



cutting through complexity

The new normal of customer strategy

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kpmg.com





The new normal of consumer behavior

- The growth agenda
- What's different

Why customer strategy matters

- High profile blunders
- What went wrong?

Getting it right

- Customer strategy foundation
- What boards should be asking

The growth imperative

Growth has become the leading priority for the C-Suite.

Top of the List
How CEOs across industries rank 10 key priorities

	TOTAL	MANUFACTURING	FINANCIAL SERVICES	OTHER SERVICES
Business growth	1	1	1	1
Talent	2	4	3	2
Cost optimization	3	2	5	4
Innovation	4	3	7	3
Government regulation	5	5	2	5
Corporate brand and reputation	6	6	4	8
Customer relationships	7	9	6	6
Sustainability	8	7	8	7
International expansion	9	8	9	9
Investor relations	10	10	10	10

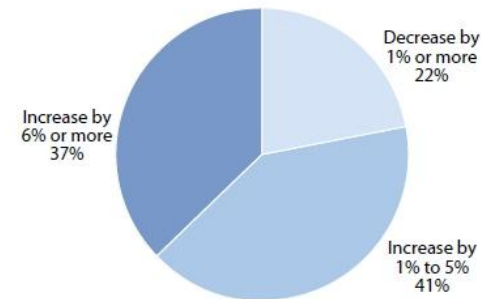
Source: Survey of 704 global CEOs by The Conference Board

A Conference Board Survey of top global CEO's ranked Business Growth as their #1 priority

Resulting in a marked increase in marketing spend

Figure 1 Marketing Budgets Grow In 2011

"By what percentage do you believe your marketing function's budget will change in 2011?"



Base: 296 marketing executives at North American and European high-tech B2B companies with 100 or more employees

Source: Q4 2010 North American And European B2B Marketing Organizations And Investments Online Survey 58175
Source: Forrester Research, Inc.

"2011 is a year for marketing leaders to act courageously and take calculated risks that will enable their brands to grow in a rapidly changing digital world."

"trends for the CMO to watch in 2011":Forrester

The new normal of market demand

Key success factors identified by CPG CFOs

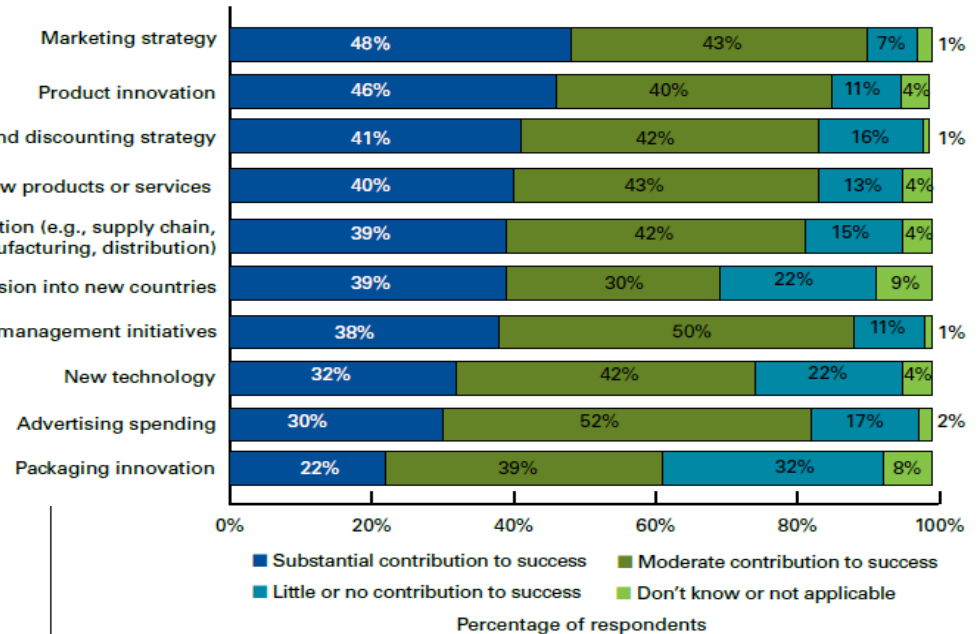
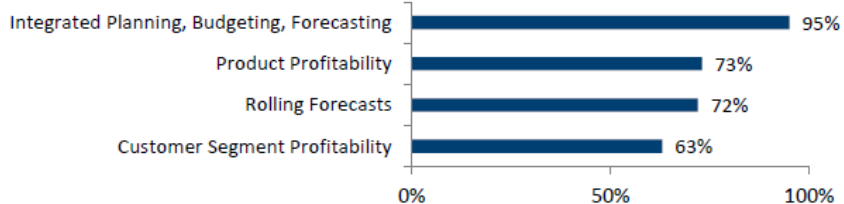
Coming out of the recession, CFOs and other financial professionals are focused on driving growth through the following processes:

Top Priorities for Financial Planning and Analysis Professionals

During the depths of recession, analysts focused heavily on:



Coming out of recession, analysts are focusing on:



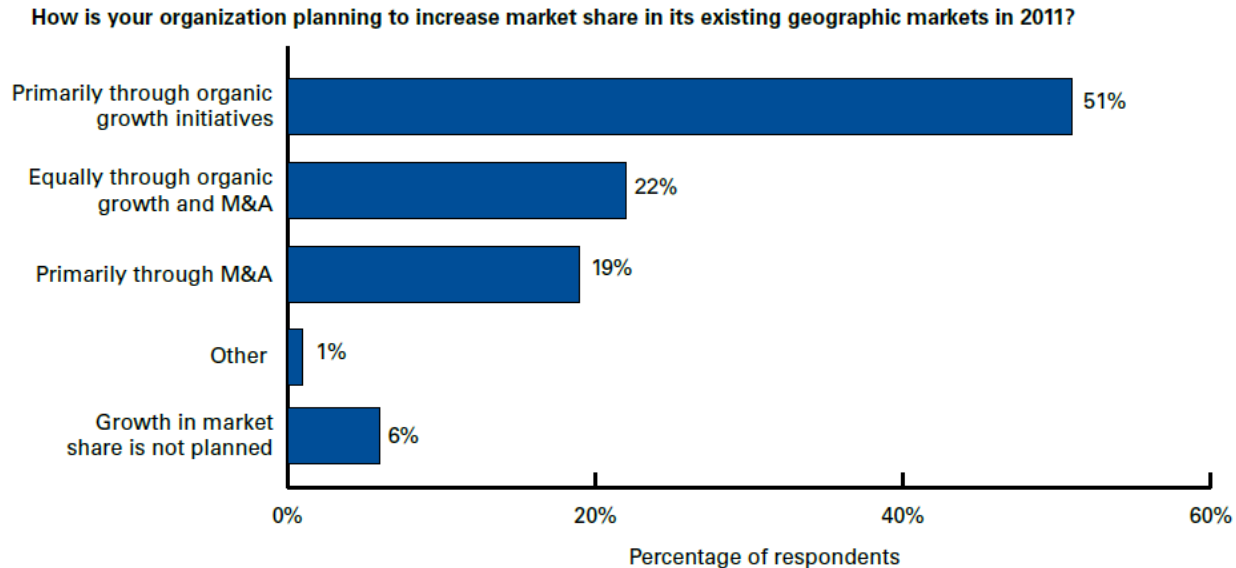
“With economists predicting slow and uneven GDP growth ...CFOs who run globe-spanning companies are counting on *steady growth in emerging markets to pick up the slack.*”

– How Corporate Financial Analysts are Dealing with Uneven Growth : APQC

CFO wants to know: “If we change course, what will the financial result most likely be?” – APQC

www.apqc.org

CFO surveys' results



Survey Results from KPMG's survey of CFOs

A report by The Hackett Group finds that:

CFOs believe in the need to “do what we can to help drive growth, but at the same time we have to keep our finance and G&A budgets in check.”

Oracle reports in a CFO survey that *CFOs are faced with recovery in emerging markets.*

IBM reports on CFO responsibilities:

CFOs are responsible for guiding the financial planning of growth strategies. ~IBM: The New Value Indicator

Business Finance Magazine reports that *“Companies have shifted back toward growth, and CFOs are spending more of their time in ‘strategist’ and ‘catalyst’ roles”.*

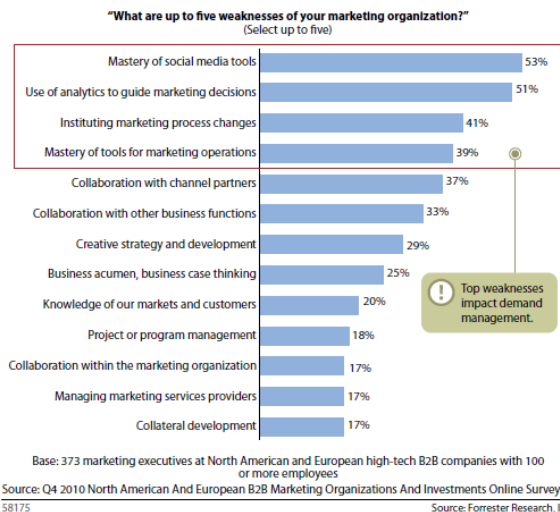
Execution gaps

Despite the aspiration, companies face challenges in executing the growth agenda:

Marketing organizations are challenged...

Top 5 Weaknesses

Figure 4 Tech Marketing Organization Weaknesses

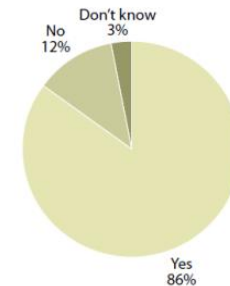


- According to Forrester, barely half of surveyed companies measure and monitor company-wide customer experience.
- Fewer than a third dedicate funds for customer experience improvements.
- Only a quarter have executives who reward employees for customer experience efforts.

And companies struggle with customer experience execution

Customer Experience Is A Top Strategic Priority

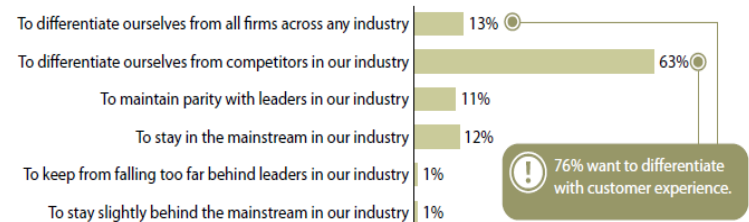
"Is customer experience one of your company's top strategic priorities for 2011?"



Base: 118 customer experience professionals (percentages do not total 100 because of rounding)

Executives Want To Differentiate On Experience

"How would you describe your executive team's goal for customer experience?"



Base: 103 customer experience professionals at firms whose executives have customer experience goals (percentages do not total 100 because of rounding)

Source: Q4 2010 Global Customer Experience Peer Research Panel Survey, Forrester Research, Inc.

Organic growth will become even more challenging as companies seek to understand the “new normal” for consumers



Financially challenged

- Average net worth down 23%
- Average credit card debt per household >\$10K
- 2.5M workers not in labor force



Less trusting of big institutions

- Growing discontent with government
- Aftermath of BP Gulf oil spill
- Increasing support for local producers and manufacturers



More informed than ever

- Growing internet access – 77% population are connected
- Mobile penetration – 47% mobile users utilize connected media
- Social media – 80% use product reviews to make decisions



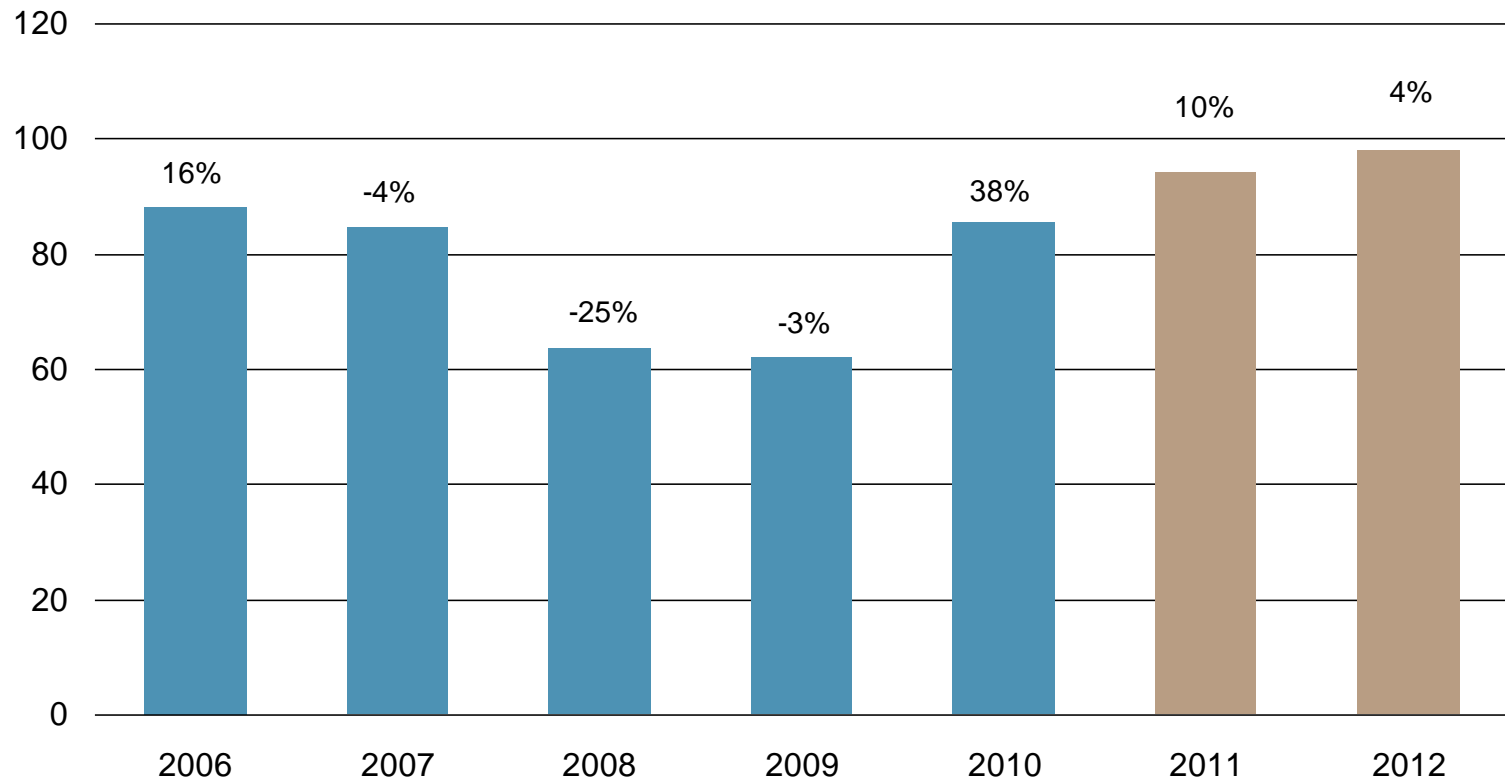
Values conscious sustainability

- 67% believe less is more
- 54% making effort to buy fewer disposable goods
- 57% pay attention to environmental and social impact of products

Corporate profit growth likely to slow

Earnings continue to grow despite anemic economic growth

Average S&P 500 earnings per share, in USD



Note: 2011–2012 UBS WMR earnings estimates.

Source: FactSet, UBS WMR



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Bank of America – \$5 Debit card fee and backlash



Stock reaction

- Stock price – dropped below \$6 for first time since financial crisis (Over 2.5% drop in one day)

Story of backlash

- 75% of 1000 respondents to switch banks in response to charge
- 300,000 signature petition to reverse decision within one month
- 21,000 pledge to close BoA accounts

Media reaction

- Time writer Martha C. White – “Barely 72 hours later, it seems that Bank of America's decision to charge customers \$5 a month to use their debit cards is rapidly becoming a New Coke-level blunder”

Verizon – \$2 Payment processing fee and backlash



Headlines

- “Verizon to charge \$2 fee for online payments”
- “Verizon Wireless: Yep, that’ll be \$2 to pay your bill online”
- “Verizon Wireless Adds \$2 Fee for Phone, Web Bill Pay”
- “Verizon Pulls Plug on \$2 Bill-Pay Fee”

Story of backlash

- Immense criticism online
- FCC interest in reasons behind charges
- Within 24 hours of debuting the plan, Verizon had withdrawn the idea
- Failure to rationalize claim to customers results in extreme backlash

Media reaction

- Branding Expert Rob Frankel—
“There’s absolutely no upside to this move and its subsequent retraction, none. The only thing this did is instill my assertion that corporate management is intellectually and creatively bankrupt.”

Netflix – 60% Increase in service fees and backlash



Stock reaction

- Netflix stock drops 7.4% (\$11.44) on day of announcement
- Stock drops 19% (\$39.46) within the week
- Analysts project Netflix to lose 1M customers (over 600k left within a month)
- CEO issues a formal apology within one week

Story of backlash

- Customers not happy with increase in price without any perceived increase in value
- Attitude of executives cooled many opinions of the company
- >600 thousand customers leave within a month

Media Reaction

- @RottenTomatoes – “We haven’t seen this many angry movie fans since that one studio bought that one movie review Web site.”

Key learnings

Understand the dynamics of the market

- There are no product mulligans
- Financial position
- Trust factor

Ask your customers

- Primary research
- Social media

Develop an innovation agenda

- Take the long view
- Tap into the demographics



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Successful management in the era of the empowered customer

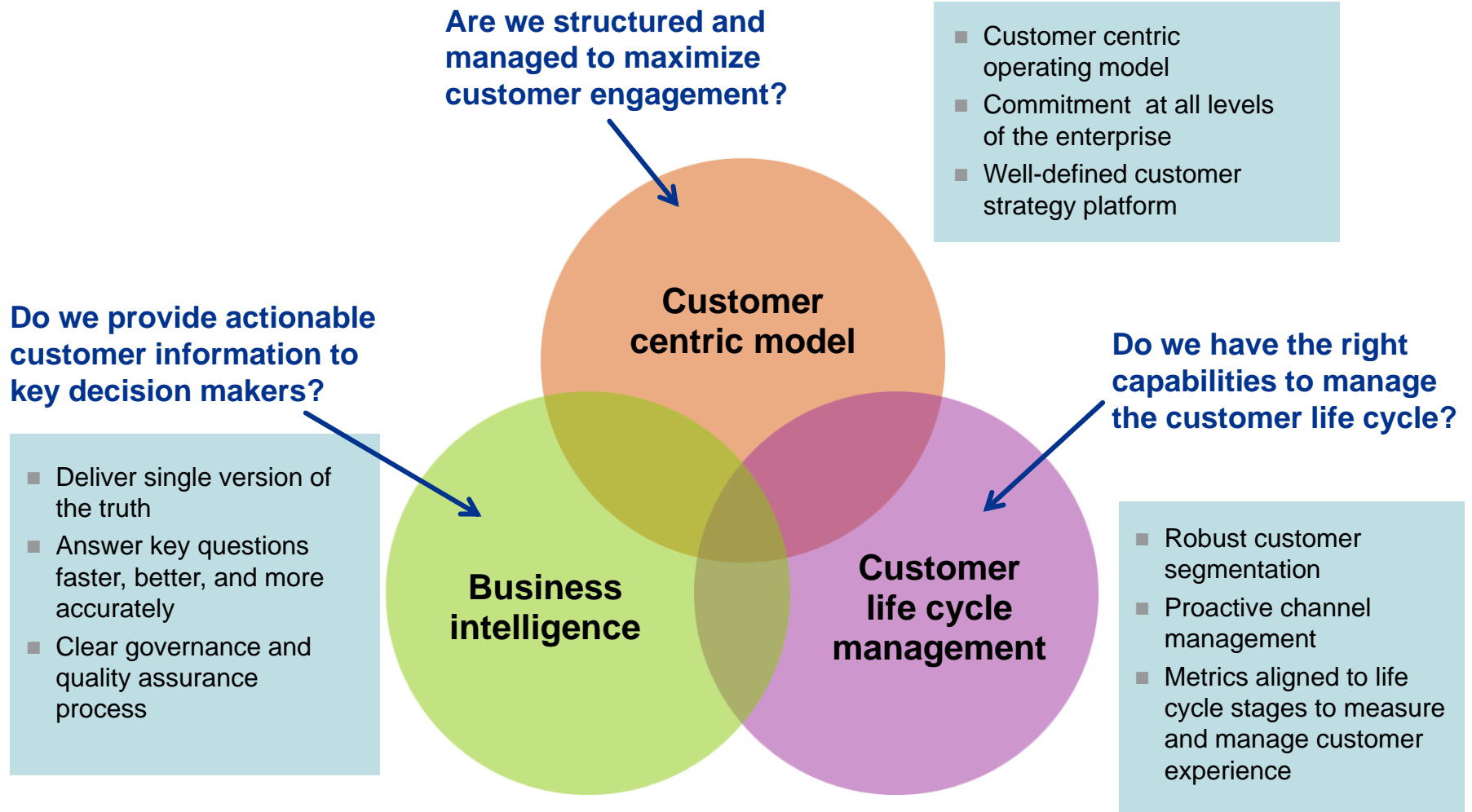
To maximize growth, companies will need to measurably improve customer understanding and go-to-market capabilities

Key questions:

- What markets/customers provide the best opportunity for profitable, sustained revenue growth?
- How do we create a “customer experience” that will maximize loyalty/engagement?
- How do we define/change our product portfolio to address the “new consumer”?
- How do we maximize our sales and marketing spend?
- What capabilities do we need to compete at speed and at scale?



Customer Strategy Foundation



Questions Boards Should be Asking

■ **Process:**

- **How robust is your customer strategy?**
- **How do you measure customer acquisition/loyalty performance?**
- **What is the ROI of your sales and marketing efforts?**

■ **Capabilities:**

- **How strong are your analytic capabilities?**
- **Are you utilizing automation to drive effectiveness and efficiency?**
- **Does your company have the appropriate digital capabilities?**

■ **Structural:**

- **Do you have Committee/subcommittee focused on customer strategy?**
- **Do you have a chief customer officer?**
- **Do you have an annual customer strategy audit?**

Thank you

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