Fueling purposeful growth through innovation and human-centered experiences

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You'll never believe …!
Why you can't live without …
This is the last thing you'll ever need …

Social media feeds are full of these clickbait headlines. It's a mostly frustrating but otherwise harmless approach companies use to lure in consumers. More cunning tactics include harvesting data to serve up targeted ads in ways that border on alarming or drive addiction through casino-type tactics in video games or on social media.

Companies have been using tactics like these to attract customers and drive revenue growth. It's a ruthless, winner-take-all model, driven by digital technology and designed to meet quarterly earnings targets and shareholder expectations. In the process, consumers become lifeless commodities from which to extract and exploit the maximum amount of data solely for the organization's gain.

Until now, this is an approach that has worked. But customers are demanding more and better from the companies they do business with. In the latest *EY Future Consumer Index* survey, 68% of consumers think the company's behavior is as important as what it sells, while 69% say brands must behave ethically and in line with community expectations. Yet only 38% think the positive actions brands are taking are good enough.

As customers increasingly look for better experiences and choose brands that align with their values, a growth-at-all-costs mindset becomes unsustainable.

The race for survival has distorted good intentions

It's easy to understand why chief marketing officers (CMOs) and their organizations have followed the growth-at-all-costs path. Incumbent companies are in a race for survival. Where they once only worried about gaining market share within their

industry and among their peers, they now face hyper-competition from mega tech vendors and, increasingly, small but massively funded start-ups that focus on community build and an agile direct to consumer offer.

In response to these pressures, many companies say they have put purpose at the center of their strategies. They talk a good game about long-term value, which seeks to measure performance beyond financials to include governance, people, planet and prosperity. Yet, very often, aspirations fail to result in action, as companies ultimately fall back on quarterly earnings as their barometer for success.
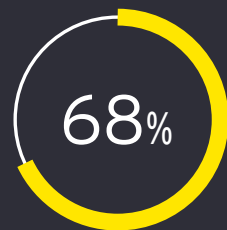
It's time to redefine growth

Purpose-washing just won't be accepted by today's consumers. It's time to rip up the current definition of growth and redefine it in the context of authenticity of purpose and long-term value.

Whether growth comes from new business models and ecosystems; entering new markets, alliances and acquisitions; or delivering exceptional customer and employee experiences, the strategy that supports it will need to be deliberate, disciplined and underpinned by sound customer loyalty economics.

It will need to drive the innovation of environmentally friendly products and services at scale, shape the future of the customer experience and build a humans-at-center operating model. Moreover, there will need to be an increased focus on partner interactions and how the definition of growth can benefit all parties in the value exchange. The strategy will also need to support their clients and their clients' customers to achieve their own ambitions.

The result may be a thoughtful approach to growth where everyone wins.

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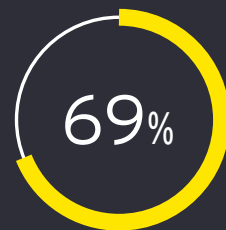
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Laura Higgins
EY EMEIA Customer & Growth Strategy Leader
Partner, EY-Parthenon, Ernst & Young LLP

Chapter 01

# How sustainable innovation can fuel purposeful growth

Five ways companies can drive sustainable innovation that is both planet- and profit-friendly

01

Companies are experiencing constant disruption from every angle. Shortened innovation cycles, decreased fulfillment times and ongoing challenges with supply chain logistics are necessitating an always-on approach to innovation. Simultaneously, they face pressure from every direction – investors, customers, employees, regulators – to demonstrate their commitment to environmental, social and governance (ESG).

In the latest _EY Future Consumer Index_ survey, 68% of respondents think brands have a responsibility to invest in the sustainable production of their products and services, while 70% say that brands must be transparent about the social and environmental impacts of producing their products and services. Further, in the _2021 EY Global Institutional Investor Survey_, 90% of investors say that since the COVID-19 pandemic, they have attached greater importance to corporates' ESG performance when it comes to their investment strategy and decision-making.
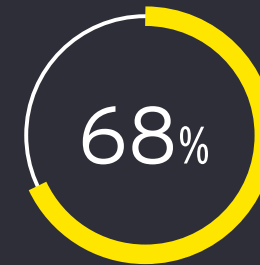
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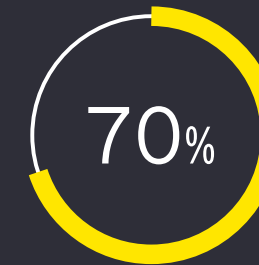
70%
of consumers say that brands must be transparent about the social and environmental impacts of producing their products and services.

90%
of investors say that since the pandemic, they have attached greater importance on a company's ESG performance when making investment decisions.

As consumers begin to prioritize planet over affordability in their purchasing decisions, sustainable product and service innovation has shifted from first-mover advantage to baseline imperative for growth. Indeed, advances in technology allow organizations to improve profit margins through their ESG initiatives. Companies are rethinking their portfolio of products and services to ensure that they are sustainable in the broadest terms – financially, environmentally and socially. This includes looking across their entire supply chain and ecosystem, sourcing goods and materials in an ethical way, participating in the circular economy, improving diversity and inclusion, and eliminating the use of cheap labor.

CMOs will want to collaborate with a much wider group of functional experts, from their chief experience officer (CXO) and chief innovation officer (CINO) to the chief commercial officer (CCO). Together, they will need to transform existing products and services to help ensure they are meeting existing and future consumer demand.

C-suite executives need to acclimate to reaching beyond their comfort zones. The more comfortable they are about being uncomfortable, the better equipped they will be to continually disrupt themselves based on circular principles. They will also be able to better drive their sustainable product and innovation agendas in ways that lead to purposeful growth.

Case studies

Fueling purposeful growth through innovation and human-centered experiences

Established toy manufacturer

A client wanted to take their reputation as a popular toy manufacturer into the next generation of learning. The company is mature in terms of their perspective on innovation. However, they needed help to explore the unknown and most specifically, how to reimagine their products for a sustainable world. Much more than finding substitute materials, this client was willing to fundamentally rethink their entire business model because their purpose rose well above the products that they were known for. In addition to committing to make their products from fully sustainable materials, they are exploring how to reinvent the future of play for the next generation of consumers by listening and learning from the product's core users.

Global automotive company

A global automotive client had a goal to derive a large portion of its revenue from services by the end of the decade. Since decarbonization was driving their innovation agenda, sustainability was already embedded as a foundational element. EY teams offered recommendations for solving problems through a structured process. The client is now building out innovation streams as independent companies so that they can disrupt their legacy business while they are still capital rich. The client recognizes that if they had continued to make incremental changes to their current business model, their company wouldn't survive. Rather than shooting the ideas down because they were a threat to the existing company, these leaders are choosing to operate two systems in parallel.

Food innovators use new technology to design sustainable and healthy food

In the global food industry, the intersections of agriculture, biotech, digital advances and wellness are transforming the US$5 trillion global food industry. Innovators are harnessing emerging technologies – or applying existing technologies in new ways – to design new ways to eat, responding to both to consumer trends and the imperative to improve the sustainability of the planet and human health. The food-by-design transformation presents both large companies and start-ups with global opportunities for innovation-driven growth in new markets and product categories.

Companies need a purpose that's fit for purpose

When organizations look to shift toward value-led transformation, they often find that their purpose isn't fit for purpose. It's hard to have a conversation about prioritizing when the mission, values and purpose of the organization aren't aiding the prioritization and focus.

What are we here for? How do we add value to our customers and the industry we operate within? What is the thing we are or want to be known for? These are all key questions in getting leadership prioritization and focus in order to incubate success moving forward.

Additionally, organizations may not know how to measure whether what they have is good enough for today or in the future. They don't always understand where the value lies or what type of value they want to unlock.

Unrealized opportunities languish in the space between activities and outcomes

In addition to a flawed purpose, many companies feel that they are not far enough along the S-curve of growth – where innovation timelines compress and ideation, prototyping, piloting and commercialization happen in rapid cycles at a global scale. Instead, they face a confluence of ever-increasing customer expectations and unrealized opportunities within technology advancements.

According to the 2022 *EY Tech Horizon* survey, more than two-thirds (68%) of digital transformation leaders prioritize creating new products and services or building new experiences, powered by new technology capabilities, to meet changing customer needs.

Those in earlier stages of maturity, meanwhile, are focused on incremental changes or innovation in existing products and services to deliver better experiences.

Disruption is scary, and no one likes change. But maintaining the status quo is no longer an option. Companies that are not set up as innovation organizations are standing at the bottom of a mountain. The good news is there is a way to climb to the top and remain relevant with customers.
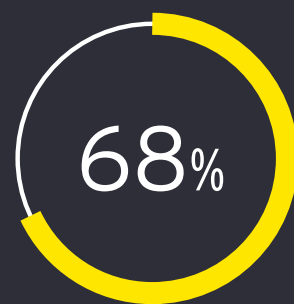
68% of digital transformation leaders prioritize creating new products and services or building new experiences, powered by new technology capabilities.

> " Innovation requires staying in the problem longer than you feel comfortable. Leaders are so used to rapid problem-solving, they're not solving the issue behind the issue.

Lisa Lindström
EY EMEIA Consulting, Chief Experience Officer, Cofounder, Doberman

Four ways companies can follow the path of experienced innovation leaders

Experienced CMOs, CXOs and chief innovation officers are setting new benchmarks and continually disrupting themselves. However, it's not disruption for disruption's sake. They recognize that sustainable product and service innovation needs to be purpose-led so that it delivers on values, delivers for customers and delivers for the organization.

To be purposeful and by design, sustainable innovation has to be embedded into everything, including short-term goals. Here are four ways customer-facing leaders can follow the path up the mountain that experienced innovation leaders have already forged.

01

Stay in the problem longer than you feel comfortable. Companies are so used to rapid problem-solving, they're not solving the issue behind the issue.

02

Make innovation a mindset. Innovation isn't the responsibility of only one part of the business. Organizations need to create an innovation mindset across the entire enterprise. Mindset is the differentiator between true innovators and everyone else.

03

Think backcasting rather than forecasting. Engaging in a clear-eyed analysis of a broad range of data and indicators, a future-back approach to transformation can help organizations unpack key megatrends, assess how they might shift market conditions and align these insights with the organization's purpose. It's the difference between forecasting where the market will be and creating a plan to get there, and backcasting, where organizations set their own course, deciding what they want the future to look like 15 years from now and innovating to realize it. Organizations that take a future-back approach sometimes find they have to not only innovate new products and services but also reimagine their entire business model to be future-ready.

04

Create your own competitor. Sometimes, when innovation leaders want to shake things up, they create a separate private company and give it the mandate to disrupt the incumbent company. Setting up a private company outside the structure of the incumbent company enables it to operate without legacy issues. In the short term, this option may seem counterintuitive – leaders don't like the idea of a company within a company creating competition. It's one of the biggest levers of innovation that most companies don't use. Yet, it's a strong way to anticipate and own the disruption.

Sustainability and innovation need to be fused together

Today, and most certainly going forward, innovation and sustainability need to be inextricably linked. Sustainability in product and service innovation is no longer aspirational, and it can't be bolted on to innovation cycles after the fact. It's essential that organizations think about and embed financial, environmental and social sustainability into their purpose, design thinking, prototyping and scaling of every product and service.

Chapter 02

The new definition of growth relies on human-centered experiences

How CMOs can speed into the future customer experience

02

The divide between intention and action around customer centricity remains wide

Over the last several years, organizations have talked a lot about customer centricity and hyper-personalization. Yet very few are doing it well. A CMO Council's report[1] suggests that only 14% of marketers believe customer centricity is a key characteristic of their companies; only 11% believe their customers would agree. Even the organizations we think of as leaders in customer centricity could be doing better.

CMOs need to engage with their customers in ways that resonate across all channels and digital platforms.

Yet, CMOs still don't really know who their customers are fully or what they want beyond the limited purview their current data sets provide. Marketers like to put customers into segments and then create experiences around those segments. Some marketing functions may get more granular than others in their segmentation, but the future customer experience demands that every marketer have the data and capabilities to dive down to a segment of one. The evolution of customer data platforms (CDP), process automation and AI are creating real-time conversations, predictive engagement and a deepening entrenchment into an individual's likes and values. More than being personal, every customer experience will need to be individual. And these individual experiences will have to include context.

" The future customer experience will require organizations to take personalization to the next level. This means journey design that is individual, dynamic and specific to the individual.

Dong-Hyun (Alex) Lee
EY Asia-Pacific Customer & Growth Leader,
EY Korea Digital & Emerging Technologies Consulting Leader

1   CMO Council: Mastering Adaptive Customer Engagements

## Data and digital are foundational, but not omniscient

Data will be paramount in building these individual segments. Currently, many CMOs have catalogs of aging personas derived from demographics rather than behavioral data. When they try to establish who their users are, they find that the data is siloed along functional or channel lines. Additionally, the data only reflects a static moment in time. Further, the people pulling the data and the people conceiving of who the customer is are often totally disconnected.

The need to be digital and build a product and service catalog for customers is now the only way to interact with customers. Yet, a huge cohort of companies are way behind the curve on their digital-first strategy.

They are still asking how they can deliver their products and services in a digital-first, mobile-first way. They are also still asking how to evolve products and services to reflect what's going on today rather than where they need to be 10 years from now.

However, data alone will not deliver the customer-centric outcomes customers may be seeking. According to research conducted by Harvard Business Review Analytic Services[2], 86% of business respondents agree that it is difficult to get a complete understanding of their customers from analyzing data alone, while 75% agree similarly that their organization would understand customers better if they spent more time talking with them face-to-face.

The research goes on to suggest that over the last few years, quantitative data that is often collected from digital sources has overshadowed qualitative data from interviews, observations or focus groups, even though it is more important than ever for organizations to understand how their customers feel.
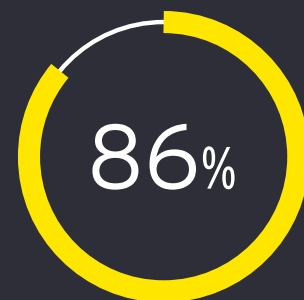
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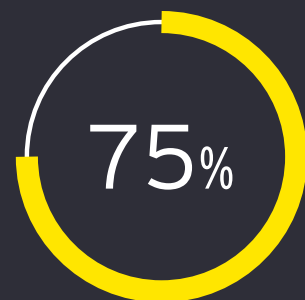
75% of business respondents admit that their organization would understand customers better if they spent more time talking with them face-to-face.

If you build the trust and create amazing experiences, customers will give you the data you need to create even more amazing experiences

According to the *EY Global Consumer Privacy Survey*, when asked what is most important when they choose to share their personal data with an organization, the majority of respondents point to secure collection and storage (63%), control over what data is being shared (57%) and trust in the company collecting their data (51%).

With the death of third-party cookies and other ad-tracking tools, gaining consumer trust has become even more critical now that marketers must rely almost solely on first-party data — in other words, from the customers themselves. (Note: Clickbait tactics, programmatic advertising and fake news don't build trust.)

Organizations need to align to their values and beliefs and show that in their actions. In building this trust, organizations need to know and engage with their customers as individual living, breathing human beings in ways they have yet to explore. And they have to deliver resonant experiences across every channel and platform consistently.

In the latest *EY Future Consumer Index* survey, 62% of respondents say they would share personal data for a completely customized online experience.

The more organizations engage with the full spectrum of human needs (and not just "customer needs"), the more data they ethically collect and the more trust they gain

from their customers. This, in turn, will help organizations better anticipate and improve the products and services they deliver to their customers, which leads to purposeful growth and long-term value creation.

By embedding customer centricity throughout the enterprise, organizations can make sure customer interactions are consistent, and the internal functions all have the same familiarity and understanding of their customers' desires. Moreover, they can provide a human-centered response through the customer lifecycle. CMOs have a huge opportunity to drive this collaboration throughout the organization so that the organization responds in ways that both optimally serve the customer and improve the entire experience.

> "
>
> CMOs that put humans at the center of their customer experience strategy can create a giant flywheel of kinetic experiences that build momentum over time.

Laurence Buchanan
EY Global Customer & Growth Leader, CEO, EY-Seren Limited

Five ways CMOs can speed into the future customer experience

Here are five ways CMOs can fast-track their way into the future customer experience.

01

Talk to your customers regularly – and listen to what they say. Many CMOs prioritize data and analytics over direct interactions with customers because it's cleaner and less emotional. But customer emotions are exactly what CMOs need to understand, even if they're messy. Talk directly to customers, through one-on-one interviews (either face-to-face or video) or focus groups, and be empathetic in responding to what they say. And stay connected to them – too often, CMOs believe they have understood their customers on the basis of a point-in-time set of interactions, rather than an ongoing dialogue. This kind of one-on-one interaction helps CMOs and their teams gain a tangible understanding of what resonates with customers, and learn about the moments that matter and how to deliver a better experience in these moments.

02

Combine the qualitative with the quantitative. The more the marketing and customer experience functions emotionally connect and demonstrate authenticity with customers, the more customers will trust the organization. When customers trust, they are more inclined to provide more data. Harnessed properly, data and analytics can help CMOs get minutely granular in their segmentation – to the point where their organizations can deliver products and services based on a segment of one. They'll be able to take personalization to the next level.

03

Design dynamic journeys with the tools for customers to create their own journeys. The pandemic accelerated digital transformation to provide a digital-first or, in some cases, a digital-only customer experience. Many more customers are now comfortable with taking control and defining their own journeys. But not every customer operates in the digital world. CMOs need to make a shift from journey designer to journey curator. The experience must evolve and flex in real time for a wide range of profiles. Gone are the days where a plethora of static journeys can be pre-determined in automation tools.

To operate efficiently and successfully in the future, leaders need to ensure they are giving customers the power to carve their own engagement path seamlessly across physical and digital touchpoints.

04

Flatten the silos. Despite all of the rhetoric and advice about eliminating silos, most organizations are still organized around functions, divisions and business units that may make sense internally but have no relevance or relationship to the customer. Silos create disconnects in data collection and analytics, in segmenting customers and in delivering personalized experiences that customers expect. In other words, organizations are still seeing the world through their own eyes rather than through the eyes of the customer. Winning experiences are centered around customers, not functions or channels or products. Flattening the silos, creating multidisciplinary, multifunctional pods or ecosystems that align to customer journeys, and incentivizing and measuring against customer outcomes rather than enterprise objectives will enable CMOs and other customer-facing functions to deliver personalized experiences at every stage of the customer journey.
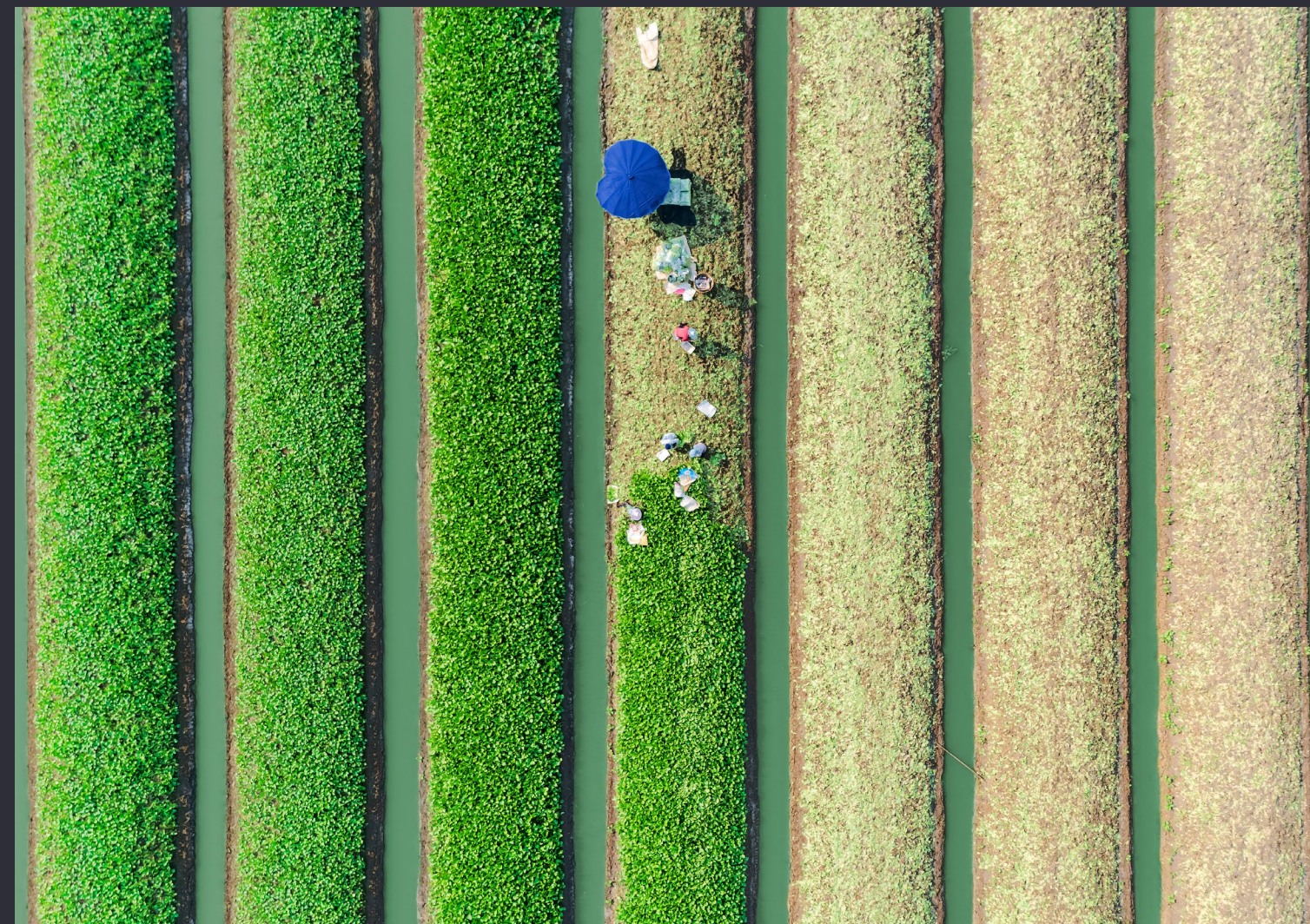
05

Focus on outcomes rather than activities. Today's marketers tend to focus on activities rather than outcomes. They incentivize and measure teams on how they perform a specific activity rather than how they arrive at the destination. It can be easy to fall into the trap of constantly chasing after monthly performance targets without regard for the bigger picture. When there is pressure to display growth month-on-month, teams make short-term decisions that distract from building a longer-term view of customer success. CMOs need to shift the mindset of the organization to focus on the desired outcome, such as how workers contributed to making a customer's life better, rather than how many widgets they designed, manufactured or sold. Although it may not seem as desirable as smashing through quarterly growth targets, focusing on customer lifetime value (CLV) as a metric for success will sow the seeds of longevity. CLV enables brands to measure the financial impact of their activities and align and ladder up to bigger financial targets in the organization.

Individually, each of these actions can incrementally improve an organization's growth trajectory. Together, they can create customer experiences that build momentum so that organizations can deliver and evolve products and services at the speed of change.

"

Massive amounts of data and digital touch points form a strong foundation. But being truly customer-centric means having one-on-one conversations about moments that matter.

Patrick Ruijs
EY EMEIA Customer & Growth leader
Managing Partner, EY VODW

Chapter 03

To redefine growth, reinvent the operating model

Key actions CMOs can take to build a successful customer-centric operating model

03

Virtually every CMO is talking about customer centricity. But there can be a monumental gap between wanting to be customer-centric and actually being customer-centric. Action is where the rubber hits the road.

The journey to customer centricity follows a path of execution that changes culture, incentivizes change and measures quick wins to build momentum. Yet, according to an EY global C-suite survey and interviews with CEOs and industry researchers, while 85% of the C-suite say transformation is essential to becoming future-ready, they are less certain about whether they are taking the right steps to steer their organizations.

Operating models based on 20th century principles divide and disconnect

Most large organizations are designed according to 20th century principles. They were founded on rigid structures to organize people only. To operate at speed and scale today, companies need people plus technology. The last century's operating principles also dictated the division into functional silos that create competition and disconnections at critical points along the customer value chain. Therefore, current operating models aren't in any way designed with the customer in mind.

The truth is, customers don't care how a company's organization chart

is structured — as such, business and operating models need to follow the customer lifecycle. This requires a complete rethink throughout the operating model. It needs to touch everything from processes to product innovation to pricing to sales and marketing. CMOs and other customer-facing leaders need to work with the C-suite to embed humanistic customer centricity across all business areas and anchor it to business model reinvention.

They also need to move beyond score-dominant KPIs in favor of developing a clear approach for measuring the overall health of customer relationships as an intangible asset. Investments in customer relationships need to cascade across the organization. Customer experience is not another initiative; it's a fundamental mindset and belief system. Measurements need to transcend the operating model as well.

These pivots are easier said than done. A lot of organizations don't operate in a greenfield environment. They face both organizational and technical challenges. Many incumbents are also carrying the baggage of acquired businesses that they've only half integrated. And they're getting competition from places they wouldn't be tracking as traditional competitors. The pressure to transform is enormous, but for large incumbent organizations, the ability to pivot is akin to turning a cruise ship or supertanker around.

> " To be customer-centric, companies need to know how to execute in ways that create culture change, incentive change and measurable quick wins that build momentum.

Adrian Slobin   EY Americas Customer & Growth Leader

Four concrete actions to build a successful customer-centric operating model

Based on EY experience helping clients transform their operating models for customer centricity, EY teams identified four key actions CMOs can take in partnership with the C-suite to turn their visions of customer centricity into a reality.

01

Create pods that align to customer journeys. Leaders of the pods will own all aspects of how to make the customer journey successful across the enterprise. For example, a bank may currently be organized by division (retail, commercial, business, wealth and asset management, etc.). Under a customer journey model, a pod may be dedicated to delivering all new customers a great welcome experience in their first six months, regardless of the product or service they have bought. The multidisciplinary, multifunctional pod will comprise product management, design and engineering, and any other resources that would have a role in devising and delivering the exceptional welcome experience. The pod would then be incented to and measured against delivering the best possible customer outcomes, rather than enterprise outcomes.

02

Master design thinking. Service design is a human-centered approach where designers consider the complex chains of interactions involved in innovating, producing and delivering a product or service. Service design is about considering both the biggest picture and the smallest details. Companies will want to embed service design thinking as a discipline, making sure that the approach is squarely centered on the user and includes all relevant stakeholders in the design process. It needs to be baked in at the heart of where decisions are made around product and channel. For example, a pharma retailer wanted to improve its drive-through experience for customers. To achieve better customer outcomes around this objective, the company had to consider, among other things, the physical layout, implications to the traffic pattern of the drive-through, impact to the pharmacists and the supply chain of medications that needed to be delivered. Companies will also want to bring in user research early and have the user interact with the product or service as early as possible. Service design takes a multidimensional view of how to meet customer needs, inclusive of every impacted role within the enterprise. It will enable companies to engage in iterative product development, scale based on customer need and invest based on a better appreciation of market size.

03

Give pods the data and empower them to make decisions. Under more traditional operating models, data was carefully controlled. Modern organizations are democratizing the data. They are putting anonymized or pseudo-anonymized data in the hands of pods and front-line customer-facing employees and empowering them to make decisions. Because they are on the front lines, they can see how a product or service is performing. Companies need to allow these customer-facing and customer-focused employees to make data-driven decisions to pivot or shift the direction of a product or service without intervention from core leadership.

04

Create an empathy mindset. Service design thinking begins with empathy. Companies need to create a culture that prizes empathy. Empathy with the end customer enables pods to intensely channel personas and optimize products and services for maximum customer engagement. The feeling and energy in leading organizations that have made this shift is palpable. Their pods know that their job is to make sure their customers have a better day because of their company's products or services.

The road from wanting to doing is worth the hardship

Unquestionably, the road to building a customer-centric operating model is hard, which is one of the reasons why so many business transformations fail. Employees from the top down are conditioned to focus on how their actions benefit the company. Are my actions helping the company meet quarterly earnings targets? Am I making my boss happy because I'm delivering my project on time and on budget?

Transforming operating models to become a customer-centric organization requires every employee at every level to be squarely focused on the customer at all times — not only at the surface, but deep into the tissue of the organization.

CMOs know it needs to happen. It's time to get it done. Because the more companies invest in customer relationships across the entire enterprise, the more valuable an asset they become. Operating model transformation lowers churn, increases referrals and ultimately boosts revenues when happy customers buy more of the organization's products and services.

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