



Customer Quotient Report
New for the UK, 2016

Do you really
get me?

c space

Customer Inspired Growth

A close-up portrait of a man's face, showing his eyes, nose, and mouth. He has a slight smile and is looking directly at the camera. The background is blurred.

Hey there, you at the top!

It seems like you always want to know what I think of you and your business. Am I satisfied? Would I recommend you to a friend? What score out-of-five? Tick here. Check there. Slide this. Smiley face or frown?

But how about you take a moment of your time to listen to me instead?

What I want is simple. I want to be treated like a person. Not a share of an imaginary wallet, a dot on a graph or a line in a spreadsheet, a target to be acquired. I want to be treated like a real human being.

I want to enjoy my experience with you, not see it as a chore. If something's wrong with my life, help me fix it, fast. Think like I do about the stuff that matters most to me. Show me you care.

I want you to listen to me, like your business depends on it. Because it does.

From your reports, you already know what I buy, when I buy and how much of it I buy. But you don't know a single thing about who I really am, the person behind the charts. You don't know why I buy or what's going on in my life.

The way I see it, you need me. And it's starting to occur to me that I don't necessarily need you. So if you don't shape up, I'm outta here. And I'll tell all my friends too.

Regards,

Your Customer

What is CQ?

Customer Quotient (CQ) is the capacity of a company – or brand – to build strong relationships with its customers.

The CQ framework measures the five key attributes of brand behaviour that customers really value – from the customer’s perspective, not the company’s. These correlate with predictors of growth, including revenue, return on assets (ROA), and likelihood to recommend.



A better way to growth?

In a slow growth world, today’s companies know they need to look outside the business for growth. And they are looking more to the customer to find it. In 2016, UK companies will spend close to £10bn on customer insight, social media listening, online surveys and feedback forms – all in pursuit of unlocking growth.

CEOs agree this matters. At the 2016 World Economic Forum in Davos, two-thirds of CEOs agreed that customers are among the most disruptive forces facing their businesses.

Customer centricity – developing and improving customer experiences as a way to grow a business – is now a business buzz phrase, and interest in the topic has ballooned in recent years. But while interest in this concept may be high, its execution is a different matter. Why is it so hard?

Businesses are generating more data than ever before but are struggling to make sense of it. They’ve tried to embed customer insight across the organisation, but remain trapped in legacy structures and silos. They’ve identified a need for personalisation, but find this difficult to execute. They’ve defined their brand purpose, but lack customer KPIs. They’ve worked on customer centricity, but have forgotten customer empathy.

Many businesses still view customers as data-points and sales targets rather than as people with whom to build authentic relationships. Businesses are comfortable analysing their customers, but shy away from more challenging, meaningful conversations which could yield deeper insights.

They like observing, but don’t like engaging. Why? Because it’s not easy. Building genuine relationships with customers requires a paradigm shift for many organisations; one which they’re struggling to make.

But to grow profits over the coming decades, businesses must tackle this challenge.

To achieve a breakthrough in current thinking, models and methods, businesses must be prepared to break something. They must stop focusing only on selling to generate revenue. Investing in customer insight is one thing, but investing in genuine customer relationships to drive business growth is an entirely new ball game.

At C Space, we have long believed that companies that ‘get’ their customers outperform those that don’t. Last year, we set out to put that assertion to the test.

Our groundbreaking 2015 US report, “Customer Inspired: How to Achieve Growth in the 21st Century,” proved that companies that build strong relationships with their customers enjoy stronger financial performance.

In 2016 we have spoken with 4,000 UK consumers, replicating analyses from last year by asking them to tell us which brands really ‘get’ them, and rating them.

The success stories in this report represent the trailblazers, the brands that are now fundamentally rethinking the role of the customer in business.

The Customer Quotient framework offers a roadmap to Customer Inspired Growth.

The UK's most Customer Inspired brands in 2016

Top performing brands

1 **LloydsPharmacy**

2  **PUREGYM**

3 **John Lewis**

4  **THE
BODY
SHOP**

5 **pets
at home**

6  **Dove**

7 **Waitrose**

8  **virgin atlantic**

9 **Disney**

10 **P&O**
CRUISES

11 **NETFLIX**

12  **Premier Inn**

13  **SAMSUNG**

14  **BEN & JERRY'S**

15  **Birds Eye**

What makes for a good relationship?

Put simply, a customer-inspired brand *feels* different to customers. But this feeling can only be identified if you look carefully at what customers, not companies, really value. That's what CQ does.

CQ includes familiar measures of loyalty and experience, but reframes them through the customer's lens instead of the company's. It captures what desirable corporate "relationship behaviour" feels like from a customer's point of view. Think of CQ as buying criteria, or an emotional blueprint, of what draws customers to certain brands.

We found that consumer loyalty was related to the same qualities that define strong, rewarding, personal relationships. By relationship, we don't mean traditional marketing tactics: overly familiar language, intrusive texts or phone calls, or creepy tracking with big data. Rather, it's about a sense of shared values, of belonging, genuine dialogue, respect, and understanding.

To tap into this emotional blueprint, instead of overtly forcing a relationship consumers may not want, companies should focus on consistently demonstrating good human relationship behaviour, making consumers feel valued, respected, and understood.

Brands which exhibit these behaviours (as rated by UK consumers) receive higher CQ scores.

Five behaviours of customer inspired brands

- 1** The ability to deliver superior **customer experiences**, respecting customers' time, appreciating their loyalty and making customer service everyone's job, regardless of function or level
- 2** The desire and ability to provide **emotional validation**, creating a sense of belonging and making people feel smart and proud for being customers
- 3** An appreciation of **relevance**; speaking the customers' language and sharing their values
- 4** An **open** and genuine interest in dialogue with consumers, as opposed to continual, even incessant, messaging and requests for feedback
- 5** An **empathic understanding** of consumers' needs and preferences and an ability to exercise better 'customer intuition' than competitors

1. Customer experience

Brands today must deliver a superior customer experience. Sounds simple but how consistently do brands deliver this? They must respect customers' time, appreciate their loyalty, commit to the highest quality, and make customer service everyone's job, regardless of function or level. When the customer experience is coherent and seamless from end to end, it suggests efficient coordination and data sharing across the organisation.

Lloyds Pharmacy, the top scoring brand in this year's CQ report, excels in the eyes of its customers when it comes to delivering superior customer experience.

LloydsPharmacy

In a world where the NHS faces increasing pressure, pharmacists are the most accessible healthcare professional around. For many people, the interactions they have with Lloyds Pharmacy staff may be their most regular health conversations. Investment in this area by Lloyds is being picked up on by its increasingly loyal customer base:

“They know all my drugs and what they are for. They understand the effects they have on me and often tell me how the reactions are disabling me.”

“They're always helpful and knowledgeable. They have a desire to provide good customer service and meet customer expectations. I've used their services for 20 years and they are so helpful to me.”

Lloyds Pharmacy customers champion the brand for making their lives easier. Recent investments in improved digital services mean that customers can have repeat prescriptions delivered to their homes for free, avoiding the hassle of visiting their pharmacist or GP – a great example of them adapting the customer experience around customers' lives rather than expecting customers to change their behaviour to fit their business.

While many businesses talk the talk of customer-centricity, Lloyds Pharmacy customers credit the brand with actually walking the walk. It appears that its core 'Customer First' value is not just rhetoric, but is being embedded into the business. Frontline staff are empowered to make decisions which serve customers' best interests and all staff are encouraged to take part in an internal programme called 'Customer Commitments' where they can spend a day in the life of their customer to better understand the challenges they face (driving empathy, another driver of high CQ).



2. Emotional validation

The meaningful emotional benefits that a brand provides are harder to quantify and measure than something like customer experience. But our research shows that these are the distinctive qualities that really separate the good brands from the great. Creating a sense of belonging, making people feel respected, smart, and proud as customers, not making people feel ripped off – this is how customers describe brands that understand them best. In other words, consumers actually feel differently about themselves by being a customer..

Over the last three years, **Virgin Atlantic**'s customer campaigns have moved from emphasising the experience on board their aircraft to empowering their customers in their day-to-day lives. No longer a way to move from A to B, the business claims to empower your dreams. The brand has gently pivoted away from the on-board experience to becoming a platform for entrepreneurs, presenting the Virgin business as the surest route to making customers' ideas a reality. The award-winning One Day campaign went a step further and turned dreams into reality. At its launch, Virgin explained: "We're not only aiming to motivate and inspire people to achieve the one thing that they have always talked about but for a lucky few, we will actually make it happen."

virgin atlantic 

"Virgin were ahead of the game, their planes are beautifully decked out, the seats are comfortable, the entertainment is great and if you manage to get into their lounge at Heathrow then you are in for a treat."

"Richard Branson is a role model."

"Even though it's sort of totally superficial, they have lounges where you can sit, bring friends and drink free coffee, tea, juice, use the wifi, play the piano and generally feel like a bit of a king!"



3. Relevance

Relevance is another hallmark of customer-inspired companies. It means consumers perceive the company's products, services, and messaging as useful to their lives and resonant with their values. And, the brand is able to speak to customers through marketing and advertising in a way that is personal, meaningful, and relatable. More than anything, a relevant brand provides unique value by understanding customer needs and meeting their expectations in ways other brands can't

Premier Inn has recognised that one thing matters above all others to its guests: a good night's sleep. Its annual reports focus on how it delivers against this assertion.



The business has orientated its entire proposition around a good night's sleep, offering a Good Night Guarantee – money back if customers don't sleep well. And, unusually for a hotel brand, it has collaborated with mattress partner Hypnos, to develop a bed for rooms, which is also available for real fans to buy. It has also invested heavily in another of its guests' key priorities: technology. It launched its "hub by Premier Inn" hotel in central London, developed and tested in collaboration with customers over four years. The hub aims to capture the attention of guests who rely on technology, with innovations like a new app that provides guests with a local city guide, as well as easy booking.

“Excellent value for money hotel chain. Will do anything to make your stay as pleasant as possible. Consistently low prices for booking in advance. All round comfort from the beds to the atmosphere in the dining and bar areas. Money refunded if your night's rest is disturbed in any way.”

“They have good booking via the website, free wifi and great beds.”



4. Openness

Can we talk? Will you listen? Can you hear me now? Having a customer-focused culture doesn't mean much if customers don't perceive that you are really open to letting them into your business. Companies that score highly in this dimension are perceived as being accessible, and genuinely interested in two-way dialogue with customers. These brands are also seen as authentic and believable in their messaging and communications; customers agree that "they mean what they say."

Personal-care brand **Dove** is a standout in this area, having cultivated a strong and loyal following of women through messaging and advertising that resonates.



Dove's hugely successful Campaign for Real Beauty, featuring a range of non-models that celebrates the bodies of "real women," has elevated the brand to heroic status for many. The campaign is credited with opening up an important cultural conversation in the beauty world and beyond, positioning Dove as not just a caring brand, but one that really stands for something.

"Their advertising campaigns about natural women, celebrating all kinds of women, not just airbrushed models, really connect with women behind their social insecurities."

"They are a caring company - I always think of my mother when it comes to the product. An item that I know doesn't harm me in any way, an item I fully trust."

5. Empathy

Empathy is an extremely important, yet hard-to-quantify characteristic of customer-centric companies. It involves internalising consumers' needs and preferences throughout the organisation, consciously adopting the customers' point of view. Frontline employees who interact directly with customers can be especially critical here. Empathetic brands exercise better "customer intuition" than their competitors; they simply "get" their customer base, and use this as a source of competitive advantage.

The Body Shop has been a high street icon for decades. And it's a brand on the brink of launching a customer-centricity programme that allows its staff to easily book in activities that bring them closer to the customer - whether that's going shopping with customers, working on the shop floor or picking orders in the e-commerce warehouse. Creating empathy is a key part of their beauty advisors' jobs - offering exactly what the customer needs regardless of whether that's the cheapest or most expensive product in the store.



“They can see I am an older person and help me choose the right cosmetics to suit my skin.”

“They always listen to what it is you want when in store to try to find out about you.”



What unites our top performing CQ brands?

By Nina Kanin

The first thing our list of top performing brands has in common is that they all 'get' what really matters to their customers. These brands have succeeded in embedding crucial behaviours to build and maintain value, openness, empathy and a rewarding customer experience into the way they do business.

There is a lot of diversity in this list. These companies span a variety of industries – from pharmacy to fitness, to travel and beyond. They also span a variety of ages, with some companies - like PureGym - less than a decade old, and others - like John Lewis - well over a century old.

But what other common traits do they exhibit that unite them as a group of keenly customer centric brands?

Breaking through to Customer Centricity

Looking down our list of top brands, we see leaders that either got their start – or made their name – with a breakthrough product or service challenging the norms within their brand category.

For some older brands, game changing happened decades ago, but established an important identity that the brand carries to its benefit today. John Lewis, for example, made waves as the first department store in the UK to price match. At the time, Harrod's was the quintessential English department store. It delivered quality, service, and a curated experience – and in return, customers parted with the contents of their wallets. When John Lewis introduced its price-matching scheme, it continued to offer quality and service, but now promised that it would be 'never knowingly undersold.' By pledging that its customers need not shop elsewhere to pay a lower price, John Lewis earned their trust – and the power of that slogan and the loyalty it builds has helped propel it to the top of customers' preferred brands.

Other brands – like PureGym – are still riding the wave of their more recent disruptions in the fitness market. PureGym recognized that this market, led primarily by mid to high end brands, was giving many consumers plenty of what they didn't want (saunas and swimming pools) and not enough of what they did (value, ease and flexibility). While other brands have jumped on the low-cost gym membership bandwagon, PureGym continues to lead the pack, and is now not only a top CQ brand, but has more members than any gym brand in the UK.



What sets these brands and others from our CQ list apart is not just that they did something different. History is full of ideas that were new and fascinating in the context of their time, but never took off. Digiscents' iSmell technology was novel and intriguing but ultimately, people didn't feel the need to smell the webpages they opened and this technology faded. The difference for these top CQ brands is that their innovations addressed a direct customer need. This isn't newness for the sake of being new and different; this was and is creation with the goal of satisfying customers.

Made in the UK

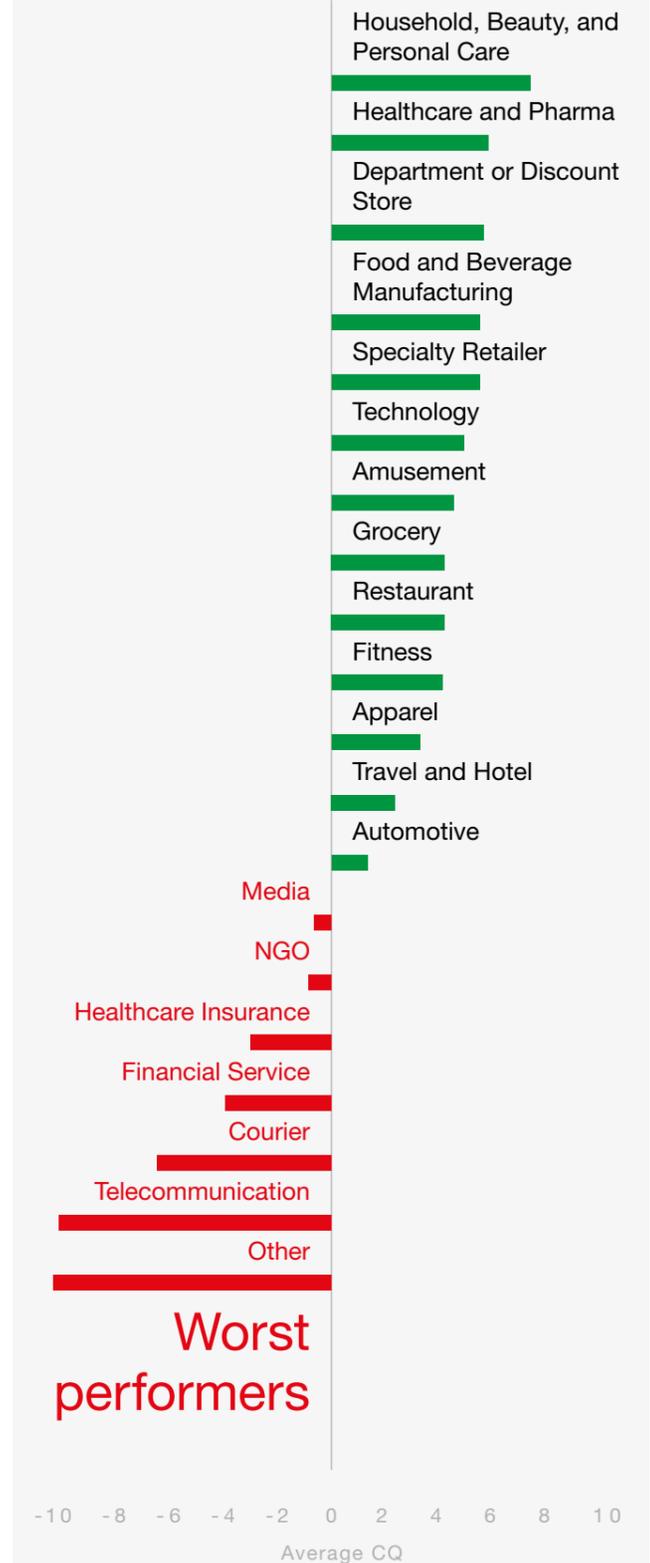
Another theme that connects many of our top performers is their origin. John Lewis, PureGym, The Body Shop – all of these are UK brand success stories. And as the UK begins its exit from the European Union and encounters the financial, social and emotional implications of that, the major question will be: in the age of Brexit, what is the destiny of UK brands?

We know that that there is likely to be a tangible financial impact due to Brexit, some of which we're starting to already see. The fall of the pound will likely mean higher prices for customers of companies that import goods from abroad. This is something that is now apparent in our supermarkets, as global consumer goods' companies raise their prices and British markets must decide whether to accept a lower margin or raise prices on their customers. To offset this, will there be new opportunity for 'home grown' products and manufacturing in the UK?

What is less certain are the social and emotional implications of the UK's exit from the EU. But one thing we do expect – and are already experiencing – is that Brexit marks a new period of uncertainty. Not fully understanding what this change will mean for personal finances, employment and other realities of their day to day lives, consumers feel the weight of that uncertainty. And when people feel anxious about the unknown and insecure about their future prospects, they tend to stick with what is safe and known. Will the uncertainty of Brexit favour those brands that are most 'familiar,' safe and established? Of those, will British brands benefit the most?

As we enter a period of immense change, it will be more important than ever for brands to be nimble and responsive to the changing needs, desires and concerns of their consumers. What is relevant today may not be relevant tomorrow. Openness will be key, especially at a time when many of life's new issues may feel obscured and trust of politicians and corporations is in decline. And when emotions are high, and people are grappling with the unknown, empathy might be the essential differentiator that keeps brands close to their consumers.

Best performers



CQ: a roadmap to growth

CQ is a powerful predictor of 'advocacy' and 'intent to purchase'

The brand behaviours that lead to a CQ score were selected based on their ability to significantly predict two key outcome variables: whether or not respondents recommended a brand or company to a friend or family member, and whether or not they intend to continue purchasing. This is as true today as it was in 2015. We were able to successfully develop a classification model that was 90% accurate in predicting these outcomes based on the CQ questions when tested on cross-validation data. In other words, CQ appears to be a powerful predictor of these key business performance indicators.

CQ is clearly related to revenue growth

We found CQ to be positively and significantly related to revenue growth with an R^2 of 12.6% ($p < .0001$). In fact, our analyses show that if companies improve their CQ by a full point, the upside is a potential 0.43% lift.

CQ is clearly related to profitability

CQ is positively and significantly related to profitability, with a one point increase in CQ associated with a 0.3% - 0.5% increase in ROA. This may seem quite modest, but if one calculates what this means materially for companies, it can be substantial.

Where do I start?

There are three important routes to developing a high CQ (and achieving organic growth):

- People across the organisation need to understand what their customers really want from them, and where their deficits lie (in priority order). These are the kinds of gaps and opportunities the CQ framework is designed to surface.
- Company leadership must understand the specific organisational factors that can support (or get in the way of) developing CQ, such as cultural factors, leadership behaviour, ingrained company-centric processes and procedures. They must identify which ones are most critical to address.
- Line managers, employees, executives, manufacturers, suppliers, and agency partners must develop a workable plan or roadmap to help immerse themselves in customer truths and collaboratively create ways to act on them. We suggest starting small and scaling quickly, targeting specific groups of business partners to build a groundswell and fuel momentum.

Questions to ask yourself when you get stuck

- 1 Does leadership “walk the talk,” truly championing the customer?
- 2 How does your company really feel about customers? Are they treated as human beings or are they just seen as numbers on a spreadsheet?
- 3 Where are your company’s customer blind spots? How do your formal structures and processes support or impede customer-inspired behavior?
- 4 Do people who interact with customers daily in the field, on the floor, online, or in call centers, and those in corporate or back office functions have the tools and technologies they need to engage with customers?
- 5 Do you have a culture that supports strengthening the customer-company relationship (on customers’ terms, not yours)? Are employees engaged? Are they empowered to make decisions which benefit your customers?

How CQ is calculated

Learn more about the methodology and sample for CQ

The CQ survey is designed to solicit consumers' largely unaided evaluations. Rather than ask people to rate a prescribed list of companies or brands (that they may not be very familiar with), we ask them to think of a company that "really got them" (among other things). After having a company in mind, participants are asked to identify that company's industry; they are then shown a list of company and brand names within the industry they selected. The lists are randomized to control for order effects, and participants can write in their own industry, company or brand name if they can't find it as a drop-down option. After rating the company they feel has good "intuition," we ask them to think of a company that has poor customer intuition, and then go through the same rating process. So, all in all, each study participant rates two companies—one that has good intuition, and one that does not.

This approach yields two distinct, but important, pieces of information, both of which are used to calculate a company's CQ ranking:

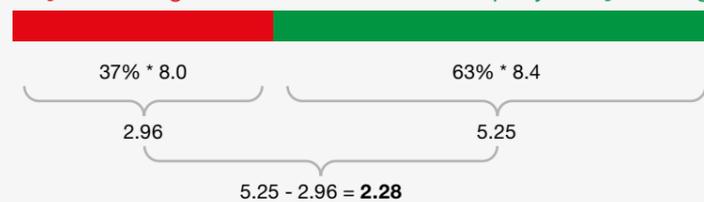
- How frequently a company is identified— by customers—as really relevant to them, or not (so the relative proportion of "good" and "bad" mentions per company)
- How much a company's customers feel it is really relevant to them (average survey rating responses for both "good" and "bad" intuition)

To calculate CQ, we transform the seven-point scale into a ten-point scale and then take the cross-item average of the positive ratings for a given company, and multiply that by the percentage of favorable mentions for that company. We then reverse score the ratings of companies with "bad" intuition, taking those average company scores and multiplying them by the percentage of unfavorable mentions. Finally, we subtract the sum of bad scores from the sum of good, and the result is a CQ score ranging from -10 to 10.

Written as a formula, the CQ calculation reads:

Example of Calculating CQ: Toyota

Negative: this company really doesn't 'get' me Positive: this company really does 'get' me



Toyota was mentioned 72 times: 63% of those were in the positive, 37% were in the negative.
The average score of positive mentions was 8.4, average (reversed) score of negative mentions was 8.0.
When we do the calculation [CQ = (63% * 8.4) - (37% * 8.0)], we get a CQ score of 2.28.

$$\text{CQ} = (\% \text{ of positive mentions} * \text{positive average}) - (\% \text{ of negative mentions} * \text{negative average})$$

Data were collected in May of 2016 from a nationally representative sample of over 4,000 UK consumers (N = 4,365).

Get in touch

C Space is the global customer agency.

Through private online communities, co-creation, and innovation programmes, C Space builds and strengthens connections between brands and their customers. This allows brands to design better products, create more relevant marketing, improve customer experiences and drive customer loyalty.

C Space has worked with over 200 brands including: Santander, Zurich Global Life, Sanofi, Takeda Pharmaceuticals, Unilever, Colgate, Boots Walgreen Alliance, GSK, Santander, Diageo, HP and Twitter.

To explore our roadmap for growth, contact Laurent on
+44 (0)208 618 1636 or
LManet@CSpace.com

cspace.com

c space

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