

# CUSTOMER CENTRICITY PAYS

The world's top ranked retailers are all customer centric. And their customers have rewarded them with loyalty and more business. Here's what they are doing right...

**M**aking the shopping experience more relevant and satisfactory encourages customers to reward the retailer with their loyalty. The most customer-centric retailers are enjoying clear financial rewards. Retailers with top scores in the dunhumby Customer Centricity Index (CCI) that incorporates 126,000 individual retailer assessments made by customers from 13 countries around the world – carried out over a period of 12 months saw their banner sales increase by an average of 3% and their market share grow by 7% from 2015–2016.

However, retailers with low scores saw banner sales drop by 2% and their market share decrease by 1% over the same period. These figures show in stark relief the significant business value for retailers if they can understand and meet their customers' needs. Customer centricity is good business strategy.

The dunhumby Customer Centricity Index (CCI) is based on seven key 'pillars', which have been identified by customers as what mat-



ters most to them when they shop. These are Communications, Range & Service, Promotions, Price, Affinity, Rewards, and Ease. Each pillar represents an aspect of the customer experience. Here are key findings from *Driving Growth through Customer Centricity*, a report by dunhumby based on the dunhumby Customer Centricity Index (CCI).

## AFFINITY

Brand Affinity represents the personal connection that great retailers build with their customers when they successfully reflect their values, driving long-term loyalty. The world's most customer-centric retailers deeply understand their customers, ensuring that the key elements



of their offer mirror the customers' expectations. High Brand Affinity = High Customer Centricity. However, focusing solely on affinity is difficult as it is driven by a number of factors:

- ◆ Having a core competency that provides differentiation
- ◆ Developing a personal connection with your customers
- ◆ Communicating and delivering what is promised to your core target group

High ranking retailers seldom excel only at affinity: almost 50% also excel on one other pillar – most commonly Communications or Range and service.

A further 25% of retailers that excel at affinity excel on two other pillars. Positive brand affinity is an outcome of successfully executing on the other pillars that matter most to your customers.

A positive Affinity score correlates to a high customer centricity score, so what's the best way to drive Affinity and connection? By identifying your core competency, communicating that to your most important customers and delivering exactly what you promise, thereby giving customers a great shopping experience. How do you make customers care about your brand's long term success? Fulfil fundamental needs

such as good quality, value for money products, coupled with an easy and enjoyable shopping experience.

#### **PRICE AND PROMOTIONS**

While price involves offering better value for money than the competition and offering deals on products of most interest to customers, promotion refers to offering easy-to-understand promotions on good products with a genuine financial incentive for the customer.

Together Price & Promotions account for exactly a quarter of overall importance, demonstrating that fairly priced products and value-for-money promotions play

**THE MOST CUSTOMER-CENTRIC RETAILERS ARE ENJOYING CLEAR FINANCIAL REWARDS; THEY SAW THEIR BANNER SALES INCREASE BY AN AVERAGE OF 3% AND THEIR MARKET SHARE GROW BY 7% IN A YEAR.**

a key role in shaping customer perceptions. The results show surprising differences across regions and countries.

For example, Brazilian shoppers who have a long legacy of Price & Promotion in their shopping expectations see these pillars as more of a hygiene factor than in the British or Japanese markets (28% and 48%), where value offers from the likes of Lidl and Aldi (UK) to Costco and Walmart Seiju (Japan) have made more recent inroads with shoppers.

**RANGE & SERVICE**

Range & Service encompasses customer service, product choice, availability, store layout and experience. On the surface, it seems the most obvious thing – ensure you have a good range of products, backed up by good customer service. But getting the fundamentals of your in-store environment right is not easy if you don't understand customer needs and behaviours.

Leveraging data and insights to develop the most effective range and service approaches that reflect different customer needs in different locations is vital, especially for those with a complex, multi-channel, mul-

ti-format offering. A good combination that has worked for retailers is Range & Service + Price. This was the most common path to a top customer centricity score, with a set of retailers that have excelled in providing a great range of products, supported by solid customer service and a positive price perception. This has helped drive affinity with their customers and achieve high centricity.

**COMMUNICATIONS AND EASE**

Communication refers to talking to customers in a relevant and personal way across mass and direct media and instore, inspiring customers with content that they find relevant and interesting. Whereas, ease is about making the shopping experience easy for your customers, with convenient locations and speedy checkouts. The pillars of Communications and Ease (of shopping) account for an average importance of 10% and 8% respectively. It's evident that customers favour retailers that focus on clear communications and the convenience experience.

**REWARDS**

Encouraging further visits by offering customers benefits, exclusive services and a generous and inspir-

ing customer loyalty programme. While rewards have scored lower than other pillars, suggesting a drop in customer engagement in this area, it's important to highlight the wider significance and benefits that well-run rewards programmes can bring the retailer, particularly the data and engagement opportunities which impact other pillars such as Communications and Affinity (personalisation and relationship). Rewards programmes with simple and immediate benefits can also be an important differentiator. Top performers from food-focused hypermarkets have achieved high centricity by excelling at their rewards strategy combining it with communications, creating a great connection with their customers.

**ONE SIZE DOES NOT FIT ALL**

Analysis focusing on the top 100 retailers indicates that there is no single route to success, but a combination of two or more pillars works. However, there are common attributes that they all score well on with their customers. These attributes can also be used as a barometer to measure performance and track progress. Customers want trust and transparency (expectations are met and prices clearly marked), ease (make checking out easy) and value (relevant range and good value on the products). All the top 100 consistently perform well on Price, Range and Service and Promotions, with attributes reflecting common themes such as good value, good prices, enjoyable shopping experience, and satisfaction. 😊