

Britainthinks

——— Insight & Strategy ———

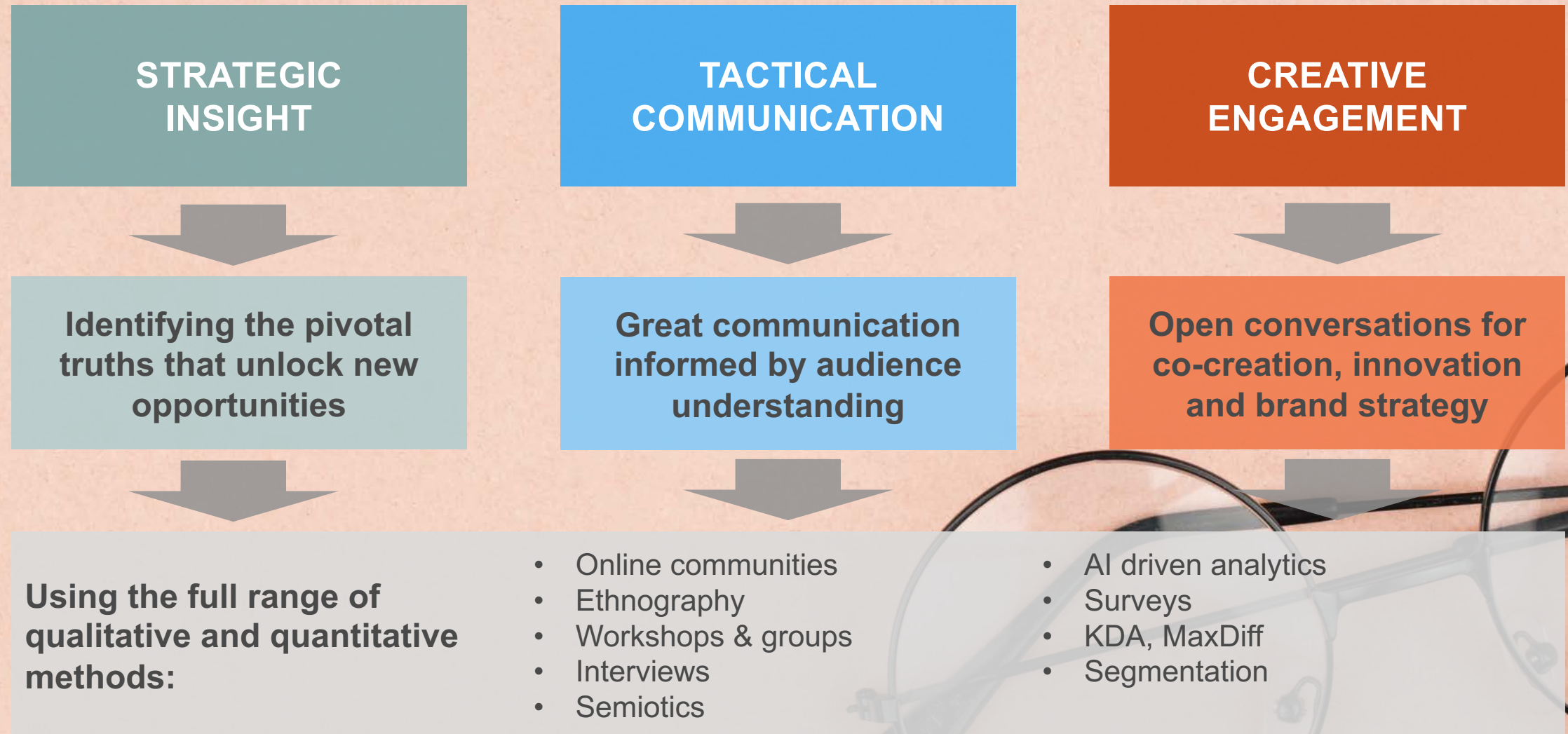
Customer Closeness in 2022

August 2022

We put the people that matter most to our clients at the heart their thinking.



We have diverse expertise and a wide-ranging toolkit



We work across the public, private and third sectors



Introduction and key findings

Traditionally, customer closeness has been associated with immersion in customers' lives and bringing together senior stakeholders with their customers.

But as we move forward as an industry and society we wanted to explore: what does the concept really mean? How do customers perceive 'closeness' from brands? And where will this go in the future?



Overview of our methodology

We engaged with consumers and experts in the US and UK between 9th June and 12th August 2021.

As part of speaking to consumers and experts, we conducted:

- **18 depth interviews with UK and US experts** in the following priority sectors: financial services, tech, retail, utilities, and healthcare
- **2 online focus groups with 6 UK consumers** – groups were split by SEG and location
- **12 depth interviews with US consumers**, with a range of ages and a max of 4 locations across the sample
- **Online survey** with a nationally-representative sample of 2,000 adults per market

We would like to take this moment to say a huge thank you to each of our stakeholders for taking part in this piece of research



Key insights

- 1. Customer closeness moves beyond understanding customers to predicting and meeting their needs.** Brands that achieve customer closeness successfully draw on intimate knowledge of their customers to anticipate and meet current and future needs seamlessly and intuitively.
- 2. This drives better business decisions.** Ultimately, customer closeness matters because it helps avoid mistakes, creates credibility with customers, and drives growth.
- 3. For consumers, customer closeness is judged by the extent to which brands deliver against key metrics that matter to them:** value, quality and customer service.
- 4. Achieving customer closeness requires a continuous process of engagement and data analysis and a commitment to acting on the insights.** For this to be achievable, brands must take steps to embed it in their culture, build it into processes and ensure it informs the innovation pipeline.
- 5. There are barriers to getting it right.** An over-reliance on big data, cost, and low customer interest in engaging with brands in some sectors are the three key barriers to achieving authentic and meaningful customer closeness. Looking to the future, a blending of methods and approaches may overcome this.

What is customer closeness?

A photograph of three people from behind, standing on a rooftop or balcony at sunset. They have their arms raised towards the sky. The person on the left wears a striped shirt and a backpack. The person in the middle wears a denim jacket. The person on the right wears a grey sweater. The background shows a cityscape and a body of water under a colorful sky.

Customer closeness moves beyond understanding customers to **empathising** with them. Brands that achieve customer closeness **know their customers better than anyone else does**, and can draw on this knowledge to **anticipate and meet current and future needs seamlessly and intuitively**.

Customer closeness is underpinned by 5 principles:

Availability & accessibility	Ease & flexibility	Trust	Empathy	Personalisation
Making access to products and services easy so that they are available to consumers as and when they need them	Providing all types of consumers options for how to engage with your brand	Building and maintaining trust in your brand so that customers are using you out of choice, rather than necessity	Understanding the consumer holistically, rather than catering to only the parts that engage with your brand	Moving away from segmentations and instead delivering products and services tailored to each specific consumer

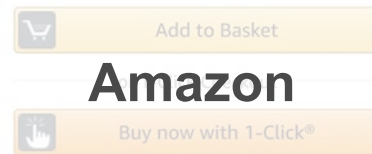
Brands and sectors who do customer closeness well are delivering on these principles:

Availability & accessibility



Transitioning from inflexible high-street shops to 24/7 mobile apps, the banking sector demonstrates how brands can make themselves accessible and available to customers.

Ease & flexibility



Sector-leading innovations, such as 1-Click shopping and Prime, make it easy for consumers to shop with Amazon in a way that works for them.

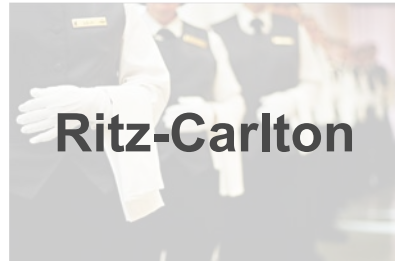
Trust



Patagonia are one of the world's most trusted brands due to their transparency about their internal processes and challenges (e.g. carbon emissions) and their product guarantee.

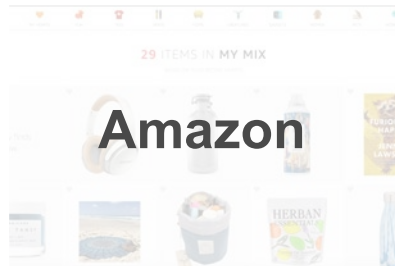
Brands and sectors who do customer closeness well are delivering on these principles:

Empathy



Employees at Ritz-Carlton empathise with their customers and anticipate their needs and desires. Each employee can act on this with a \$2,000 annual budget to spend on customers.

Personalisation



Amazon uses data to truly understand their customers. This allows them to create personalised shopping experiences for each customer through prompts and recommendations.

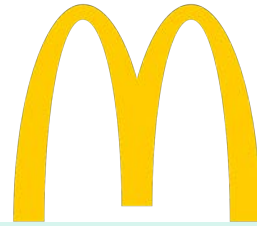
Customer closeness matters because it helps avoid mistakes, creates credibility with customers and drives growth....

Strong customer
relationships drive
brand loyalty.

Identification of unmet
needs
facilitates **innovation
and product
development.**

Understanding of
customers **creates a
shared
understanding
across the business**
of why staff come to
work.

...It also enables brands to respond quickly in times of crisis, by providing the guardrails to inform decisions



McDonald's is a good example of how a business can demonstrate customer closeness. Throughout the COVID-19 pandemic, there was a pressure on finances. Instead of taking the most expensive items to produce off the menu (which happened to be customer favourites), McDonald's chose to remove items that customers were less likely to buy, showing empathy and building trust with customers.

What matters to
customers?

Whilst the language of customer closeness is not familiar to consumers, they intuitively share the expert definition

Customer closeness moves beyond understanding customers to **empathising with them**. Brands that achieve customer closeness **know their customers better than anyone else does**, and can draw on this knowledge to **anticipate and meet current and future needs** seamlessly and intuitively.

I haven't heard of it [customer closeness] before, but it's about understanding what your customer wants and needs. It does make me think they are always listening though.

UK Consumer

*I have no idea... maybe like how .. I think it might mean **how close the company is to the customers in terms of how much they know about them and how well they understand their customers really.***

US Consumer

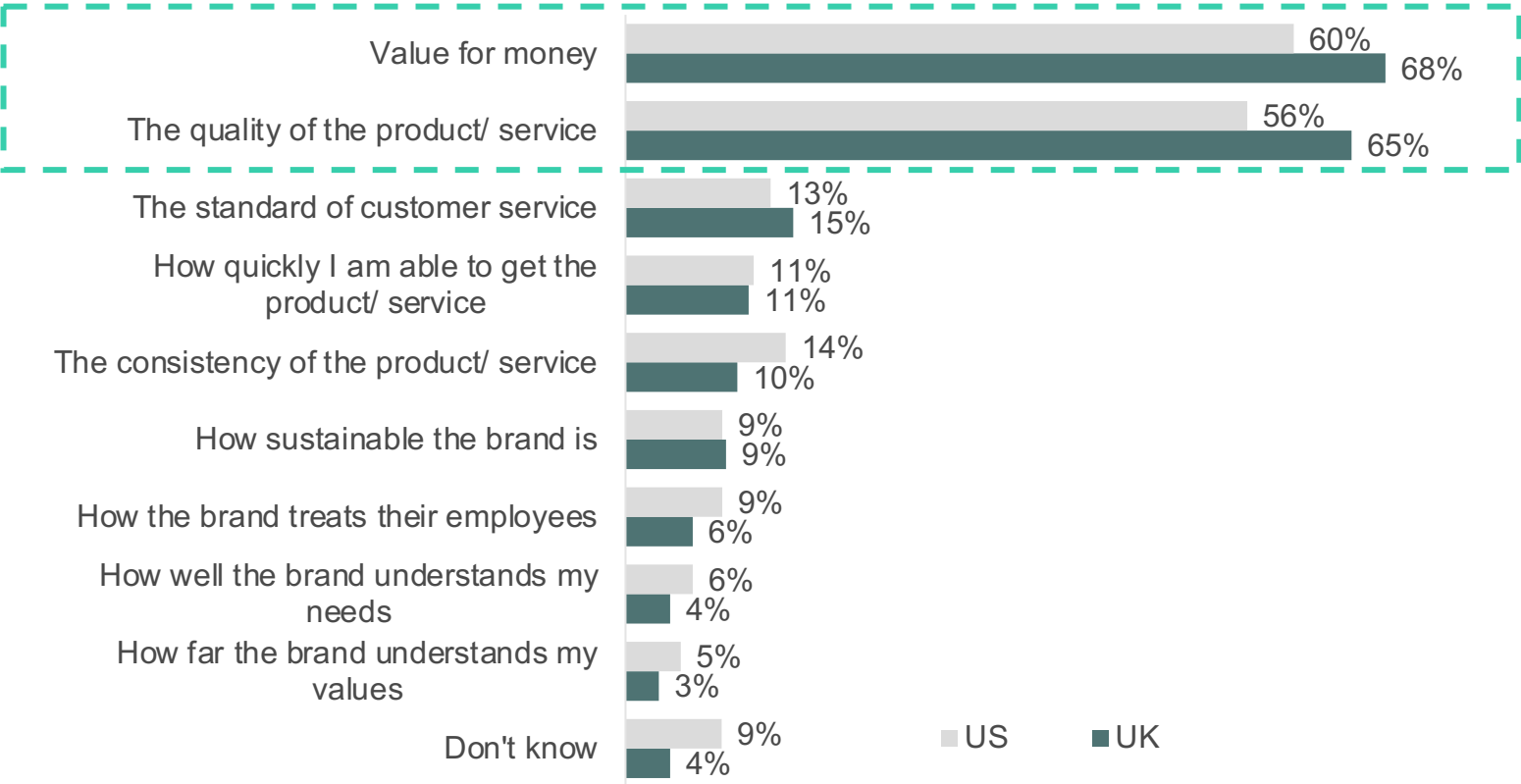
*With things opening up and wanting to do things, the customer closeness should be better, **companies should now be able to understand needs more because their needs have changed drastically because of the pandemic.***

UK consumer

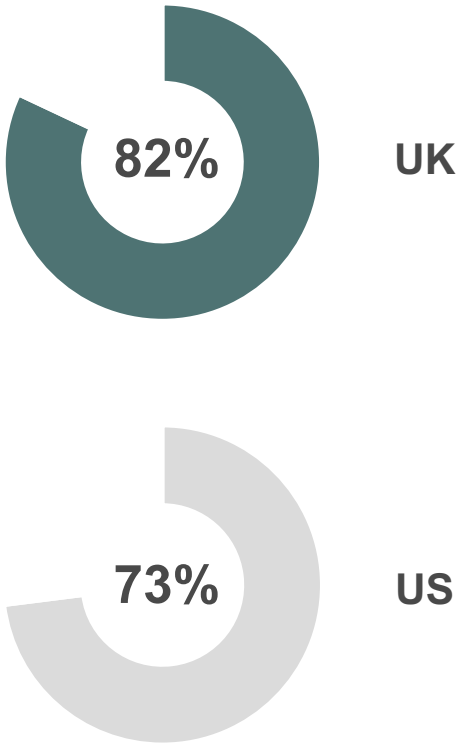
Consumers judge brands on the extent they deliver against the key metrics that matter to them: value, quality and customer service

Which of the following matters most to you when you are buying a product or service?

Showing % selecting each option in top 2



% agree 'the most important thing a brand can do is provide an easy, reliable, and consistent customer experience'



Q1. Thinking about the brands you engage with, which of the following matters most to you when you are buying a product or service? Base: All Respondents (UK n=2072) (US n=2570)
Q2. Please indicate whether you agree or disagree with the following statements. 'The most important thing a brand can do is provide an easy, reliable, and consistent customer experience' Base: All Respondents (UK n=2072) (US n=2570)

To achieve these metrics, brands need to know what their customers understand by value (e.g. willingness to pay), what quality means to them and the type of service they require.

This requires a rich understanding of customer's requirements and context.

NatWest (UK) and Amazon (US/UK) are two brands that consumers identified as having shown a deep understanding of their needs



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*Someone hacked into my bank a few weeks ago, and the level of service and understanding was fantastic. **They were going above and beyond to ensure the situation was resolved ASAP.***

UK Consumer

”



“

*I think Amazon has figured this out really well...**their ability to [anticipate what you want] is really top notch**, like when I'm on my fire stick watching TV and I'm presented with a show that is like something I've watched.*

US Consumer

”

How do brands achieve
customer closeness?

To achieve customer closeness, brands should demonstrate both an holistic and a sustained focus on the customer



Understanding you customers wider lives, experiences and needs, beyond the specific interaction with your brand.



Having a consistent focus on the consumer which permeates the whole business, rather than specific pockets of activity within business functions.

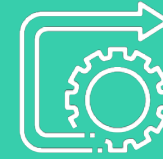
This requires a continuous process of engagement and data analysis and a commitment to acting on the insights

1. Embed it in the culture



There needs to be a **shared understanding of what customer closeness is and why it matters** across the business. This should be driven from the top, with **senior leaders championing customer closeness**

2. Build it into process



It needs to be **fully integrated into business processes and across business functions** – a must have; not a nice to have

3. Measure the impact



Tracking performance against key KPIs, with an open culture of reflection, gap identification and improvement and ensure this knowledge is fed into the innovation pipeline.

The research with sector experts identified 3 main barriers to achieving true customer closeness

1

Over-reliance on big data (though it is a good start)

2

Perceived to be prohibitively expensive

3

Low salience/ability to engage customers (in some sectors)

On its own, data analytics cannot achieve an understanding of customers – qualitative research and engagement techniques need to be used alongside data to allow brands to ‘walk in their shoes’ and identify opportunities

Particularly in the tech and FS sectors – where large amounts of data analytics are available – some experts described a view that ‘traditional’ research methods are no longer needed to achieve with customer closeness.

But big data, whilst hugely valuable, is just one piece of the puzzle and can actually mean the wider context of customer’s lives is missed – and with it opportunities to anticipate emerging needs.

‘Traditional’ research methodologies – and in particular qualitative research – have a vital role in helping brands understand **why** people behave in certain ways, in identifying unmet needs and allowing products to be developed to address those needs

*Our product and development teams are all about AB testing. **We monitor and do AB all day every day** and it goes into all our thinking...**There’s some resistance in the wider organisation to doing user interviews and surveys etc.***

Sector depths, Tech

You need to think on a human level.** Big data is not the same as looking someone in the eyeball and feeling the nuance of their character. **The more insight I have on you, the more I have to leverage from, I can understand the barriers, be more customer focused, more externally focussed.

Sector depths, Retail

Customer engagement doesn't have to be very expensive – and will deliver real value if it is truly embedded and acted upon

Achieving customer closeness can be seen as requiring significant financial and time investment.

This can be a particular concern for brands operating in the third sector.

Online approaches (qual and quant) mean that customer engagement is less expensive than it used to be

And many methods (e.g., omnibus polling, online groups) can be turned around at pace

Ultimately, customer closeness needs to be viewed through the lens of what it can deliver – growth

Deliberative approaches could offer a fresh way of engaging customers in low-salience sectors

In some sectors customers have not historically wanted a relationship with brands beyond the transactional.

This has been a particular challenge for the utilities sector, made more difficult by the highly technical nature of the service.

Where engagement with a sector is low, **deliberative approaches** provide an opportunity to get into a room with customers and provide them with the information they need to engage.

The value of deliberative research?

Deliberative methods are increasingly used to engage citizens in big societal issues like climate change, and there's a long history of using them to explore 'upstream' issues like emerging technologies where the public may not have a view yet. We see four key benefits to deliberative approaches for commercial research when involving your audience:

Depth of insight

Deliberative research engages people in the complexity of an issue, giving a fuller understanding of views and how they're formed. It engages explicitly with people's attitudes, values and beliefs, not just reactions.

Inclusivity & diversity

Deliberative research is designed to explore the full spectrum of views, not just the majority or the loudest voices. Good design and facilitation make deliberative processes some of the most inclusive available.

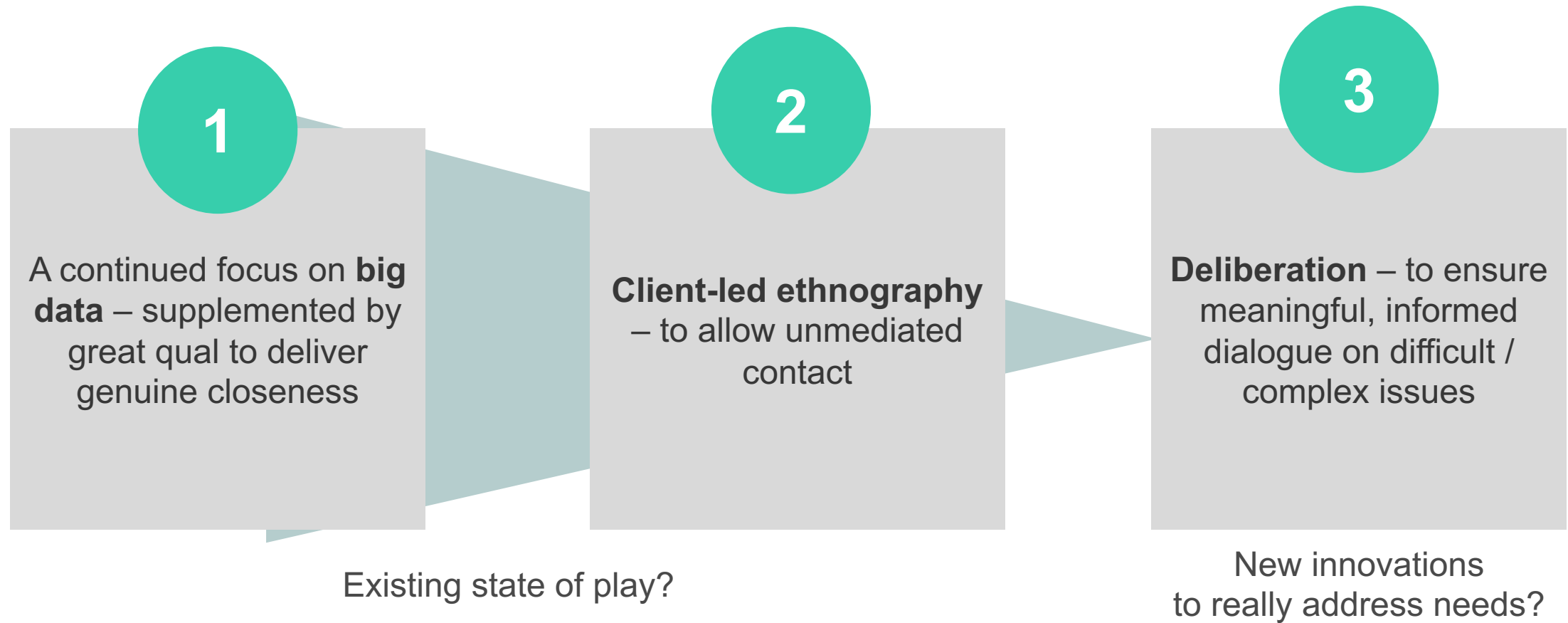
Solutions focus

Deliberative research, when it's done well, treats people as collaborators and empowers them not just to identify problems, but to come up with considered and realistic policy solutions informed by the evidence.

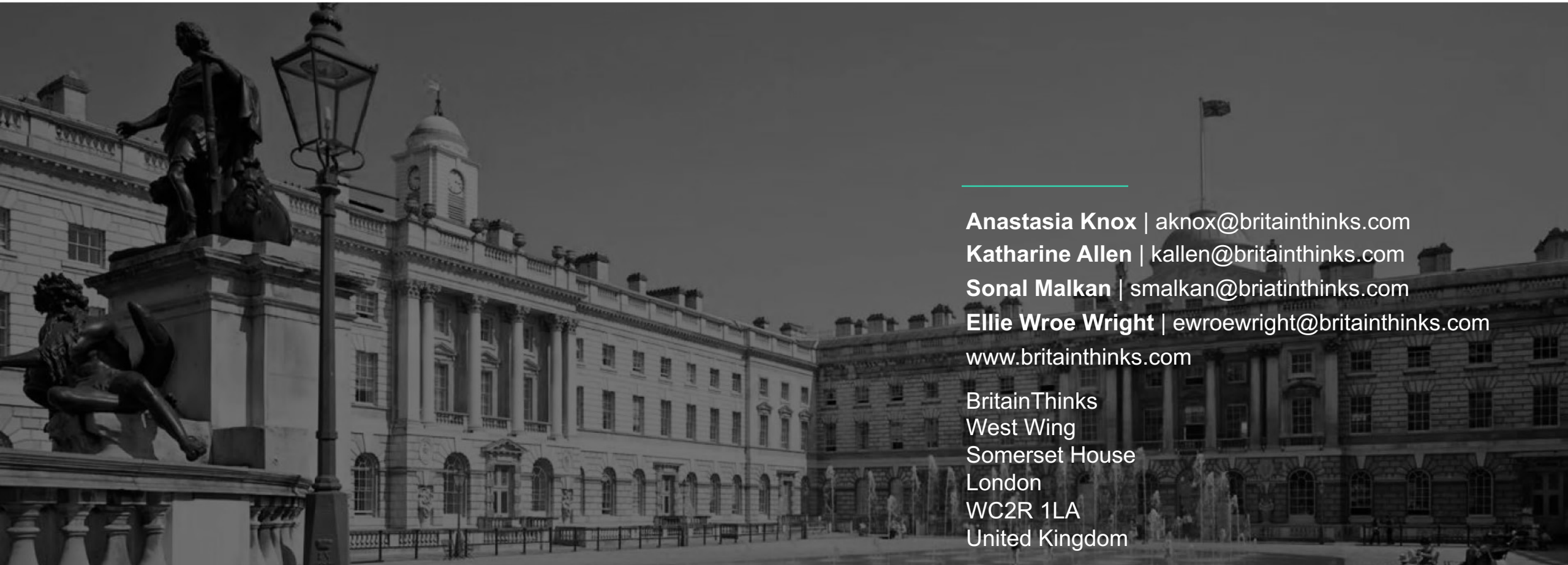
Authenticity & trust

Brands increasingly need to be authentic to their customers. Deliberation can bring together senior teams and customers to create meaningful dialogue. Ultimately this creates more authentic outcomes and can drive trust in your brand.

So, looking to the future, we see 3 potential areas of focus for customer closeness



Thank you



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