



dunnhumby

CUSTOMER CENTRICITY INDEX



March
2016

**CUSTOMER
CENTRICITY
INDEX**

Which are the most
effective levers to create
customer loyalty?



CUSTOMER CENTRICITY INDEX

The dunnhumby Customer Centricity Index (CCI) identifies the key drivers behind a customers' likelihood to buy repeatedly from a particular retailer and their desire to recommend the retailer to friends and family.

This ground-breaking study also demonstrates that there is a direct link between the adoption of a customer-centric approach and sales growth.

The survey, based on more than 22,000 consumer observations in the UK, evaluated 56 major retailers across multiple sectors (online and offline) against 60 key attributes. We asked questions that addressed all factors that might influence customer opinion, such as in-store experience, price perceptions, appeal of promotions and quality of customer service. Based on the 60 attributes analysed, dunnhumby identified seven key pillars of long-term customer loyalty. Each retailer included in the survey was awarded a CCI score out of 100, based on their performance across the seven pillars.

We've shown that a customer-centric approach is essential to success. Understanding what customers really want and identifying which attributes have the capacity to change their perceptions can produce a significant financial impact.

By taking measures to improve their CCI score in specific areas – for example, by establishing a product range that satisfies all customers' needs or by creating a plan to engage customers and strengthen their connection with the brand – retailers can significantly improve their financial performance.

RESULTS BY RETAILER

It is not our aim in this report to focus on results by retailer. Rather, the idea is to present the key principles of a customer-centric approach and demonstrate how it is linked to retailer performance.

In-depth results by brand are available and we recommend meeting with you to present a detailed analysis of your current performance, your ranking against competitors and the areas in which you can improve.

MAIN FINDINGS OF THE SURVEY

The existence or absence of a customer-centric strategy has very real financial repercussions. Businesses with a high CCI score demonstrate better performance in terms of sales growth (top line and like for like) and market share.

Attaining a good CCI score does not necessarily mean a business has performed exceptionally on all pillars, but it certainly indicates that it excels in at least one of the levers.

The vast majority (over 60%) of UK retailers analysed do not currently meet the levels of customer centricity required to deliver significant sales and market share growth.

The UK retailers with the highest CCI scores are Aldi, Lidl and John Lewis.



7 PILLARS OF CUSTOMER CENTRICITY



The methodology developed by dunnhumby is based on the identification of seven key 'pillars', each one representing an aspect of the customer experience. These are the customer centricity levers.

A thorough understanding of these pillars and their underlying attributes enables us to analyse precisely what drives the strengths and weaknesses of each retailer in comparison with its competitors and, above all, to identify which pillars to prioritise for improvement.

Some of the pillars for online and offline retail differ, reflecting elements of the customer experience that are either unique to, or more pronounced in, ecommerce. For example, a customer's expectations of the end to end experience of site navigation, payment methods, delivery reliability and returns differs from the needs that a retailer must fulfill in the in-store environment.

THE 7 KEY PILLARS FOR OFFLINE RETAIL

- 1 AFFINITY** – Creating an emotional connection with customers
Ensuring that customers see themselves reflected in the values communicated by the brand, trust in it, are aware of its success and are not tempted to switch to another brand.
- 2 RANGE & LAYOUT** – Offering quality products and presenting them in an appealing way
Adapting the offering to customers' needs (product variety and quality) and incorporating the shopper's journey both in-store and online.
- 3 RELATIONSHIP** – Knowing and engaging your customers
Building customer attachment by personalising communications, encouraging customer feedback, resolving customer issues and developing consistency across different sales channels.
- 4 PRICE** – Creating a suitable customer value proposition
Offering better value for money than the competition and offering deals on products of most interest to customers.
- 5 PROMOTIONS** – Offering relevant promotions
Offering easy-to-understand promotions on good products with a genuine financial incentive for the customer.
- 6 COMMUNICATIONS** – Talking to customers in a relevant and personal way
Communicating in a relevant and personal way across mass and direct media and in-store, inspiring customers with content that they find relevant and interesting.
- 7 REWARDS** – Rewarding customer loyalty
Encouraging further visits by offering customers benefits, exclusive services and a generous and inspiring customer loyalty programme.



THE 7 KEY PILLARS FOR ONLINE RETAIL

- 1 AFFINITY** – Creating an emotional connection with customers
Ensuring that customers see themselves reflected in the values communicated by the brand, trust in it, are aware of its success and are not tempted to switch to another brand.
- 2 SHOPPING EXPERIENCE** – Engaging customers specifically during the shopping stage
Synonymous with range and layout in the offline world, this is specifically about engaging customers in the experience during the shopping phase.
- 3 DIFFERENTIATED EXPERIENCE** – Delighting customers by standing out from the competition
For example, by providing convenient delivery options rather than just reliable delivery.
- 4 USER EXPERIENCE** – Getting the basics right
From product research through to returns, delivering a credible end to end experience
- 5 PROMOTIONS** – Offering relevant promotions
Offering easy-to-understand promotions on good products with a genuine financial incentive for the customer.
- 6 REWARDS** – Rewarding customer loyalty
Encouraging further visits by offering customers benefits, exclusive services and a generous and inspiring customer loyalty programme.
- 7 COMMUNICATIONS** – Talking to customers in a relevant and personal way
Communicating in a relevant and personal way across mass and direct media and in-store, inspiring customers with content that they find relevant and interesting.

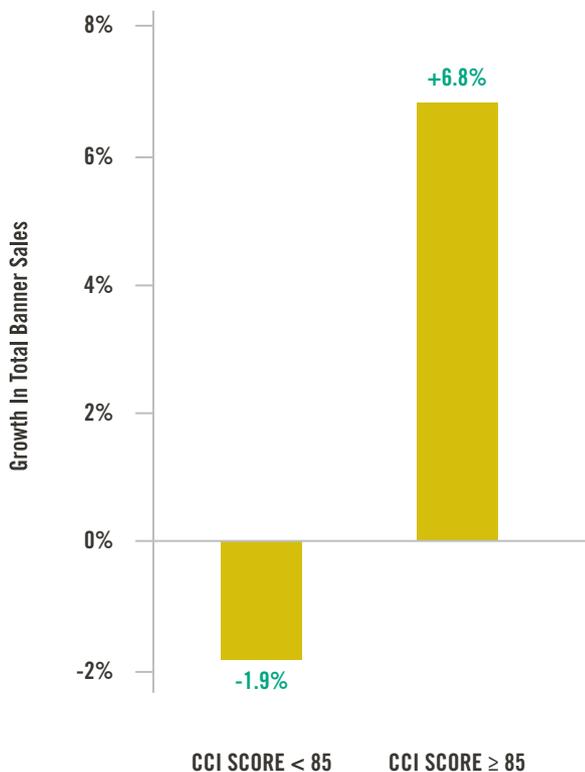
CCI AND RETAILER PERFORMANCE

Retail brands with a high CCI score perform better in terms of sales growth and market share. Developing a customer-centric approach is unquestionably a competitive advantage.

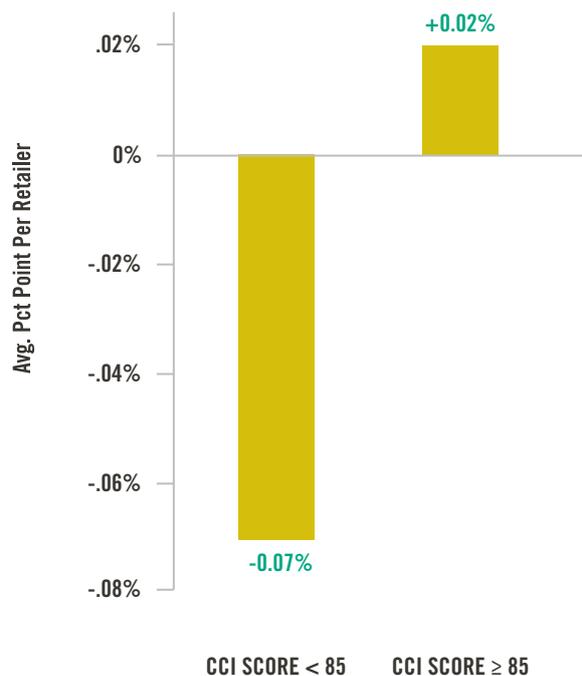
Among the 56 retailers surveyed, 34 brands achieved a score below 85 while 22 brands had a score of 85 or above. The latter brands performed significantly better than their competitors.

This survey shows that meeting customers' wants and needs generates growth for businesses. The following pages of this report provide more detailed information to better understand the key elements of an efficient customer strategy.

GROWTH IN TOTAL BANNER SALES (2015 vs. 2013 in %)



GROWTH IN MARKET SHARE (2015 vs. 2013) (avg. pct points per retailer)



source: Planet Retail; dunnhumby analysis

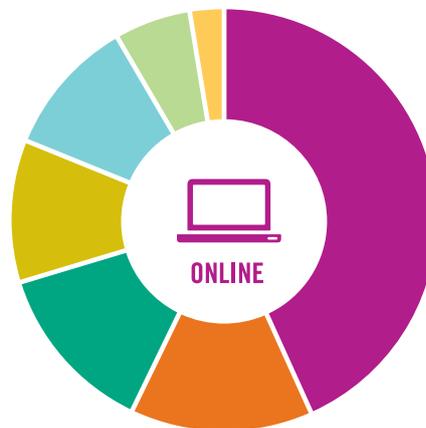
WEIGHTING OF PILLARS IN THE CCI

Using the 60 attributes surveyed, we have defined the 7 pillars of a customer-centric approach. Our analysis has enabled us to establish the weighting of each of these pillars in the combined CCI score.

COMPOSITION OF CCI SCORE



- 32%** AFFINITY
- 21%** RANGE & LAYOUT
- 14%** RELATIONSHIP
- 11%** PRICE
- 10%** PROMOTIONS
- 8%** COMMUNICATIONS
- 4%** REWARDS



- 37%** AFFINITY
- 12%** SHOPPING EXPERIENCE
- 11%** DIFFERENTIATED EXPERIENCE
- 9%** USER EXPERIENCE
- 9%** PROMOTIONS/VALUE
- 5%** REWARDS
- 2%** COMMUNICATION

THREE ESSENTIAL PILLARS OF CCI

Affinity, Range & Layout and (for online retailers) Shopping Experience are the three main levers for good customer brand perception. Affinity, the most important lever for both online and offline retailers, is a function of delivering exceptionally well on a few of the other six pillars and is weighted at more than one-third of the overall CCI score.

AFFINITY

Three important elements are taken into account when evaluating a brand's capacity to create a strong emotional connection with its customers:

CREATING CONNECTIONS

Developing personal and emotional connections: customers like to feel recognised and valued by the stores where they shop.

SHARING VALUES

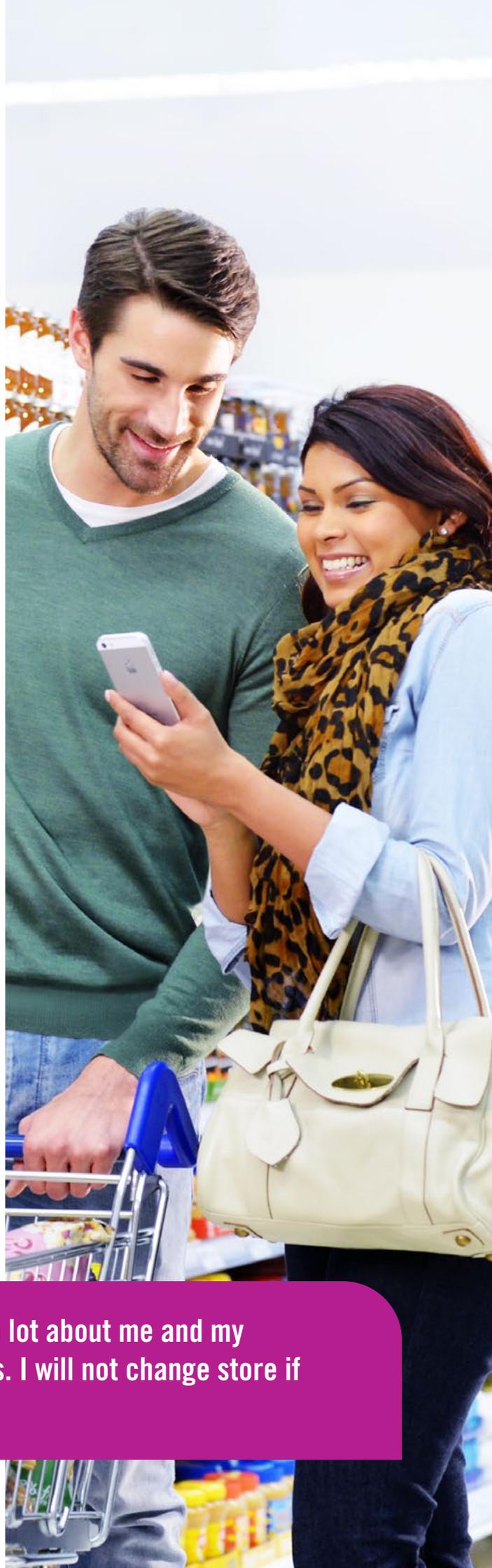
Customers want the stores where they shop to share their values.

SATISFYING A SPECIFIC CUSTOMER NEED

Excelling in meeting a need that really matters to the individual customer.



“Being a customer of this brand says a lot about me and my values. I hope that this brand succeeds. I will not change store if another one opens up nearby.”



CLEARLY IDENTIFIED AREAS FOR IMPROVEMENT

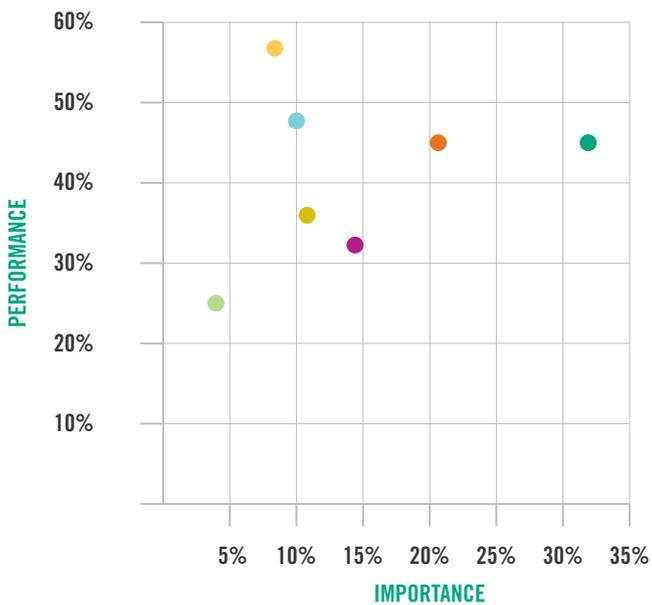
The pillars on which retailers perform highest are Communications, Affinity, and Promotions. The charts below show the importance of each pillar vs retailer performance.

We have measured the performance of each retailer, pillar by pillar. These results and the competitor benchmark are available on request.

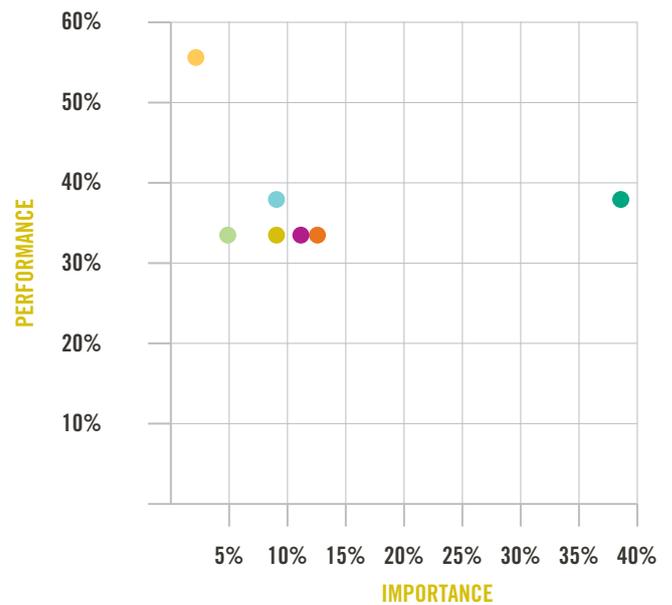
COMPOSITION OF CCI SCORE



OFFLINE RETAIL



ONLINE RETAIL



OFFLINE

- AFFINITY
- RANGE & LAYOUT
- RELATIONSHIP
- PRICE
- PROMOTIONS
- REWARDS
- COMMUNICATIONS

ONLINE

- AFFINITY
- SHOPPING EXPERIENCE
- DIFFERENTIATED EXPERIENCE
- USER EXPERIENCE
- PROMOTIONS/VALUE
- REWARDS
- COMMUNICATION

AN EXCLUSIVE METHODOLOGY

The survey, conducted in February 2016 using an online questionnaire, enabled us to gather observations from 4,500 UK consumers. Demographic quota sampling was applied to ensure nationally representative results. The questions concerned 60 attributes associated with a customer-centric approach at retailers where respondents had shopped over the previous 6-month period.

The methodology was developed by dunnhumby and has already been used a number of times in other markets, particularly in the US for Home, Beauty and Foodservice brands.

The creation of a CCI score allows us to easily compare a retailer against its competitors and to monitor how a retailer's score changes over time.



BRANDS ANALYSED IN THIS SURVEY

Aldi
amazon.co.uk
Argos / argos.co.uk
Asda / Asda.com
asos.com
B&M
B&Q / diy.com (B&Q)
Bestway / Best-one
Bhs / BHS.co.uk
Boots
Boots Pharmacy
Budgens
Costcutter
Debenhams /
debenhams.com

Dorothy Perkins /
dorothyperkins.com
ebay.co.uk
H&M
Home Bargains
Homebase
Iceland
IKEA
John Lewis / johnlewis.
com
Lidl
Lloyds pharmacy
Londis
Makro
Marks & Spencer /

marksandspencer.com
Morrisons
Mothercare
Next / next.co.uk
Next Home
Nisa Local
Premier
Primark
Sainsbury's /
Sainsburys.co.uk
Screwfix / screwfix.com
SPAR
Superdrug
Tesco / Tesco.com
Tesco.com (groceries)

Tesco.com/direct (non-grocery)
The Co-operative - Food
The Co-operative - Pharmacy
Topshop
topshop.com
Waitrose
Waitrose.com
WH Smith
Wilkinson
World Duty Free
Zara

dunnhumby

THE DUNNHUMBY DIFFERENCE

dunnhumby is the world's leading customer science company. We analyse data and apply insights from nearly one billion shoppers across the globe to create personalised customer experiences in digital, mobile, and retail environments. Our strategic process, proprietary insights, and multichannel media capabilities build loyalty with customers to drive competitive advantage and sustained growth for clients. dunnhumby employs over 2,000 experts in offices throughout Europe, Asia, Africa, and the Americas and works with a prestigious group of companies including Tesco, Monoprix, Raley's, Macy's, Coca-Cola, Procter & Gamble, and PepsiCo.



CONTACT US

Lenore Gibson
UK & Europe Marketing Director
Lenore.Gibson@dunnhumby.com