LIVING BUSINESS
Achieving Sustainable Growth Through Hyper-Relevance

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In today’s disruptive markets, business leaders across key industries are experiencing new levels of stress. Driving growth is always at the top of every CEO’s agenda, but the path to success isn’t what it used to be. Customer loyalty, once a dependable source of stability and growth, has been upended by emerging technologies.

Today, customers have a wealth of options when it comes to buying the product, service or experience that they historically relied on one company to provide. They’re shopping around, more than ever before. They’re more likely to opt for speed and personalized service over familiarity.

When customers switch from one brand to the other these days, 64 percent cite seeking a more relevant offering as their reason for making the switch. This number is likely to increase.

That means companies need to be agile, moving nimbly and continuously to accommodate customers’ ever-evolving needs and circumstances. They need to be hyper-relevant. Remaining static can be extremely costly. In the U.S. alone, the potential revenue that companies lost to competitors in 2017 by not being relevant enough was a startling $1 trillion.

So how do you achieve growth at a time of unprecedented disruption? By becoming a Living Business – one that continuously adapts to changing customer preferences and market conditions with speed and at scale.
Based on our survey of more than 23,000 consumers (representing 33 countries and commenting on more than 8 different industries)

25% of customers say they’d quit doing business altogether with a business that wasn’t relevant.

Companies that are perceived as relevant by its customers are 68% more likely to be recommended to friends and family.
“What are the keys to sustainable growth in a world where market turbulence is the norm?” It’s a question on the minds of many company leaders who are spending more money than ever before in the pursuit of the next big idea, yet not seeing a return on their investment.

Small digital pure-play organizations are hardwired to thrive in this environment. So, too, are giant digital natives such as Amazon. Such organizations are constantly offering customers more compelling, convenient and highly personalized products and experiences. They’re also seamlessly moving from one growth opportunity to the next, even across industry boundaries. In fact, 78 percent of consumers surveyed would be willing to engage with digital natives for their banking and financial service needs.

But most large companies and industry mainstays face a tougher road. Asset-heavy infrastructures are limiting the ways in which they can serve existing customers and attract new ones. Outdated marketing, promotion and channel strategies, developed to exploit the ability to deliver volume at scale, are now barriers to overcome.

To identify a clear path forward for today’s large organizations, Accenture undertook a major research initiative in 2018 to determine how leaders in sustainable growth are different than their peers. We found that these companies:

• Understand the changing digital needs of customers;
• Pivot growth strategies to profitable areas beyond the core;
• Fund new growth by optimizing costs elsewhere.
Additionally, our findings indicate that the path to continuous growth depends on developing five interdependent sets of capabilities:

**Target**
the right sustainable growth initiatives by adopting an investment strategy that fuels continuous cycles of innovation;

**Design**
products and services that reflect the company’s purpose with relevance in mind;

**Build**
a range of engagement channels so that the company can bring designs to market in a variety of ways, enhancing customers’ experiences and enabling live feedback;

**Scale**
their ability to reach their market potential through platforms, partnerships, and alliances;

**Rewire**
their workforces – through changes to their structure, metrics, culture and more – so that employees see explicitly how their work fosters a better customer experience and hone in on relevance as a goal.

When working in unison, these capabilities enable companies to make the necessary transformation from static businesses into Living Businesses.
What’s more, we found that the companies that scored highest on these capability sets – high-vitality companies, or what we call Living Businesses – were also much more likely to achieve strong performance relative to their peers. These high-vitality companies, despite being only around 10% of the companies we studied – are 50 percent more likely than low-vitality companies to report a strong readiness to weather business cycles and disruption in their industries. They are three times as likely to achieve above-average revenue and profit growth and were also much more likely to achieve strong performance relative to their peers. They are also three times as likely to achieve above-average revenue and profit growth.

Overall, the research revealed, their level of mastery of the identified capability sets yields three distinct characteristics. These companies:

• Consistently deliver intelligent experiences. The way they interact with customers, partners and employees is informed by targeted and real-time data. If a customer wants a certain delivery timeline, it’s arranged. If a customer would be attracted by a particular offer, it’s provided. If an employee or a partner needs information from a different part of the organization to make a decision or carry out a process, that information is accessible in a useful form. These companies adapt experiences to individual needs, preferences and context – while staying true to their brand values.

• Engage in responsive innovation. Their infrastructure and culture are primed to embrace new ideas, behaviors and technologies so they can anticipate and respond to evolving opportunities.

• Act as agile organisms. Their operating models have broken down internal siloes. These organizations are carefully deploying the latest technologies to advance overall performance.

What guides them along this journey? What we call a purposeful personality. A clear and focused purpose underpins the organizational behaviours that will adapt and evolve around customers. This purpose sets it apart from others at the outset, serves as its north star, and manifests as a predictable “personality” to both employees and customers.
Most executives in our study are feeling intense pressure to become relevant.

But the difference between the high performers and the other companies is telling: 95 percent of respondents representing the highest-performing organizations agree that “customer expectations are increasingly shaped by the most relevant, real-time and dynamic experiences” that they encounter across all industries. Respondents at lower-performing companies, however, were 20 percent less likely to agree.

Moreover, the gap between understanding the nature of the challenge and taking effective action to meet it is also wide – up to seven times greater for lower-performing companies than for high performers.

Leaders who aspire to bridge that gap within their organizations should begin by considering each capability set as a transformation pathway, with their current status as a starting point. The good news for organizations ready to transition into a Living Business is that the age of a company isn’t an impediment to progress. Older companies are not at an inherent disadvantage at the outset. Outside of the small digital pure-plays and the digitally-native giants, the age of the companies we studied was not an indicator of their proficiency in these areas. To understand why, consider each capability set in turn:

- **89%** of high performers believe that their business needs a “much more iterative, dynamic, agile approach to doing business compared to three years ago.”

- **89%** of high performers agreed that “business reinvention is required to be successful in today’s context.”

- **67%** Among lower-performing organizations, 67% agreed;

High performers were unsurprisingly far more adept than others at bridging the gap between their knowledge of what is needed to succeed and doing what it takes. The knowledge-achievement gap among other companies was up to seven times greater.
TARGET GROWTH TO FUEL INNOVATION
Companies should:
- Understand customers’ changing digital needs and preferences;
- Pivot growth strategies to profitable areas beyond the core;
- Fund new growth by optimizing costs elsewhere.

Among high-performers, 94% are planning to invest more in growing through areas beyond their core business in the coming three years, compared with just 73% of all other respondents.

93% of high performers believe these capabilities will be highly important in the next three years, compared to 66% of other respondents.

In essence, targeting is about identifying and selecting new value and business models wisely. It includes recalibrating investments based on a better understanding of whether a new idea or opportunity represents a beneficial disruption worth pursuing. It also requires balancing core growth with disruptive growth.

To fully develop this capability set, executives need to ask, “What is it about our company that makes us relevant to customers now?” Then, they need to think about their brand’s identity with that relevance in mind.
High performers in the insurance, communications and high-tech industries were especially likely to be strong in these capabilities relative to other companies in the industry.

- **92%** of high performers are excelling beyond their peers (other companies in their industry) when it comes to “funding new growth initiatives by optimizing costs elsewhere,” compared with
- **62%** of other companies in our study.

High performers in the insurance, communications and high-tech industries were especially likely to be strong in these capabilities relative to other companies in the industry.
DESIGN
HYPER RELEVANT PRODUCTS AND SERVICES
Executives sometimes debate over whether they should develop and bring to market products that are flashy and alluring, or those which are staid yet practical. Living Businesses know that these sorts of decisions are not binary. They also know how to meet different – and evolving – expectations. The “win” lies in finding the right balance by designing and bringing to market products and services that respond in real-time to customers’ changing circumstances.

Designing for relevance means:
- Acting on insights derived from advanced customer analytics.
- Developing compelling new experiences;
- Maximizing personalization and contextual sensitivity of products, services, and experiences;

94% of high performers believe design to be highly important to business success, compared to 68% of all other respondents.

High performers in Media and Entertainment, Insurance and Travel are especially likely to be strong in these capabilities relative to other companies in the industry.

81% of high performers were also more likely to have grown through innovation in areas beyond their core business, compared with 56% of all other respondents.

93% of high performers report strong success at innovating compelling new customer experiences compared with 66% of their peer set.
BUILD NEW EXPERIENCES CUSTOMERS LOVE
**BUILD**

Build capabilities are focused on using a company’s operating models to test, build and scale physical and digital experiences that are immediately relevant to customers. This set is about using engagement channels to the greatest possible advantage – for the customer and the company. Living Businesses tend to be laser-focused on outcomes in this area. This ensures that they move on to new endeavors before the advantage of a single, hyper-relevant offering or approach is exhausted.

Build capabilities focus on:
- Using agile technology platforms and prototyping to develop and improve experiences;
- Rapidly scaling execution of new growth initiatives;
- Optimizing operations for dynamic execution across channels.

- **93%** of high performers found these build capabilities to be highly important to business success, compared to
- **67%** of all other respondents.

Among high performers, **92%** report excelling beyond their peers when it comes to optimizing operations to make products and services more relevant to customers. Only
- **62%** of other respondents could say the same.

High performers were **30%** more likely to believe that “acting on insights derived from customer analytics” would be at least moderately important over the next three years, compared to their peers.

High performers in the hotel industry are especially likely to be strong in these capabilities relative to other companies in the industry.
SCALE BEYOND YOUR BOUNDARIES
To master this set of capabilities geared towards achieving market potential, a company needs to establish collaborative relationships with forward-thinking partners beyond its traditional industry boundaries. That’s because Living Businesses share select data purposefully and efficiently – internally and across a broad ecosystem of partnerships – to achieve a powerful multiplier effect.

To harness scaling, companies should:
- Collaborate with partners beyond traditional boundaries;
- Connect employees/partners with data via cloud platforms;
- Ensure that customer data moves fast, seamlessly, and accurately.

92% of high performers found these scaling to be highly important to business success, compared to 66% of all other respondents.

91% of high performers report excelling beyond their peers when it comes to “collaborating with partners beyond traditional industry boundaries.” Only 61% of other respondents said the same.

What’s more, in the last year, 28% of high performers engaged with a new type of alliance partner. Among lower-performing companies? That number was just 13%.

High performers in Transportation and Consumer Goods are especially likely to be strong in these capabilities relative to other companies in the industry.
REWIRE YOUR CULTURE AND WORKFORCE
Living Businesses strive to develop a workforce that combines the power of human ingenuity and artificial intelligence.

Take GE Global Research, which is investing in training scientists to become “dual scientists” who are not only masters in their original area of study, but also understand how to interact with AI and other machine learning systems to create additional value. By July 2017, 400 employees had received certification in data analysis and about 50 scientists had shifted jobs accordingly. Meanwhile, GE created 100 new jobs related to AI and robotics in 2016.

Rewire capabilities include:
- Fostering a culture that continually seeks to better customer relevance;
- Re-orienting organization structures around customer focus;
- Augmenting the workforce with flexible tools to enhance relationships.

92% of high performers found rewiring to be highly important to business success, compared to 66% of all other respondents.

93% of high performers report excelling beyond their peer set when it comes to adjusting their organization’s structure in ways that benefit the customer. Only 64% of other companies can say the same.

Rewire proved to be a key area of differentiation for high performers across 9 out of 10 industries we studied—more than any other capability set.
NO TIME TO WASTE

A track record of sustained success is no longer a reliable predictor of future growth, or even survival. Fifty-two percent of the companies that were included in the Fortune 500 in the year 2000 are no more.

That’s why Living Businesses are focused on creating new advantages before their current strengths fade. The contrast between their continuously highly relevant offerings, and those of companies hanging onto outdated “best practices,” will be stark. And the consumers of today and tomorrow will always choose relevance.
**ABOUT THE AUTHORS**

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About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 442,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com

About the Research

In 2017 and 2018, Accenture Research surveyed over 1000 top executives, including 195 CEOs, at companies spanning more than 10 industries and with headquarters in 28 different countries. The survey asked about the extent to which customer relevance is driving their company’s growth outcomes, and also asked respondents to assess their company’s capabilities in terms of becoming and staying hyper-relevant to customers. We used this information to assign each company a “Vitality Score,” and, using both self-reported performance data and public financial data, we developed a model that links Vitality with firm performance.

Separately, as part of Accenture’s annual Global Consumer Pulse Survey, we asked over 23,000 consumers, representing 33 countries and commenting on more than eight different industries, about what makes companies and brands relevant to them. We also found out how their perception of a brand’s relevance drives their purchasing behaviors.