Achieving Sustainable Growth Through Hyper-Relevance

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Businesses have long depended on the loyalty of their customer base to support growth. Today, many are experiencing a different reality.

Consumers are shopping around—more than ever before. Research confirms it: The traditional concept of customer loyalty has shifted, with the onus on the company to constantly adapt and cater products, services, and experiences to the customer.

That means companies can no longer rely on the same methods they used before to attract customers. Moreover, instead of taking steps to build loyalty, they have to think in terms of attracting those same customers by offering them a consistently fast, personalized and reliable experience—or risk losing them to the competition.

Brands need to keep up. 64% of the times that customers shift from one brand to another, it’s in order to seek a more relevant product, service, or experience—and this number is likely to increase. Companies need to be agile, moving nimbly and continuously to accommodate customers’ ever-changing needs and circumstances. They need to embrace a customer-centric mindset that inspires different behaviors and ways of working in everything they do. More than relevant, they need to be hyper-relevant. And to keep them true to this purpose, organizations need to have a strong personality, a North Star, that underpins organizational behaviors and guides them, as they evolve.

Remaining static can be extremely costly. Our research revealed that 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.

But, how do you achieve sustained growth at a time of unprecedented disruption? By becoming a Living Business—one that continuously adapts to the evolving needs of its customers, and market conditions, with speed and at scale, to achieve total relevance.
THE KEYS TO SUSTAINABLE GROWTH

“What are the keys to sustainable growth in a world where market turbulence is the norm?” This is 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 are not seeing a return on their investment.

Living Businesses unlock sustained growth by continuously adapting to the evolving needs of their customers to achieve total relevance.

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 from 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. Each capability set is focused on deploying advanced technologies with precision. In turn, they sharpen companies’ abilities to conceive, design, and exploit distinctive offerings that meet customers’ demands at the exact moment they most need them. Together, these capabilities characterize organizations that can consistently deliver hyper-relevant services.

In short, they transform static companies into Living Businesses.

Small, digital, pure-play organizations, and giant digital natives alike, are hardwired to thrive in this environment. These responsive organizations are constantly offering customers a more personalized and relevant consumer experience. They’re also seamlessly moving from one growth opportunity to the next, even across industry boundaries. In fact, 78% 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.

So, how can established organizations like these unlock growth with relevance? They do it by designing with customers in mind, and acting with agility. And, a select group of organizations have begun to crack the code.
Successful companies today realize that customer expectations are shaped by the most relevant, real time, dynamic experiences they encounter across all industries. Customers don't switch from these organizations to others; increasingly, they switch to them.
Based on our consumer survey of more than 23,000 consumers (representing 33 countries and commenting on more than 8 different industries):

- 64% of the instances when customers switch from one brand to another is driven by a lack of relevance.
- One in four customers say that they’d stop doing business altogether with a business that wasn’t relevant.
- 68% more likely that a company perceived as relevant by its customers will be recommended to friends and family.
- $1 Trillion is the amount of revenue at stake that companies lost to competitors in 2017 by not being relevant enough in the moment, in the U.S. alone.
Our findings indicate that the companies that are succeeding and achieving continuous growth have developed five interdependent sets of capabilities, which represent the keys to growth in the future. These Living Businesses:

**Target New Opportunities**
Target core and disruptive growth initiatives to fuel responsive innovation.

**Design for Customers**
Design products and services as hyper-relevant platforms.

**Build Engagement**
Build intelligent marketing and sales experiences.

**Scale with Partners**
Scale with a broad and new set of ecosystem alliances.

**Rewire Culture**
Rewire your workforce with a customer-first mindset.
In our study of over 1,000 companies, we assigned each organization a “Vitality Score” based on its proficiency across five sets of capabilities. The companies that scored highest on these capability sets—the Living Businesses—were also much more likely to achieve strong performance relative to their peers. These companies, despite being around only 10% of the companies we studied, are 50% more likely than others to report a strong readiness to weather business cycles and disruption in their industries. They are also three times as likely to achieve above average revenue and profit growth.

**VITALITY BY CAPABILITY**

- **TARGET NEW OPPORTUNITIES**
  - Understand changing digital needs of customers
  - Pivot growth strategies to profitable areas beyond the core
  - Fund new growth by optimizing costs elsewhere
- **DESIGN CUSTOMERS**
  - Innovate compelling new experiences
  - Maximize relevance of products, services, and experiences
  - Act on insights derived from advanced customer analytics
- **BUILD ENGAGEMENT**
  - Use agile tech platforms and prototyping for new experiences
  - Rapidly scale execution of new growth initiatives
  - Optimize operations for a dynamic execution across channels
- **SCALE PARTNERS**
  - Collaborate with partners beyond traditional boundaries
  - Connect employee/partner with customer data via cloud
  - Ensure customer data moves fast, seamlessly, and securely
- **REWIRE CULTURE**
  - Foster a culture that continually seeks better customer relevance
  - Augment workforce with flexible tools to enhance relationships
  - Rewire organization structures around customer focus

High Performers show more consistent performance across the five capability sets.

**AVG. PERFORMANCE VARIABILITY (MAX-MIN) ACROSS ALL FIVE AREAS (SCORE 0 to 100)**

- **ALL OTHERS**: 70
- **HIGH PERFORMERS**: 86
- **ALL OTHERS**: 24
- **HIGH PERFORMERS**: 17


**LIVING BUSINESSES CONSISTENTLY EXCEL BEYOND THEIR PEERS ACROSS ALL CAPABILITIES**
LIVING BUSINESSES ARE BEST POSITIONED TO SURVIVE DISRUPTION

Living Businesses are 50% more likely to be well prepared for industry disruption.

BUSINESS CYCLE ENDURANCE VS. VITALITY
Self-reported preparedness to “survive” past and future disruption (on a scale of 1 to 5), compared to average preparedness score.

LEVEL OF VITALITY

ENDURING PAST & FUTURE DISRUPTION VS. VITALITY
Level of preparedness to “survive” past vs. future disruption (Low = 1.0x).

LEVEL OF VITALITY

LIVING BUSINESSES ARE LIKELY TO PERFORM BETTER THAN THEIR PEERS

Vitality links to stronger growth. Living Businesses are around three times more likely to achieve above-average revenue and profit growth.

COMPANIES THAT GROW FASTER BY LEVEL OF VITALITY

% of companies by vitality level with self-reported YoY revenue/profit growth higher than average

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<td></td>
<td>%</td>
<td>%</td>
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<tr>
<td>LOW</td>
<td>15%</td>
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<tr>
<td>MEDIUM</td>
<td>24%</td>
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<td>HIGH</td>
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% companies that grew 1.5x more than peers (on average)

...that grow about the same than peers (on average)

...that grow 0.75x less than peers (on average)

WHERE HIGH PERFORMERS EXCEL VARIES BY INDUSTRY BUT THREE CAPABILITY SETS STAND OUT MOST

The extent to which these organizations excel at each capability differs by industry. High performers stand out on three capability sets—Target New Opportunities, Design for Customers, and Rewire Culture—in particular.

On a macro level, companies holistically aligned to these capabilities are far better positioned to identify and pursue investments that meet and anticipate market expectations. On a micro level, they are strongly positioned to personalize offerings around individual customer needs.

TRANSFORMATION PATHWAYS TO BECOMING A LIVING BUSINESS

The Five Capability Sets

All the companies in our study are feeling intense pressure to become relevant. But, the difference between the high performers and the other companies is telling: 95% 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 were 20% 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.

To bridge that gap and become a Living Business, it helps to consider each capability set as a pathway to transformation, with your current position as a starting point. The good news for an organization 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 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, let’s consider each capability set in turn.

- **High performers** believe that their business needs a “much more iterative, dynamic, agile approach to doing business compared to three years ago.”
- **High performers** agreed that “business reinvention is required to be successful in today’s context.”
- 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.
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 fuel responsive 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.**

Of the 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.

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

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 particularly likely to be strong in these capabilities relative to their peers.
Living Proof: mBank

mBank, based in Poland, provides a good example with its “mPower Business Starter,” a digital service model developed to simplify the process of launching a business. Traditionally, setting up a fully operative company in Poland takes between 10 and 30 days, and requires several separate interactions with a bank and the government.

Now, using the Business Starter, it takes about 10 minutes and occurs in a single interaction with the bank. The bank works in cooperation with the Polish Ministry of Digital Affairs and Ministry of Economic Development, and integrates government, bank, and accounting services (through its own mAccounting offering). And customers can create a digital signature, open a business account, and register their new company in one efficient transaction—filling out a fraction of the forms and fields they would have previously.

In the next two years, mBank expects 15% of companies entering the Polish market to use the mPower Business Starter.

To fully develop this capability, executives must look inward and ask, “What is it about our company that makes us relevant to customers now?” Not only will it allow them to develop a robust targeting strategy, but they will benefit from having a clear goal in sight with the peripheral vision to see other opportunities.
DESIGN FOR CUSTOMERS
Companies sometimes debate 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, hyper-relevant 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.**

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

High performers in media and entertainment, insurance and travel, are particularly likely to be strong in these capabilities, relative to their peers.

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

of high performers report strong success at innovating compelling new customer experiences compared with of their peer set.
Living Proof: Achmea Holding N.V.

Dutch insurer, Achmea Holding N.V., is targeting an underserved market segment—low-income households—by offering a product explicitly designed for them, to provide safety and improve their neighborhoods, by preventing or reducing damage from fires and burglaries.

Specifically, Achmea has developed and piloted a peer-to-peer alarm platform that makes it easier for neighbors, friends and family members to find out when there is a potential problem near them, reach one another, and help each other out. The platform works by connecting a variety of home security solutions, including Chuango, to messaging apps such as WhatsApp and Facebook Messenger.

With initial, positive results (in declining claims from those participating, and from social housing corporations in the target area), Achmea is now planning to scale this to more households within the next several years.

When you prioritize design to meet evolving customer needs, you reap the benefits of becoming a continuously innovative and relevant organization that stays in step with consumers—and a step ahead of the competition.
Living Proof: Telefónica

In today’s disruptive telco market, where retaining subscribers while attracting new customers is key to remaining competitive, Telefónica wanted to become a telco of the future through digital transformation. Accenture helped the brand reimagine their experience with a customer-centric mindset.

To get started, we analyzed the customer and prospect digital sales journey, which revealed a strong opportunity to optimize Telefónica’s digital marketing and online sales capabilities. We then designed a secure digital environment that helps them anticipate customer expectations and adapt to an ever-changing market, resulting in highly personalized products and experiences.

End-to-end digital analytics have helped to increase insight, allowing Telefónica to convert leads into sales more efficiently, improving every aspect of the entire customer journey. Through use of digital assistant platforms and call center support, Telefónica is now equipped with the digital technologies and understanding required to unlock sustainable growth for years to come.

Today, Telefónica is powered by state-of-the-art service and web design, plus advanced data analytics, and the company offers a relevant, consistent and personalized customer experience. The transformation has reduced acquisition costs; increased website visits—particularly from new customers; and driven brand growth, generating more than one million digital purchases. By continuously adapting to the evolving needs of their customers, Telefónica now has what it takes to enjoy continued success in one of the most disruptive markets on the planet today.
BUILD ENGAGEMENT
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.

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.

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.

High performers in the hotel industry are particularly likely to be strong in these capabilities, relative to their peers.
Consider Toyota Motor Sales in the United States. The company’s Customer 360 Insights team uses Apache Spark, a distributed computing framework that allows it to mine and analyze streams of social media interactions for the customer feedback that matters most.

Toyota’s analytics, for example, transcend simple classifiers such as “brake noise.” Instead, the company has experimented with different types of word-recognition analyses that consider related symptoms people may be discussing at the same time. This approach helps the car maker offer customers the most relevant advice, as well as identify larger trends that may have safety implications or contribute to new designs.

With this approach, Toyota has reduced the time spent analyzing customer feedback from more than six days to just four hours. As the company adds greater sensing functionality to its cars, it will be able to further enhance its ability to partner with individual drivers.

Toyota exemplifies how a Living Business builds out relevant experiences at scale. By so doing, your organization is building a foundation for success that will propel you towards the next audience capturing opportunity.
SCALE
WITH PARTNERS
Among high performers, 91% 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 particularly likely to be strong in these capabilities, relative to other companies in the industry.

To master this set of capabilities, geared towards achieving market potential, a company needs to establish collaborative relationships with forward thinking partners and a broad set of ecosystem alliances beyond its traditional industry boundaries. That’s because Living Businesses share and select data purposefully and efficiently—internally and across a broad ecosystem of partnerships—to achieve a powerful multiplier effect.

To scale successfully, 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.
Nike leads at using cutting-edge technologies to enhance customer experiences, by linking their partners to their own operations. Specifically, the company is increasingly using apps such as NikePlus, Nike Run Club, and Nike Training Club, to extend relevant offers to users that stem not only from Nike, but also from an increasing array of external Nike partners. These actions, in turn, unlock new customer data while advancing the Nike brand.

Nike has also united several previously siloed channels through which customers connect with the company. These moves have increased its ability to gather and react to customer feedback, while providing more comprehensive and streamlined customer experiences.

“We see massive potential in a future where more Nike products are connected, bringing consumers inspirational content and serving as the onramp for Nike membership. And you can envision where that future goes, where consumers seamlessly engage with us through digitally connected products that continue to inform our design, manufacturing and distribution capabilities, creating new growth opportunities.”

– MARK PARKER, Nike CEO

Source: diginomica.com
Living Businesses strive to develop a workforce that combines the power of human ingenuity and artificial intelligence. This requires a cultural rewiring and a new customer-first internal focus.

Rewiring your organization can seem complex, but Living Businesses understand the return that comes from such an investment. As re-skilling and continuous learning continue to shape the workforce, companies must act proactively, rather than reactively, when it comes to being relevant.

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.

This area proved to be a key differentiator for high performers across 9 out of 10 industries we studied—more than any other capability set.

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.
GE Global Research is investing in training scientists to become “dual scientists”—individuals 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. For example, dual scientists help develop cloud-hosted software models of GE machines (such as turbines, aircraft engines and locomotives), that can help the company improve customer safety levels, as well as cut costs. These models called “digital twins,” help anticipate a specific machine’s service needs and tailor its maintenance schedule, and by doing so, help customers get the most out of their investments. The company reported that a locomotive digital twin resulted in a 32,000-gallon reduction in annual fuel consumption and a concurrent reduction in carbon emissions of 174,000 tons.

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.
A track record of sustained success is no longer a reliable predictor of future growth, or even survival. 52% of the companies that were included in the Fortune 500 in the year 2000 no longer exist.

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 we are seeing that today’s consumers choose relevance every time.
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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 459,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.

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About the Research

In 2017 and 2018, Accenture Research surveyed over 1,000 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.

Read more at www.accenture.com/livingbusiness