

Let your customers' voice guide your strategy

The value of customer relationships in action

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QVARTZ

B2B companies that excel in building strong customer relationships consistently outperform peers

Whether your company is (or is not) highly customer-centric appears to be one of the hottest management topics today, especially for B2B businesses. Articles and reports with titles like "Customer centricity wins", "Be customer oriented" and "Why customer focus matters" are just a few examples from the arsenal of ideas being routinely flung at you. But is the path for improvement clear for your organisation?

Why is this a hot topic?

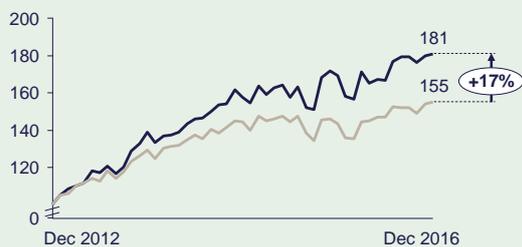
Research conclusively shows that B2B companies with outstanding customer relationships significantly outperform their peers, from key financial parameters such as share performance, profitability and revenue, to share of wallet captured from their target customer segments. B2B companies leading the curve, like 3M, GE, Cisco, Google, IBM and Microsoft, have built a strong relationship to their customers that goes beyond the high recognition value of their brand into real value creation.

Many are trying, most are failing

Consequently, many B2B companies are actively trying and consistently investing in becoming more customer-oriented. This is, however, easier said than done: organisational barriers – like a poor common definition for what

customer-centricity means, functional silos within the organisation and employees' mindset – often force companies' efforts to oblivion. If these barriers are overcome, a new set of typical pitfalls into which companies might fall emerges. For example, when reflecting about their customers, many B2B companies tend to think too much in terms of customer segments or customer classes, and too little in terms of individual customers and people – when the latter in fact form the cornerstone of building connections and strengthening relationships. Also, defined actions to improve customer relationships do not always follow a clear strategy and are often executed in an uncoordinated and untargeted manner, sinking many resources while yielding little value. Finally, in order to become more customer-centric, managers often focus on implementing new processes and systems, instead of actually communicating with and actively listening to their customers. This lack of clarity on the right path to follow towards true customer-orientation results in very few, barely 14%, of B2B marketing professionals seeing their own company as customer-centric. And as a result, the vast majority, north of 70%, of B2B customers feel indifferent or even disengaged with their vendors.

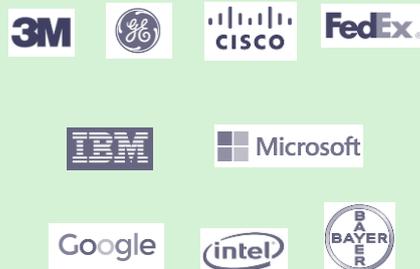
Share performance of top B2B relationship companies vs. S&P500, 2012-2016
Indexed to December 2012 = 100



B2B companies with high customer engagement further outperform their peers on:



B2B companies with outstanding customer relationships:



A tool to fill the gap

What is lacking?

In our view, a "Northern Star" to guide B2B businesses past barriers and pitfalls, allowing them to fully leverage the voice of their customers to guide their strategy and marketing efforts is the missing brick. As a response to this need, we at QVARTZ have developed a unique tool and approach to help B2B clients close this gap towards higher performance. Our tool, the Customer Relationship Strength Indicator (CRSI), is based on a comprehensive customer feedback programme, which QVARTZ has successfully applied for a string of B2B clients, allowing them to capture the strength of their customer relationships and leading to concrete improvement actions. At the core of the approach are in-depth, structured interviews with customers, which yield insights on both quantitative and qualitative dimensions of customer relationships.

On the quantitative side, the CRSI tool scores customer relationships on four key dimensions: Company Reputation, Customer Preference, Customer Satisfaction and Customer Recommendation. Scores range from 0 to 100, and can be compared with B2B peers through benchmarks. This tool provides a baseline that reveals variations in internal performance and allows for tailor-made actions towards customers. Following the standardised QVARTZ methodology, the CRSI can be tracked on an annual basis, giving valuable information on improvements over time.

CRSI rates clients' customer relationships on four key dimensions on a score from 0 to 100...

... the scores are trackable over time as a leading performance indicator...

1 The CRSI covers four key dimensions relevant for establishing strong customer relations in B2B industries

GENERIC VERSION - TO BE TAILORED TO CLIENT	Key question	Example questions or statements	Who is addressed?
Reputation* Reputation Score (RS)	Do our key stakeholders get positive associations from our company?	<ul style="list-style-type: none"> ... has a good reputation ... is a company I trust ... is a company I admire and respect 	<ul style="list-style-type: none"> Key accounts or all accounts Students Journalists
Satisfaction Customer Satisfaction Score (CSS)	Are our customers satisfied with our performance?	<ul style="list-style-type: none"> Overall, how satisfied are you with ...? Imagine a corporation which is perfect in all aspects. How close is ... to this ideal? 	<ul style="list-style-type: none"> Key accounts or all accounts
Preference Preferred Partner Score (PPS)	Are we the preferred partner of our customers?	<ul style="list-style-type: none"> ... is our preferred provider of certification / advisory services? 	<ul style="list-style-type: none"> Key accounts
Recommendation Net Promoter Score (NPS)	Do our customers actively act as a promoter of our services?	<ul style="list-style-type: none"> Would you recommend ... as a provider to your colleagues or friends? 	<ul style="list-style-type: none"> Key accounts or all accounts

* Potentially excluded if covered by corporate brand survey
18 | Source: QVARTZ Commercial Excellence Practice, CRSI QVARTZ proprietary tool

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2 The CRSI can be tracked over time and has proven to be a good early indicator of commercial performance

The CRSI development can be tracked over time to show development and progress...

Historic CRSI development
CRSI score, indexed 0-100

... and from experience we see that the CRSI correlates with commercial success

There is a positive correlation between CRSI scores and number of orders and order intake

Customers that increase CRSI are far more likely to place new orders in the upcoming year, and vice versa

19 | Source: QVARTZ Commercial Excellence Practice, CRSI QVARTZ proprietary tool

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... CRSI performance is comparable to peers through benchmarks...

... and scores can be analysed relative to other KPIs, delivering valuable customer insights

3 The CRSI components can be benchmarked – suggest to focus on closest competition to ensure comparability

Suggested out of scope for benchmarking	Suggested focus of benchmarking		
Reputation Score	Cust. Satisfact. Score	Preferred Partner Score	Net Promoter Score
Typical target for comparable industries	>80%	>90% Top 2 >70% #1	>45%
Suggested benchmarking approach	Interviews and external benchmark database	Interviews and external benchmark database	Interviews and external benchmark database
Peer group	Top 3-5 competitors	Top 3-5 competitors	Top 3-5 competitors

Meaningful benchmarking requires comprehensive external survey

Benchmarking focused on direct competitors as benchmarks on these scores against distant peers or other industries have proven to add little value

20 | Source: QVARTZ Commercial Excellence Practice, CRSI QVARTZ proprietary tool

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4 CRSI can allow for in-depth analysis that can reveal pain points and allow for tailor made actions

Correlation with other survey questions can reveal critical high scoring questions

Question	Score	Correlation with CRSI
High ethical standards	84	0.66
High quality delivery	82	0.64
Strong consultants	82	0.52
Breadth of offerings	80	0.60
High quality KAMs	61	0.61
Proactively reaches out to us	62	0.55
Communication of offerings	63	0.59
Senior support	67	0.64

De-averaging results allow for more tailor-made actions towards different types of accounts

Analysis per account segment

Operational factors impacting scores

21 | Source: QVARTZ Commercial Excellence Practice, CRSI QVARTZ proprietary tool

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On the qualitative dimension, the CRSI approach delivers unique insights on individual customer feedback – what we call the "Voice of Customer". As unprompted feedback and customers' insights are collected, they are also clustered and prioritised according to their statistical relevance. These clusters are subsequently translated into concrete action levers and structured into five groups: Product & Service Offering, Organisation & Culture, Systems & Processes, People & Competences and Business Development & Strategy.

In our experience, companies are usually surprised at **how well your customers know you and your organisation** – and how much you can learn from them!

CRSI as the "Northern Star" on your journey towards becoming a customer-centric company

The key value generation of the CRSI approach by QVARTZ is that it is a simple, yet effective tool to improve customer relationships and re-position the company around its customers' needs. It helps you avoid the pitfalls along the way by following a structured process with defined and proven tools, methodology and deliveries, by providing a comprehensive bottom-up approach focusing on individual customers and by being centred on customer communication, i.e. actually talking to customers and listening to what they have to say.

Companies that have already implemented our CRSI tool use it as a leading indicator of commercial performance. As CRSI is correlated to e.g. order intake, you can track CRSI increases and even set targets, with direct links to future performance on sales and commercial growth. You can monitor and track progress on a quantitative basis, linking CRSI to a broad set of KPIs and to business results.

Move ahead of the curve

A few things are key to get started on a good track: any journey towards customer-centricity will require high engagement from top management as well as a proper activation of key account managers. Without the support and involvement of senior management throughout the journey, you run a high risk of losing traction along the way as well as missing the right decision push when learnings and initiatives need to be executed. If you don't bring your organisation with you, in the form of inspired and open-to-learn key account managers, you will lose the ability to act as they are key to productive customer dialogues and of course the direct owners of all customer feedback and business development activities.

After all, in customer relationship, **"relationship"** is the key word – and this will always boil down to **People**.

Curious to learn more?

Feel free to reach out to us at QVARTZ for some idea sparring on CRSI, as well as inspiration from our reference cases



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