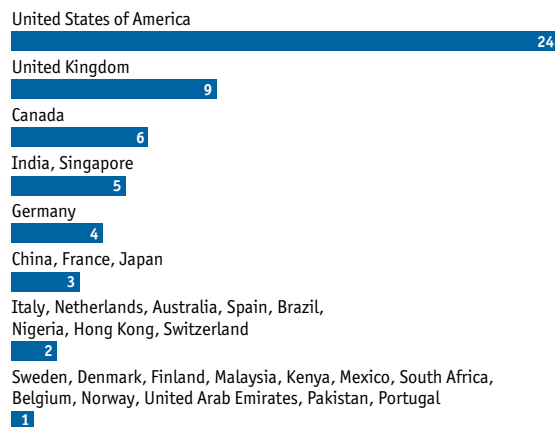
(% respondents)

Connecting with customers Connecting employees Connecting partners



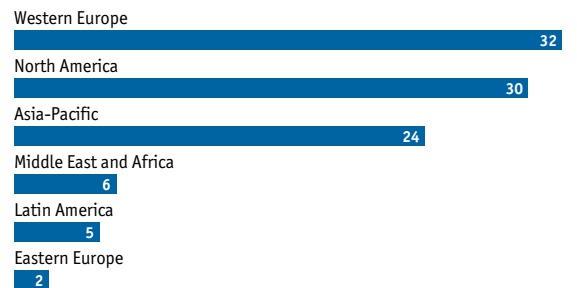
In which country are you personally located?

(% respondents)

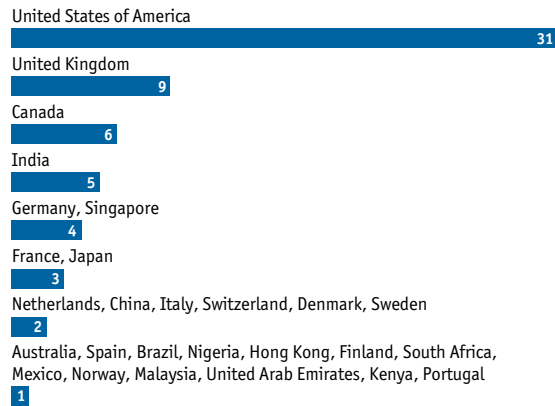


In which region is your company based?

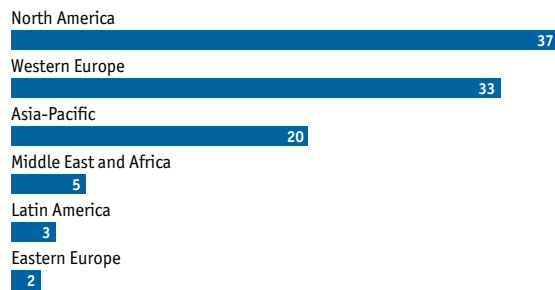
(% respondents)



In which country is your company headquarters located?
(% respondents)



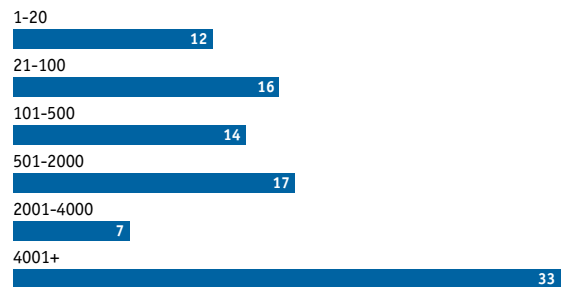
In which region are your company's global headquarters based?
(% respondents)



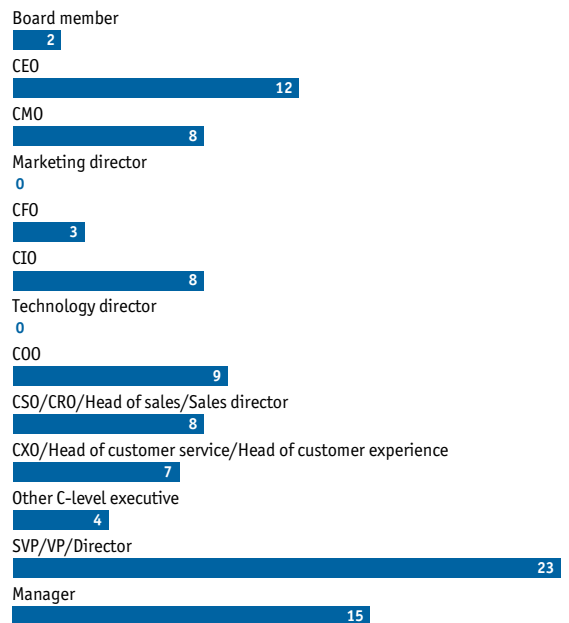
Which type of customer does your organisation primarily cater to?
(% respondents)



How many people does your organisation employ in its global operations?
(% respondents)

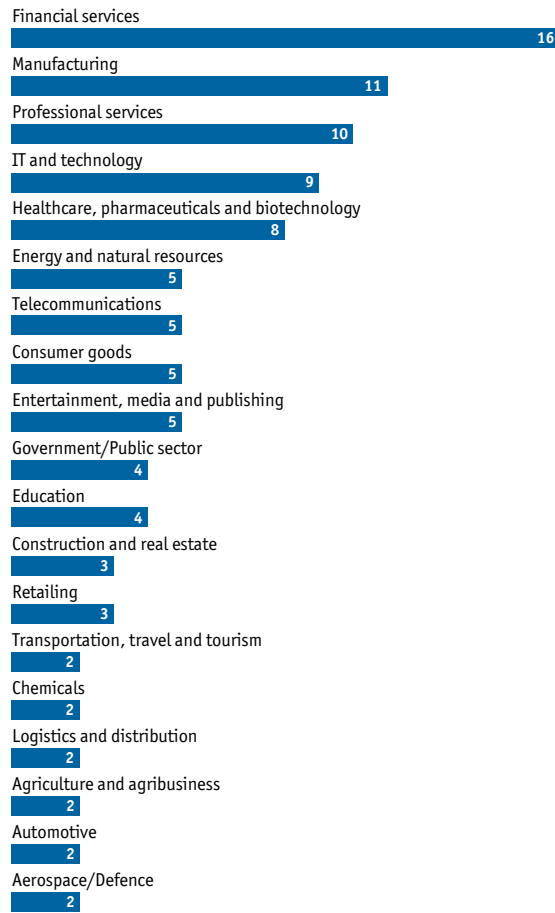


Which of the following best describes your title?
(% respondents)



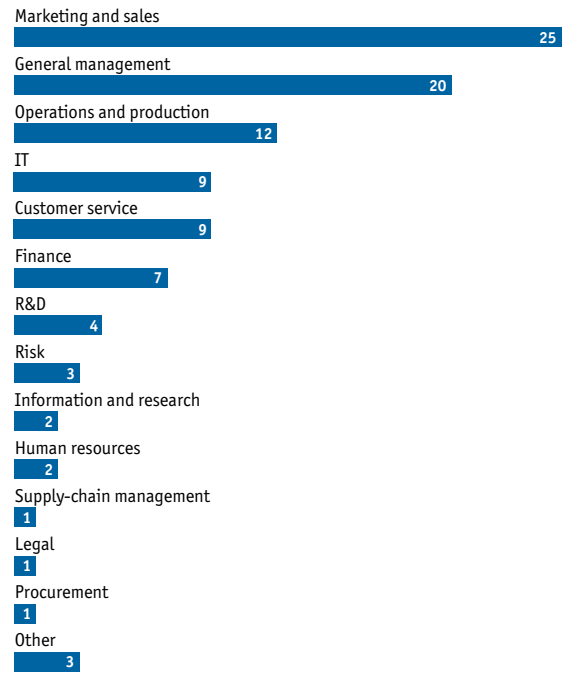
What is your primary industry?

(% respondents)



What is your main functional role?

(% respondents)



Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.

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