

# Connected Customer: Putting the customer at the center of your company



**People matter, results count.**

Consumers' evolving expectations about cars – and about relationships with organizations that supply them – are driving disruptive change in the automotive industry, and the pace of change is accelerating. At the same time, the growth of the digital economy is causing OEMs to set themselves different, more demanding key performance indicators (KPIs). For example, new digital channels need to be harnessed in order to meet customer demands in marketing, sales and service.

Companies now have an opportunity to become digital masters – gaining major competitive advantage – by fully understanding these disruptive changes and getting ahead of them. To do so, they must become truly customer-centric – something that few OEMs have achieved to date.

This means establishing management focus and governance to bring about enterprise-wide transformation; putting in place new processes, systems and structures that facilitate the piloting of innovative ideas; and managing the development portfolio in such a way as to prioritize the initiatives that either bring strategic value, or are essential enablers of other initiatives that do bring such value.



# Digital mastery depends on responding to Connected Customer expectations

Capgemini's research with MIT<sup>1</sup> into digital transformation has found that organizations which have succeeded in delivering a fundamental transformation of their business through digital technologies benefit from a considerable digital advantage and demonstrate significantly better financial performance than their peers. Typically, they are around a quarter more profitable than the average for their sector.

In figure 1 below, the automotive industry would be shown as a "beginner". It is still in the earliest stages of this transformation compared to other industries, so there is much to be gained by taking a lead.



## 4 Levels Of Digital Mastery



Figure 1: 4 Levels of Digital Mastery

To become digital masters, automotive companies need to understand the disruptive change that's happening in their market and get ahead of it. Research such as Capgemini's Cars Online program tells us that the market is changing dramatically because of the possibilities introduced by digitization and because of changing customer expectations.

These expectations have already shifted radically, and the pace of change is accelerating. When buying cars, people now want a different purchasing process and a more interactive relationship with OEMs and dealers through all phases of the customer lifecycle. Urbanization, congestion and pollution encourage people to prefer mobility services such as carsharing, ridesharing or multimodal transport packages.

<sup>1</sup> Westerman, G., Bonnet, D. and McAfee, A., Leading Digital: Turning Technology into Business Transformation, 2014

Most of the changes are to do with connectivity. This of course does not apply only to the automotive industry, but is a “megatrend”: In general, consumers increasingly value connectivity as much as – or even more than – products. The 2014 Cars Online report<sup>2</sup> identified several related trends within automotive:

1. Multi-channel and social media: The importance of multi-channel connection and social media usage is growing.
2. Ownership experience: Consumers want the same level of communications throughout the vehicle’s lifetime.
3. Connected cars: Connected car services are a critical element in the buying process. The vehicle is expected to be a part of the digital network.
4. Online sales: The demand for online vehicle sales is growing.

## Companies need to become genuinely customer-centric

Today, OEMs are mostly product oriented. That is starting to change, but slowly. In terms of the MIT model, organizations are below average in the “leadership capability” dimension, having undertaken only modest transformation. In the “digital capability” dimension, they are driving change in a conservative manner, with an immature digital culture. They are still in the bottom left corner of the diagram.

OEMs now need to find a faster way to move into the top right-hand corner of the diagram. This can only be achieved by putting the customer at the center of everything they do. Companies tend to believe they already do this but the reality is different – in a recent survey of Fortune 500 companies, 56% of OEMs described themselves as customer-centric but only 12% of customers agreed.

The companies now urgently need to close up this huge gap between aspiration and reality by rethinking the way they currently work. Specifically:

- They must change their mindset so they are constantly aware that value for the customer is value for the OEM.
- They need a 360-degree view of the customer.
- They must be able to manage touchpoints individually and consistently so that customers enjoy a seamless experience and receive the same messages whenever they get in touch.



<sup>2</sup> Capgemini, Cars Online 2014: Generation Connected

# Making the transformation happen

To become truly customer-centric, manufacturers need to rethink the whole way they approach product development, engineering, manufacturing, sales and all other aspects of their business, building in the right capabilities in each area. Several areas of transformation need to be addressed.

## **Management focus and governance**

The move to customer-centricity has to be a top management topic, particularly as it is not always possible to build a business case for the changes that have to happen. Some of these changes may have no measurable ROI, but there is no choice about making them: They are essential just to stay in business in the medium to long term.

In order to provide an impetus for the change, some companies are creating an extra management level just below the board, tasked with creating the “big picture” of digital and making sure it happens across silos. A big challenge in doing this is that the extra entity needs to collaborate closely with existing ones, specifically marketing and sales – both centrally and regionally – rather than becoming a silo in its own right. These existing parts of the organization must be closely aligned with the new strategy.

Ola Källenius, Member of the Divisional Board Mercedes-Benz Cars, responsible for Marketing and Sales, describes how his company tackled this issue: “We created a customer experience function with a project and organizational leadership model that is based entirely around the customer journey. So, we took departments dealing with different aspects of the customer journey, which were spread across the company, and brought them under a single leadership.”<sup>3</sup>

## **IT approach and organization**

The transformation affects IT as well as business. For example, in the past a specific touchpoint used to be owned by a specific business silo, but now there are large numbers of customer touchpoints spread right across an OEM's processes. This situation poses huge challenges for IT in terms of both governance and technology.

IT needs to approach the work of developing customer-centric ideas from a change management as well as a technical perspective. CIOs should consider how to get buy-in for each proposed development.

An important aspect of this need for buy-in is that a development method that shows early results is more likely to attract and retain funding than one that doesn't deliver anything for several years – one of several arguments for adopting agile approaches.

As well as adopting agile, organizations need to be structured in a way that makes it practical to explore new ideas – something that isn't easy with traditional waterfall approaches to projects. This means putting in place an “incubator” function that can pilot ideas on a use case basis and feed the successful ones into mainstream IT. In some companies this work used to be carried out in individual departments by a “business IT” person but resources are scarce so it makes sense to centralize it in one place (or maybe two or three).

<sup>3</sup> Capgemini Consulting, Where Digital Meets Physical: Mercedes-Benz and the Seamless Customer Experience

By considering the self-service opportunities presented by a customer in a given situation, OEMs can find cross- and up-selling opportunities. For example, a customer trying to get comfortable in a new car will welcome proactive, relevant, personalized communication answering questions like: “What kind of air-conditioning does this car have? What part of the manual will help me operate it? Can I access and search this information easily on my mobile device? Can I get direct support from a call center – preferably without having to tell them the complete story of what I’ve tried so far?”

If the air-conditioning still does not work, the OEM could also offer to arrange a workshop visit to suit the customer’s needs and calendar, and suggest bundled discounts at the same time. The customer would probably also be happy to sign a (suitably priced) service contract to cover future costs. The secret is to get in touch with the customer at the right time.

This incubator can take various forms. Some companies are creating a secondary IT function for trying concepts out in a rapid, outcome-oriented manner (in contrast with traditional waterfall methodologies used for large infrastructure projects). However, it’s also possible to outsource the work of piloting concepts, or create the incubator as a sub-department of the main IT function. The latter option saves the costs of a second stream but does not always work well in practice because of IT’s monolithic structure and heritage of long process-oriented projects.

Whatever structure is chosen for the incubator, there needs to be a governance model that supports rapid innovative development, and that can decide whether and how to integrate an innovative pilot into the main IT landscape. A dedicated and authorized design board, including members of business and IT, can play this role. The design board’s decisions should always be guided by the overall strategy.

**Development portfolio**

Companies need to prioritize the right customer-centric functional areas and make sure they have products available to meet customers’ expectations. In each case they should think big (making sure that projects are aligned with business strategy) but start small (with innovative pilots).

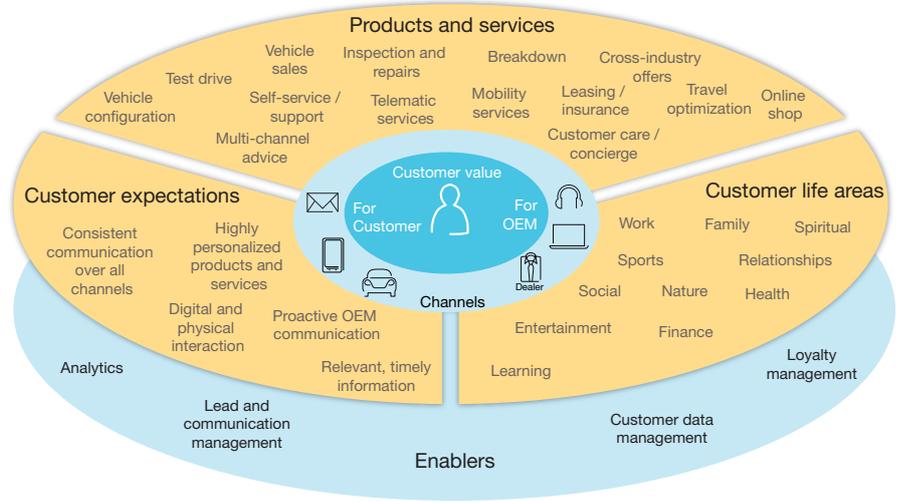


Figure 2: Fields of action and the relationships between them

The link between strategy and projects is paramount. Examining the relationship between OEM processes and customer expectations, life areas, and channels helps to prioritize actions in line with the strategy.

As OEMs evaluate the relationship between their own processes and customers' expectations and needs, they should continually ask themselves: "How can we improve the customer experience?" and "How can we get insights into the customer?" With this focus, OEMs can prioritize their portfolio in a way that builds the 360-degree customer view while simultaneously improving the customer experience and hence the OEM's business.

It should be noted that the type of exploration just discussed goes beyond the classical touchpoints in the product lifecycle to address what we call "customer life areas" (for example, family, work or sport). With this wider perspective, new products and services will arise, creating additional value for both consumer and OEM. Figure 2 shows the relationship between these various fields of action.

The development portfolio will contain a mixture of project types. The OEM has to prioritize the core functions, even if they do not have obvious business benefits in their own right, because they are needed to enable the more obviously value-adding elements that sit on top. These fundamental enabling elements appear on the lowest level of the diagram above. Without these enablers, other projects will not reach the level of integration and connectivity that is needed to provide value for the customer.

By evaluating project proposals in terms of the business strategy and in terms of their interdependencies, companies can define a transformation roadmap and project portfolio development plan.



## Conclusion: Towards digital mastery

In the new digital world, OEMs have a unique opportunity to learn about and address their customers' expectations, as some other industries have already done. This will enable the companies to forge a closer relationship with customers leading to better profitability and retention. Providing a high-quality customer experience will be a key differentiator.

In this way, companies can simultaneously develop a reputation as digital masters and meet their customers' expectations.

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