



Photo by Rachael Rinchiuso
Kearney, Chicago

**Make consumer-first
a timeless classic,
not a fleeting fad**

What consumer centricity means for your CRM function

If you don't claim to be consumer-centric these days, you might as well pack up and go home. But getting beyond the buzz and putting existing and potential customers at the heart of everything you do is no mean feat.

For most companies it means moving from a product business to a consumer life-cycle business, where it's no longer about selling great products at the best margins but about giving shoppers what they really want, and optimizing their lifetime value to your firm. In today's environment, that means being able to collect and analyze data at every step and touch point of the consumer journey—from acquisition to retention—to truly understand who your target customers are and how they interact with you.

This isn't just a nice-to-have; those who don't grasp the opportunity risk drifting into irrelevance. Recently, C&A announced that it would move to the Zalando platform to fuel its online sales, indicating a resignation toward its own online shop. What's worse is that the retailer will thus be handing over its most valuable data—that of its customers—to Zalando. COVID-19 has allowed online champions to gather more data and use it to their advantage.

Consumers are also expressing their requirements clearly: one in six German online shoppers now expect retailers to know their preferences and provide personalized offerings based on these.¹

Those who get it right not only manage to stay ahead of the competition but also feel a tangible impact across their most important business metrics and key performance indicators. A strong customer relationship management (CRM) setup paired with the automation of marketing activities can deliver an uplift in online revenues of up to 20 percent,² while better data collection has been found to result in 27 percent more leads, with [personalized interaction yielding a 25 percent increase](#) in marketing return on investment. What's more, 40 percent of consumers say they're willing to provide at least some of the personal information that organizations crave in return for better offers and services.³

This mix of necessity and opportunity goes far beyond the weekly shop or buying a new sofa: consumers now expect the same seamless experience whether they're doing their online banking, buying insurance, or even moving house.

Marketing and sales leaders in most organizations have long understood the value and theory behind transforming their CRM function to create a consumer-centric business. However, many remain stuck in execution and can't get beyond proof of concept. This happens for a variety of reasons, including complex legacy systems, organizational silos, ingrained corporate habits, or out-of-date performance metrics. Kearney and optilyz have partnered to demystify the challenges of CRM transformation and reveal the steps to success we've found through our work with clients and partners.

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¹ Kearney consumer survey, January 2021

² Google study

³ Kearney consumer survey, January 2021

The magic triangle

The three key challenges for most traditional players in retail, consumer packaged goods, and other consumer industries span the familiar domains of strategy and culture, organization and processes, and software and data. Without all these pieces of the magic triangle in place, it's impossible to be consumer-first. But what does getting it right mean in each case?

Strategy and culture

Too often, CRM is treated as the sole preserve of the marketing and sales function. In some cases it amounts to not much more than email marketing, and in others it's merely an appendix to another area, such as the brand department. This is a mistake. Instead, CRM needs to become the centerpiece of your consumer marketing setup—even, indeed, your entire organization—to be recognized as such and to receive the resources and attention it deserves. That means getting a clear commitment to consumer centricity on the C-level agenda as a first step.

Organizations as diverse as Adobe, FedEx and Philips have done this by installing a chief consumer officer who's responsible for managing the consumer experience and journey, including CRM, end to end. By default, this must be accompanied by new roles, responsibilities, and ways of working across the organization and will often require an element of upskilling. Executing a consumer-centric strategy requires quick and nimble experimentation, data-led decision-making, and agile, cross-functional teams. And while these are also well-worn phrases, few walk the talk. Putting it all into action requires strong leadership vision and experience, top talent, and determination to infuse new habits until they stick.

“Customer expectations are evolving at a rapid pace. Research from Salesforce’s ‘State of the Connected Customer’ report shows that today’s consumers and business buyers are more informed and less loyal than their predecessors. They’re looking for differentiated experiences that engender trust, and they’ll shop around to find them. This is much more than traditional CRM and drives organizations of all sizes and industries to rethink their approach to customer centricity and put it on the strategic agenda.”

Bernd Wagner, senior area VP at Salesforce

Organization and processes

The principle of structure-follows-strategy equally applies here, meaning the organization itself must also be designed around consumer relationships. For most established businesses, this means taking a fresh look at the marketing function and establishing closer collaboration with IT teams to implement change fast in line with crucial consumer and time-to-market needs. As the saying goes, no pain, no gain, and while this exercise can bring challenges and political wrangling, it's one that shouldn't be avoided. Executives who want to truly implement consumer-centric marketing need to be willing to go through reorganization.

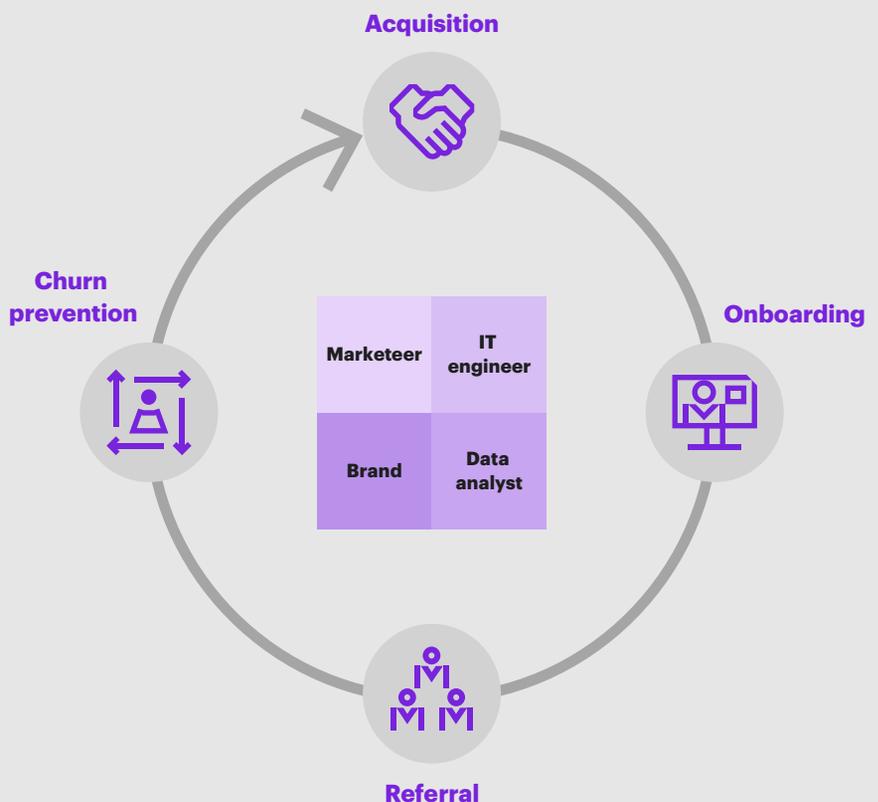
While there's no such thing as the perfect organizational setup, there are four pillars that encompass most common success factors, and these can serve as effective building blocks for any company.

1. Cross-functional growth teams

Becoming a consumer-first organization requires marketing activities to be steered in an extremely focused way. First and foremost, this means breaking channel silos. Rather than organizing employees by channel—for example, email, web or social—it makes more sense to form “growth teams” along the consumer journey, recognizing the interplay of channels across various touch points and assembling teams by targeted activity, such as consumer acquisition, consumer onboarding, referral activities, and retention and reactivation. These teams work best when they own activities end to end and can act quickly, which means bringing cross-functional subject matter experts from marketing, content, IT, and data together (see figure 1). HelloFresh has used this approach to great effect.

Figure 1
Organization

Cross-functional growth teams along the customer journey



Source: Kearney analysis

2. Balancing capabilities

In many organizations, marketing is spread across global, regional, and local structures, which can lead to a mismatch between activities. On the one hand, markets can be understaffed, forcing them to rely on agencies to execute globally defined strategies that don't meet local conditions. On the other hand, if markets have too much firepower and set up their own infrastructures, this can quickly lead to inefficiencies.

A delicate balance is required between global orchestration and local operations. At Unilever, regional marketing hubs have the decision-making authority, local market expertise, and weight to deliver on their objectives. However, the most important principle, according to Alexander Seiler, VP CRM at HelloFresh, is that all team members work within a common data structure and follow the same overall framework for consumer interaction, no matter where they're based.

3. Growing internal muscle

Where marketing has traditionally been treated as a non-core business activity, many organizations have had to employ agencies to manage these activities instead of using their own resources. This external dependency can create further barriers, leaving businesses without valuable consumer data and struggling to join the dots across channels. Now it's time to acquire the capabilities to bring execution in-house and train existing employees to take more ownership of marketing delivery. This is especially important when it comes to the technical skills required to operate modern marketing tools. Outsourcing key marketing functions and data handling is probably one of the most dangerous business practices still considered normal in many companies.

4. Process and decision automation

Before data became the all-powerful decision driver, much customer activity was based on gut feeling, experience, or a combination of the two. Nowadays, we have the advantage of bolstering these human attributes with powerful automation tools that do a lot of the legwork, and continuously learn and improve. While tools don't provide every single answer, when they are used smartly they present an opportunity for marketing to become a strategic orchestrator, rather than a manual execution engine. This leaves the human workforce free to spend more time thinking about the customer and focus on strategic, value-adding tasks rather than onerous "busy work."

Software and data

Gathering consumer data is one thing but making it accessible and serviceable across your organization and full suite of channels and touch points is quite another. Having a data warehouse, a business intelligence team, and a few marketing tools won't really cut it. To effectively target consumers in a personalized and consistent manner, what's needed is a powerful, interconnected marketing tech stack that can source, stitch together, and analyze structured and unstructured data with ease. Canyon, a leader in premium bicycles, has taken this to heart and deployed Salesforce's sales cloud offerings as the core of its tech stack for all consumer-facing activities, including Commerce Cloud for its website and shop, Marketing Cloud for CRM and marketing automation, and Service Cloud for customer service management.

"Deciding on one integrated technology provider for our customer interactions early on was a key step for us; now we can start connecting the dots more easily and build an end-to-end customer experience across all touch points, for example on our website and within customer service."

Thomas Kohl, head of customer service at Canyon

Regardless of your choice of provider, there are three crucial components required in any technology setup if your business is to become truly consumer centric.

A consumer data platform (CDP)

A CDP connects all sources of consumer data in one place and provides a complete picture that organizations can act on with confidence (see figure 2). It matches consumers' names and contact details with everything your company knows about them—even insights such as anonymous cookies and mobile device IDs that were gathered before they shared their data. The most important function of the CDP is bringing together and unifying data from a multitude of sources to comprehensive consumer profiles. By feeding this information into channel management tools, organizations have the power to innovate and communicate better.

To date, adoption across industries has varied but, perhaps unsurprisingly, digitally focused companies have mostly taken the lead.

“We have a CDP in place but that doesn't mean we're done with this topic. Next, AI will become an important enabler for us to predict consumer behavior.”

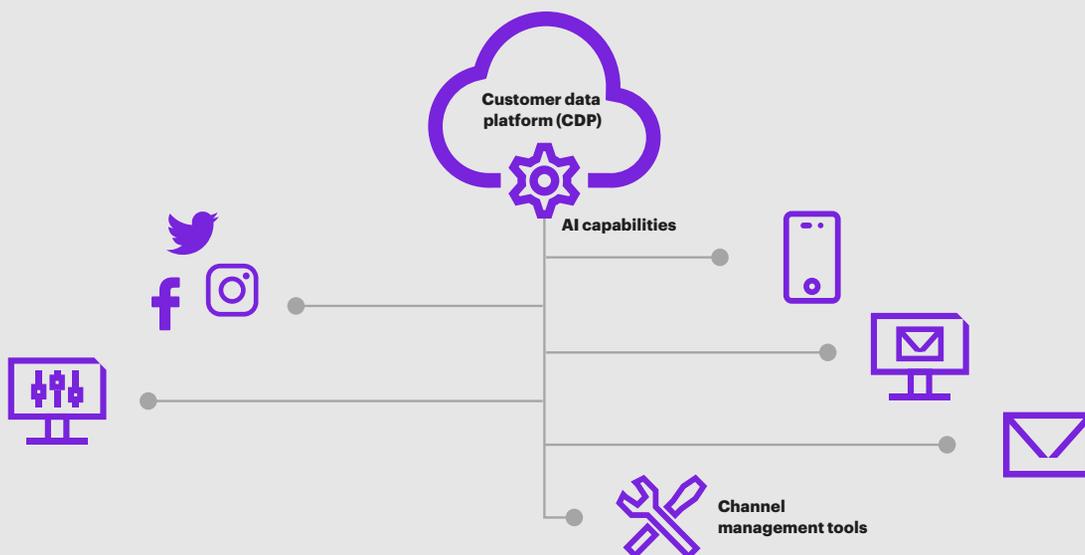
Florian Lindemann, team lead CRM at DKB

Connected channel management tools

Of course, having mountains of data and insights won't do you much good unless you're able to use them effectively. This means that channel management tools must be integrated with the CDP, with full access to the data it generates. By freely enabling this information wherever it's needed, organizations can finally hook up all marketing activities and stop own goals such as repeatedly targeting customers with ads for products they've already bought. So rather than being characterized by disconnected, shot-in-the-dark efforts, marketing moves up a gear and becomes genuinely data driven. This has benefits on the inside too. Even old-school channels such as direct mail can be brought up to date by managing them via software linked to the CDP, taking non-real-time flat file transfers and the need to send CSV files to print out of the equation.

Figure 2
Tech architecture

Consumer data platform as the central engine



Source: optilyz

Artificial intelligence (AI) and machine learning (ML)

Everyone's talking about AI and ML, and for good reason, although reliable data and clear-use cases are required to release their full potential. The more data you can access, the better able your algorithms will be to detect high-value consumers, create product recommendations, and spot those willing to buy. Automation enables organizations to predict when to act, via which channel, with which incentive, and using what content. Without it, campaigns rely heavily on historic transaction data, so risk being untimely, and retaining a one-size-fits-all feel. But is it a cure-all? Not yet. On the contrary, manual analysis still has its place, as one of our clients explains:

"It's still necessary to be able to perform potential analyses and segmentations at a very fine granular level [manually] to give your creativity full scope when researching and creating new campaigns, and to stand out from the competition."

Thomas Dold, managing director of MarTech player Dymatrix

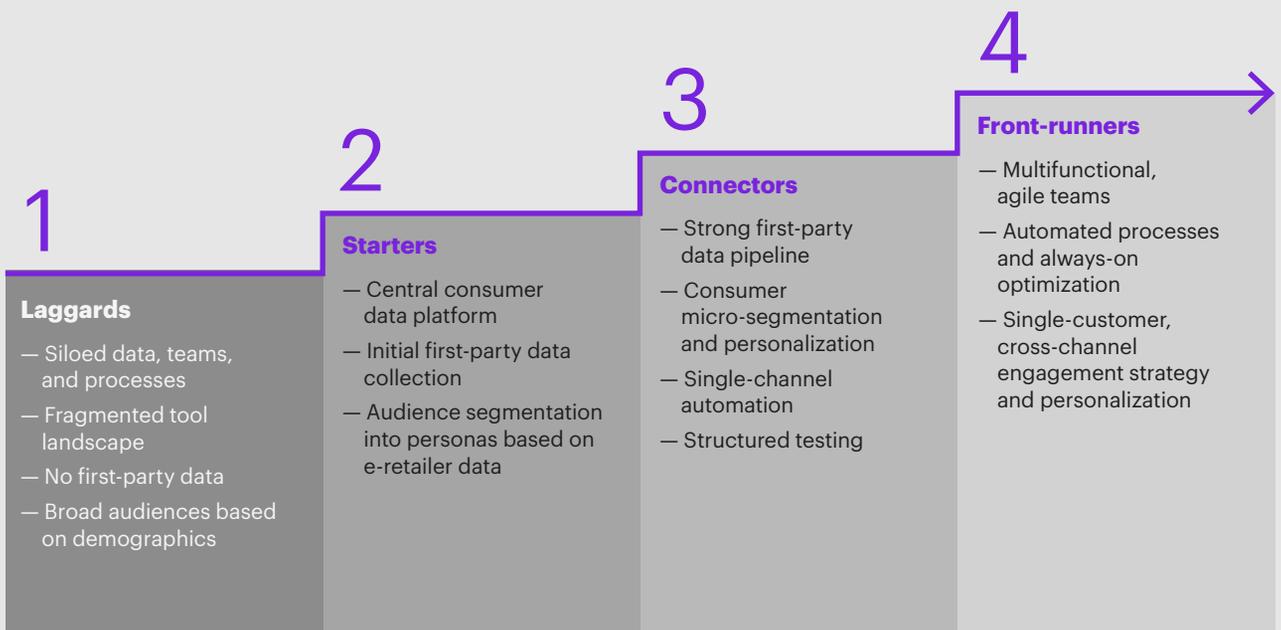
How to get there

We won't pull any punches—there are no shortcuts (see figure 3). Reorienting your entire business around consumer needs and desires is hard work and takes time. Neither is it something that can be trialed on a small scale or within a single division. Like any large-scale transformation, this will generate only a small fraction of the true potential that can be achieved.

"Brands have to work a lot harder to drive performance. You can't operate like this without automation. Brands of all sizes need to invest in tools that help them scale the effectiveness of their teams, their CRM, and their direct-to-customer communications."

Alex Timlin, SVP verticals of MarTech provider Emarsys (part of SAP)

Figure 3
Stages of excellence



Source: Kearney analysis

Some businesses, despite having every good intention, don't get very far because they fall into the trap of implementing discrete solutions without integrating efforts across the entire organization. For example, they might implement a CDP, but ignoring the requirements of a consumer-centric culture and mindset as well as organization will lead to little more than minor benefits, if not added complexity, confusion, and cost.

Front-runners are those that have invested significant effort and commit to their consumer across all areas of the business. Silos are a thing of the past within these organizations, and all activities start and end with customers in mind. They keep moving ahead by continuously finding new ways to be consumer-first, meaning they also create sustainable growth. Here you'll find fewer panels and more data, direct feedback rather than assumptions, and testing trumping traditions. And results count. When Nike launched its "triple double" strategy to double consumer interactions in 2017, net promoter score became the single measure of success, while a leading global insurer has radically shifted to consumer-centric key performance indicators to build trust with policyholders.

"We constantly measure NPS and provide each employee with immediate, personalized feedback on consumer interactions."

Head of CRM at a leading insurance company

Revenues go up, costs come down

For those that succeed, the rewards are there for the taking. Let's look at two of the game changers across most businesses.

Revenue gains

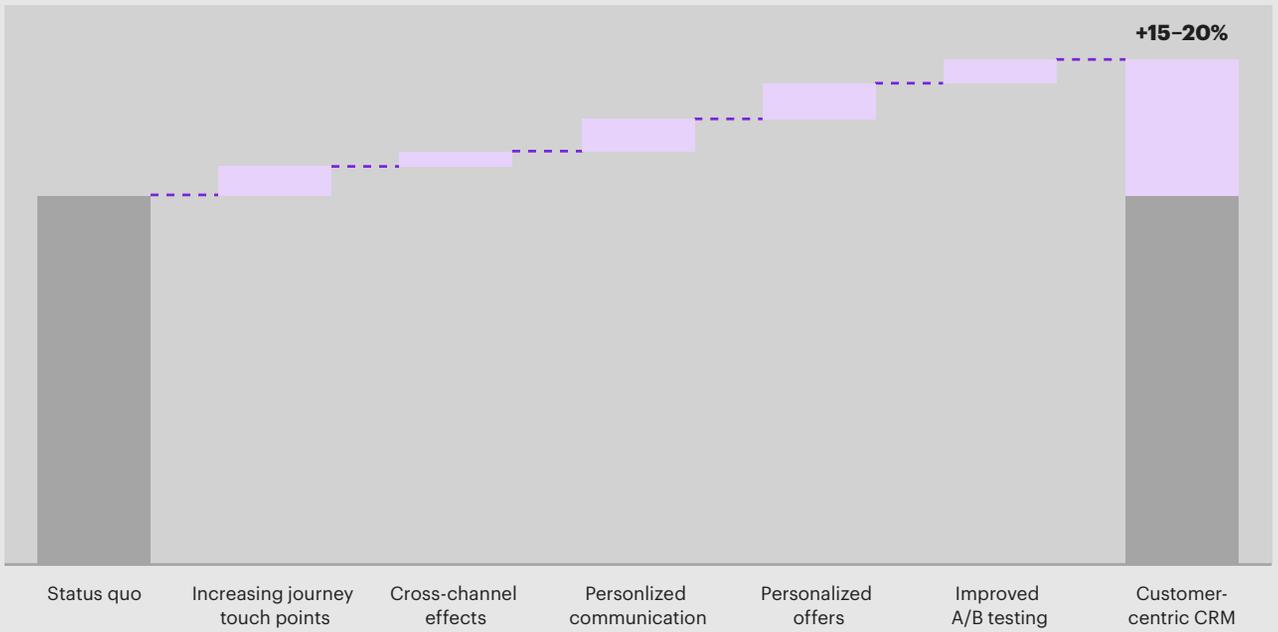
Becoming a consumer-centric business has the potential to increase revenue like few other transformations can. The combined force of meaningful consumer touch points, aligned cross-channel communication, personalized messaging, improved test-driven optimization, and other factors can push online revenues up by as much as 15 to 20 percent (see figure 4 on page 8).

Cost savings

Inconsistency is the enemy of the bottom line, spurring complexity and cost. But by embracing the consumer-first principle, companies can reduce both. We know manual analysis and segmentation are slow, costly, and often not comprehensive enough, which automation and centralized analysis can alleviate. Another area where improvements can be made is in relative channel performance and investment, one of the big challenges in marketing.

Overall, it's been revealed that connectors and front-runners can improve their [marketing return on investment](#) by up to 25 percent, primarily due to better lead conversion (up to 30 percent higher), as consumers respond to more relevant interactions, along with more effective campaign deployment. Moreover, [automation can reduce overheads](#) by up to 12 percent. At Panasonic, marketing return on investment jumped 30 percent [after it transformed its CRM](#) and marketing function.

Figure 4
Revenue gains



Source: optilyz study of 300+ companies

Ready to take the leap?

In a world where acquisition is becoming harder and more expensive, and where platforms are capturing demand, many companies face the threat of being eaten up. But you don't have to be one of them. Turning your business consumer-first might not be easy, but it's one way to differentiate in an increasingly uniform online world, keep consumers coming back, and turn them into loyal fans. What are you waiting for?

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