

# White Paper



## Touchpoint Management: Measure, Design, Invest to Build Valuable Relations!

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Januar 2018

**WATC**  
WHAT ABOUT THE CUSTOMER



WATC Consulting is the leading European strategy consultancy in customer management. We enable leading companies to grow profitably based on a consequent customer orientation and newest methods and approaches. We are leading experts for building customer-oriented organisations. With the latest methods and technologies as well as with creative and implementable ideas, we transform companies from a transaction-driven organisation into a relationship-driven organisation.

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## INTRODUCTION

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There is dramatic change in marketing and sales many companies still don't want to recognise. Over 45% of marketing budgets are spent on touchpoints which are irrelevant for the customer, based on a recent study.<sup>1</sup> That is coherent with our experience in the field of touchpoint management consulting. Studies confirm that due to an optimal touchpoint management, revenues can be increased by about 20% while cost can be reduced by about 15%. Also, recommendation rates were found to be improved by 35%.<sup>1</sup> A professional touchpoint management also goes hand in hand with reduced churn, followed by greater employee satisfaction through more effective ways to collaborate across functions.<sup>1</sup>

*« Over 45% of marketing budgets are spent on touchpoints which are irrelevant for the customer. »*

Another area to think of is segmentation. In the past, customers could be easily segmented by their lifestyle and demographics. Nowadays, customers are characterised by variety seeking and a multi-optional buying behaviour.<sup>2</sup> In our projects, we witnessed that customers are increasingly difficult to evaluate according to traditional segmentation criteria. Therefore, we apply innovative approaches and evaluation methods like our touchpoint segmentation. Another phenomenon in current market conditions shows an increase in the overall touchpoint usage.<sup>3</sup> On average, companies operate 30% more touchpoints than they did five years ago.<sup>4</sup> However, a lot of companies underestimate the number of touchpoints they own or need to influence. In a study, about 50% of managers assumed to have less touchpoints than they operate.<sup>5</sup> Customers also increasingly expect to experience their purchase in an omnichannel environment.<sup>6</sup> Yet, the alignment of offline and online channels remains a challenge for companies in the upcoming years.<sup>7</sup>

But how does touchpoint management work? On the following pages, What about the Customer (WATC) will introduce its latest frameworks in the field of touchpoint management. You will get an understanding about the benefits of an investment heat map, the classification of touchpoints, our 360-Degree Touchpoint Analysis as well as some examples of our latest work. Overall, touchpoint management is a very important task for companies which is still underestimated.

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<sup>1</sup> Esch (2012)

<sup>2</sup> IHF Institut fuer Handelsforschung (2016)

<sup>3</sup> van der Veen & van Ossenbruggen (2015)

<sup>4</sup> IHF Institut fuer Handelsforschung (2016)

<sup>5</sup> IHF Institut fuer Handelsforschung (2016)

<sup>6</sup> van der Veen & van Ossenbruggen (2015)

<sup>7</sup> Rawson, Duncan & Jones (2013)

## FINANCIAL IMPLICATIONS OF TOUCHPOINT MANAGEMENT

WATC always focuses in every project about the financial implications first. Based on our mutual value framework a project is successful if our client makes more money and his customers are wowed. From this point of view, touchpoint management is not just art or should be done occasionally. It can have a significant impact on the financial performance of a company. In a first step, we calculate an investment heat map for our clients. An investment heat map is a very strong tool and a starting point to get an understanding about the potential of a touchpoint management. The framework contradicts the intensity of customers' touchpoint usage per funnel stage to the company's investment patterns per funnel stage. It makes visible where the company invests according to customer needs and where it does not. In the example below, you see a heat map developed for one of our clients in the fashion retail industry. Apparently, our client invested some money in loyalty programs and newsletter campaigns after the customer had purchased from them. But the size of the investment did not meet the needs of the customers. They had expected more actions and a more intense treatment after the purchase with the company. Our client also spent more money than necessary on classical advertisement campaigns to raise awareness. He should have though concentrated more on channels like fashion blogs and word-of-mouth actions.

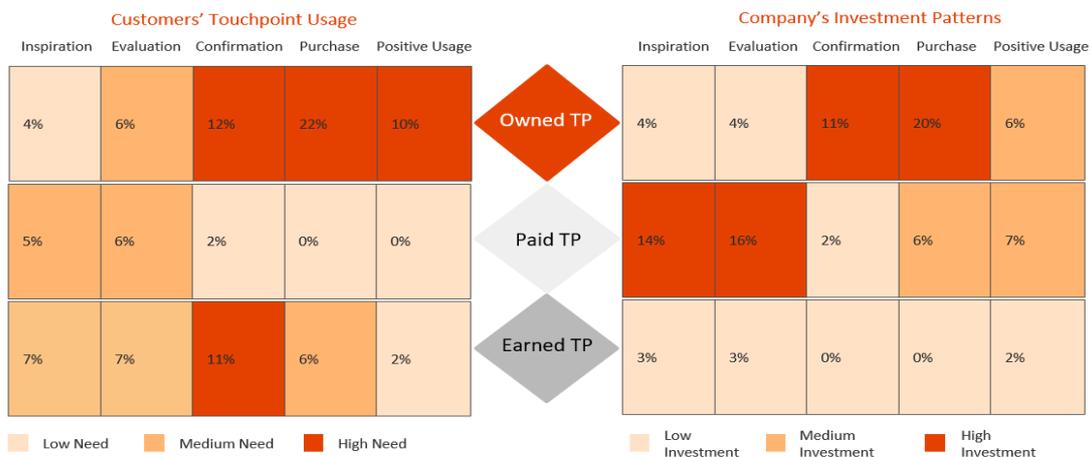


Figure 1: Investment heat map for a fashion retailer<sup>8</sup>

The reason behind wrong investment decisions lies mainly in a lack of customer orientation and relevant customer insights on touchpoint usage. Only one third of companies really know the needs of their customers.<sup>9</sup> If touchpoints would be measured on a regular basis and in a systematically way, companies would receive those valuable insights to make better decisions. They would understand how and at what channels the customer wants to be addressed. Due to the trend towards increased budget cuts in marketing and communication departments, this would be even more valuable.

<sup>8</sup> WATC Consulting AG ©

<sup>9</sup> Esch (2012)

## HOLISTIC TOUCHPOINT MANAGEMENT

Another major challenge is that companies forget to look at the whole picture (alignment) and concentrate on optimising single touchpoints. They miss to measure the touchpoints along the entire customer journey. We found that this is essential as touchpoint usage changes rapidly along the journey. In one of our projects in the fashion industry, we observed an increased relevance of all touchpoints in the inspiration phase which declines until the decision for the actual purchase is made. Especially social media and new channels tend to be overrated whereas the role of physical stores is not understood. Stores should confirm decisions which have been made before due to recommendations and/or online experiences. Some customers use stores still as a source of inspiration, but this segment is decreasing over time. In a very complex world people seek for orientation which they get through recommendations. Managing offline recommendation is a task many companies not even have thought about so far.

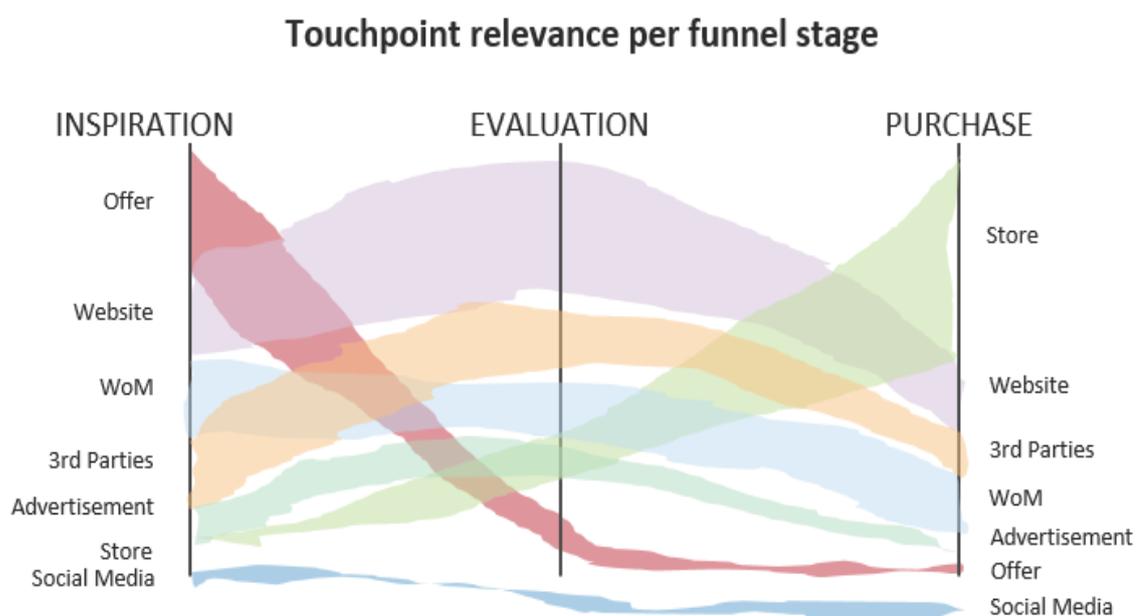


Figure 2: Touchpoint relevance per funnel stage for a leading fashion brand<sup>10</sup>

Therefore, a lack of continuous measurement is a significant risk for companies. From what we found, touchpoints should be measured at least every two years as buying behaviour and customer needs change very rapidly due to new business models and the digitisation of sales and marketing. Current touchpoints can get irrelevant and new channels might get important through current trends in the market.<sup>11</sup>

<sup>10</sup> WATC Consulting AG ©

<sup>11</sup> Esch (2012)

## TOUCHPOINT CLASSIFICATION

Touchpoints are spots where customers seek information and/or purchase offerings. In an ideal world, customers would just focus to do these things with the owned touchpoints of a company, but in reality, there are a lot more touchpoints a customer will interact with during her/his journey. That can be interactions with articles, recommendations, third party information platforms, etc. Those touchpoints can be classified in diverse ways. Common approaches (online/offline; direct/indirect) often imply only a technical perspective. They lack to show how important, influenceable, and effective each touchpoint is. That is why a classification into earned, owned, paid, and missed touchpoints which is illustrated in Figure 3 is recommendable as it reflects a customer- and management-oriented (mutual) view <sup>12</sup>:

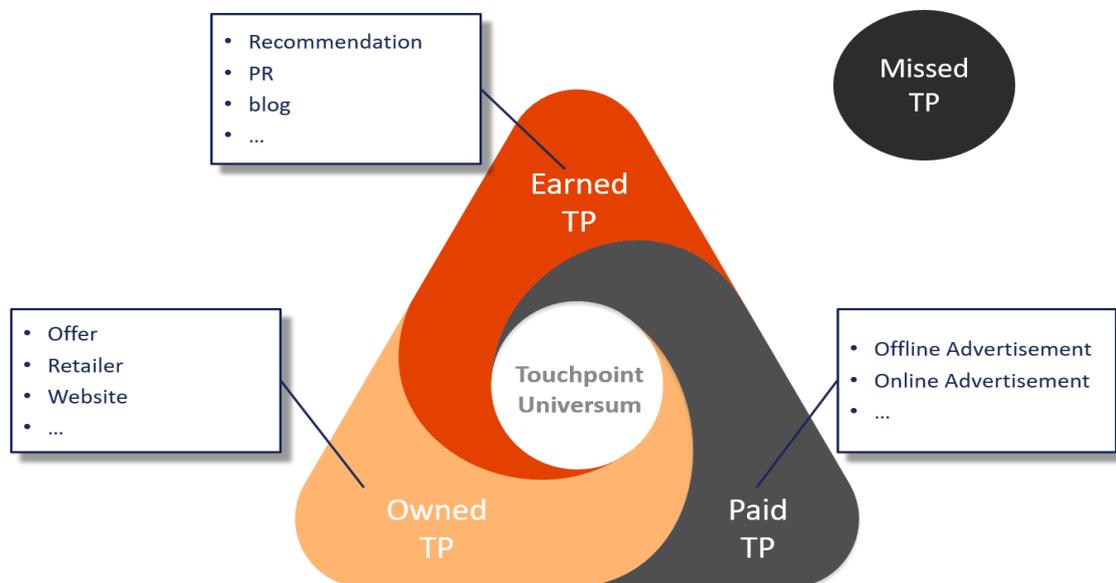


Figure 3: Classification of touchpoints<sup>13</sup>

### *Owned Touchpoints*

Owned touchpoints do directly belong to the company. A company owns them and can influence those touchpoints directly. Example are the website, offerings, and dealers.

### *Paid Touchpoints*

The company does not own paid touchpoints but can directly influence them in exchange for money. Classical examples are online and offline advertisement channels.

<sup>12</sup> Schueller (2013)

<sup>13</sup> WATC Consulting AG ©

## TOUCHPOINT CLASSIFICATION

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### *Earned Touchpoints*

Earned touchpoints can only be “earned” by the company and thus not directly be influenced. They are most important for companies as their influence on customers is the biggest. Examples are personal recommendations, PR, and external blog entries.

### *Missed Touchpoints*

Missed touchpoints are still neglected by the company although they are relevant to the customers, for example, if a company does not operate social media channels even if their main target group wants to interact on those ones.

Recent observations show that classic touchpoints as television and radio lose in importance and double-sided touchpoints like sales representatives and telephone conversations raise in value.<sup>14</sup> This can be underpinned by the example of Zappos who based their success on an excellent customer service over the phone. They understood early that a great website in combination with a great telephone support outperforms all paid media activities of their competitors.

## GOALS OF TOUCHPOINT MANAGEMENT

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Touchpoint Management follows several goals. What they have in common is that they all aim for the company achieving profitable growth and trying to wow the customer.

The goals include an (1) optimised resource planning related to time, money, and manpower as well as (2) improvements in the company’s offerings and processes. In addition, companies will be able to (3) optimise the customer experience and (4) to wow the customer in the right time at the right place. This will benefit in (5) attracting new customers, (6) in activating customers to re-purchase from the brand, and (7) to build a longstanding customer loyalty. Touchpoint management can also aim for (8) higher word-of-mouth rates among customers. If a company performs high on earned touchpoints, the influence of customers to recommend the company will increase. It gives the company more credibility. On top of that, (9) touchpoint management targets an alignment of touchpoints with the brand positioning of the company as it strengthens the understanding and preference towards the brand.

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<sup>14</sup> Esch (2012)

## COMPANY PRACTICE

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The importance of an effective touchpoint management seems obvious, but studies show that current practices in companies look different.<sup>15</sup> In most companies, managers are not aware of how effective touchpoint management works. They do not view it as a holistic management approach. This obstructs the fact that a lot of managers know (47% of the questioned managers) that it will be an important success factor in the future. So, they know that it will be important in the future but do not see it as an important management concept, yet.

Differences between industries can be observed as well. While only 37% of managers in the services sector think touchpoint management is important, in industries like telecommunications, media, and industrial goods it is has a much higher relevance. The study also found that touchpoint management is more vital in big companies than in small ones.<sup>16</sup> An observation we share.

*« In the automotive industry, social media channels have only a low relevance in the buying decision while the dealer, the website, and third parties are more crucial channels for customers. »*

We also experienced huge differences country-wise during our projects when talking about touchpoint management. For example, British end customers use mobile touchpoints much more than people in Southern Europe. On the other side is Twitter a much more valuable channel in Spain or Portugal than it is in Switzerland or Germany. But we also observed differences in industries. For example, in the automotive industry, social media channels have only a low relevance in the buying decision while the dealer, the website, and third parties are more crucial channels for customers. In the (luxury) fashion industry on the other side, social media channels rank much higher in importance. Trends expressed on social platforms by influencers, friends, or bloggers value much higher in the initial stages of the buying process than in other industries.

In addition, the form of implementation in touchpoint optimisation projects is diverse as well – very heterogenous so to say. While some companies internalise the entire process by establishing own customer experience units, others neglect the topic at all.

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<sup>15</sup> Esch (2012)

<sup>16</sup> Esch (2012)

## 360 DEGREE TOUCHPOINT ANALYSIS

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From our point of view, it is inevitable for companies to accept touchpoint management as a holistic management concept. That is where we step in. It all comes together in our 360-Degree Touchpoint Analysis. The approach is based on learnings from various of our projects in different industries and with different clients. Over the last decade, we could aggregate the findings through projects from diverse companies all over Europe.

With the 360-Degree Touchpoint Analysis, companies get detailed knowledge about the weaknesses and strength of every touchpoint. Companies are enabled to make decisions about which touchpoints to keep and which ones to eliminate. The identification of gaps regarding unreached but relevant touchpoints provides also information about which touchpoints still need to be introduced. In addition, the analysis shows how to optimise touchpoints in the right way, how to influence customer behaviour along the customer journey, and how to communicate with the customer on each channel.

The information needed is gathered through qualitative in-depth customer interviews. In an interview setting, customers and non-customers of our clients are questioned about their buying behaviour along the entire journey. To provide valuable insights, we developed an unique and very innovative application to map the journey of our clients' customers during the interview. For more information about this innovative tool: <http://processgenie.ch/>.

### *Project Steps*

A 360-Degree Touchpoint Analysis consists of four consecutive steps: (1) Study Design, (2) Touchpoint Check, (3) Survey, and (4) Results. The project steps are executed over a three months' period.

We recommend conducting a 360-Degree Touchpoint Analysis on a regular basis of at least every two years. Even if surveys and interviews related to branding and customer satisfaction are highly convincing, a continuous touchpoint measurement offers companies a new level of knowledge about the dynamics in the buying process and the changing customer needs. This secures a profitable growth of the company.

## 360 DEGREE TOUCHPOINT ANALYSIS

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### *Study Design*

At the beginning of every 360-Degree Touchpoint Analysis stands a general strategy and brand definition. Relevant target groups, the brand, offering focus, and buying context are outlined and analysed. This information is necessary to understand the context and to identify the right touchpoints used by the targets.

### *Touchpoint-Check*

After determining the context and target groups, all related touchpoints of a company are identified. Those are needed for the following survey and will make a comprehensive analysis feasible. First, all internal touchpoints are detected. Those are all channels where the customer gets somehow in contact with the company. Second, an analysis of the touchpoints of relevant competitors is conducted. In doing so, the company reaches insights what relevant channels they might have missed, and which would be useful to add. This is complemented with a touchpoint trend analysis for the relevant market.

### *Survey*

One-hour in-depth qualitative interviews with customers and non-customers deliver direct feedback for our 360-Degree Touchpoint Analysis. Those interviews are supported by our own developed software [Process:Genie](#) – it is able to set touchpoints in the correct order depending on customer usage. The tool can display the relevance and performance of each touchpoint. But how does it work in detail?

In a first step, general buying motives and purchase periods of the interviewee are compiled. Then, relevant competitors and touchpoints are defined. In the third step, the interviewee indicates the relevance of those touchpoints. This information is accompanied by data on the perceived performance and the customer emotions (moments of truth) at each touchpoint. In a last step, customer needs regarding communication content, intensity of the customer relationship, the preferred communication channel, and the value to the customer are compiled by the interviewer.

Those customer insights give our clients a detailed overview about the needs and behaviours of their customers. But this information is needless unless its profitably contributes to the success of the company. So, frameworks are required from which the company can derive concrete measures for their business.

## 360 DEGREE TOUCHPOINT ANALYSIS

### Results

With the material generated from the 360-Degree Touchpoint Analysis, the company receives helpful data about investment options, customer emotions, communication messages, and indicators on possible segmentation options.

First, investment frameworks (Figure 1) can be developed with the results of the received customer insights. They help the company to decide about the right investment in each touchpoint and to derive concrete measures for their future business.

The relevance and performance framework as seen in Figure 4 opposes on the one side how relevant a touchpoint is for customers and on the other side how those touchpoints perform in the eyes of customers. This can be done for single touchpoints or touchpoint groups (earned, owned, paid, and missed touchpoints). In our experience, touchpoints which are not relevant for the customer and which at the same time do not perform properly should be eliminated. On the other side, touchpoints which are performing high, which are relevant to the customer, and which are at best earned by the company are most valuable. The investment in those touchpoints should remain constant or should be increased. Channels which are stuck in the middle should be analysed deeply to decide whether to invest or not.

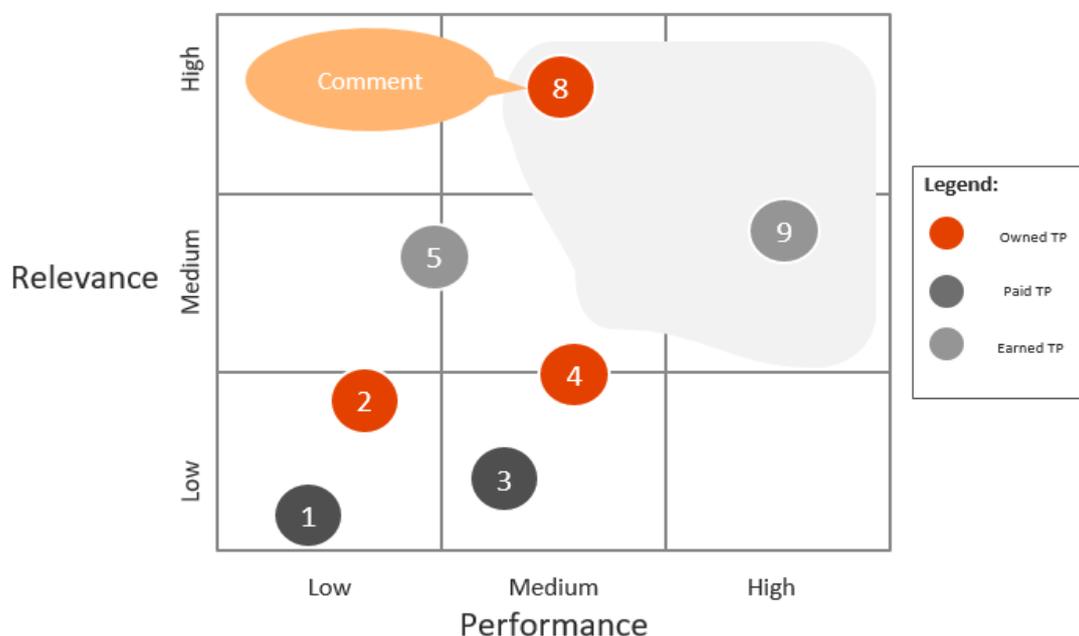


Figure 4: Relevance and Performance Framework<sup>17</sup>

<sup>17</sup> WATC Consulting AG ©

## 360 DEGREE TOUCHPOINT ANALYSIS

Displaying the relevance of touchpoints per funnel stage represents a second investment framework which adds value to a company's touchpoint knowledge. As shown in Figure 2, it highlights how important a specific touchpoint is in the respective buying phase. The website could be a relevant information channel in the inspiration phase, but may lose in interest in the evaluation phase where sales representatives could have more influence on the buying decision.

Reach and persuasiveness are opposed in a third framework. While touchpoints with below-average reach and persuasiveness should be eliminated, it should be continuously invested in touchpoints with above-average results in both dimension. The results of this framework enable the company to decide whether they must invest more to reach the customers on the channels where they are persuaded to buy the offerings of the company.

Second, the results of the 360-Degree Touchpoint Analysis provide data about the channels' influence on customer's emotions. Do the single touchpoints create positive, neutral, or negative feelings in the customer's mind? Companies can uncover moments of truth within the customer journey. Moments of truth are interactions which have a disproportion in impact on customers' emotions and a high influence on their behaviour. This helps the company to identify inconsistencies in the customer journey and give them the opportunity to react. The touchpoints which were identified as such ones must be taken care of even more. In our experience, they should not arouse the slightest negative feeling in the customer's mind.

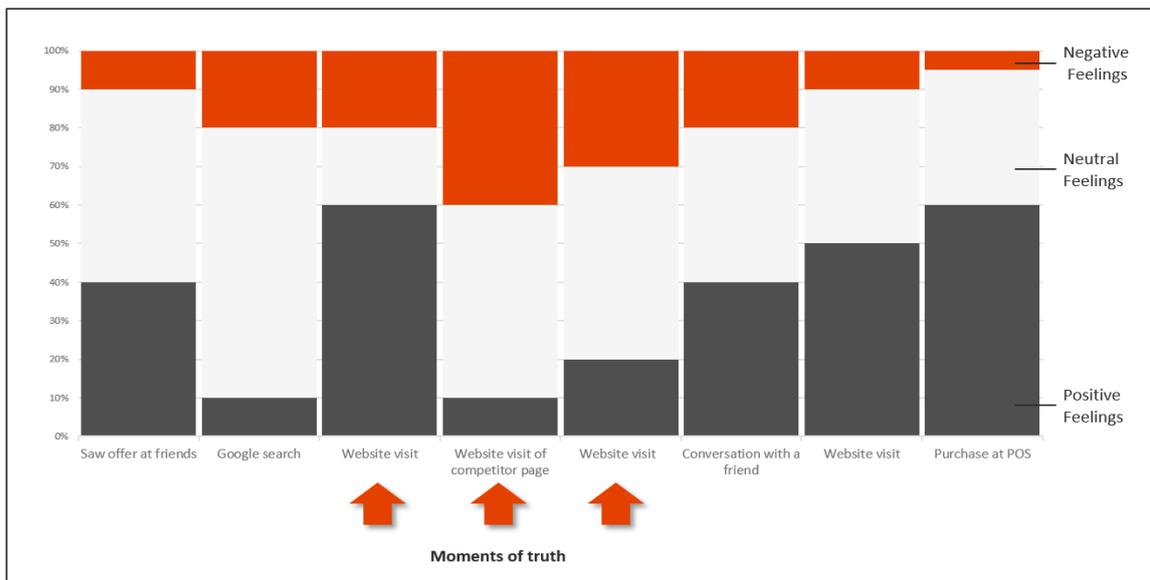


Figure 5: Moments of truth of a European car manufacturer<sup>18</sup>

<sup>18</sup> WATC Consulting AG ©

## 360 DEGREE TOUCHPOINT ANALYSIS

One of our examples illustrated in Figure 5 seems helpful to explain the phenomenon: A customer visits the website of the surveyed company. For the customer, this visit creates mainly positive feelings. Afterwards, the same customer visits the webpage of a competitor company which leaves her/him with rather negative feelings. When that customer returns to the website of the original company, she/he indicates only half the positive feelings than she/he had during her/his first visit – a moment of truth. It gives the company an indication where problems within the customer journey lie and that they could react to this finding.

Third, the results of the 360-Degree Touchpoint Analysis also reveal the relevance of communication messages on the single touchpoints. This gives the company the opportunity to weigh the applied communication messages and to adopt them according to customer needs. What we found in our projects is that earned touchpoints should especially communicate trust, while owned touchpoints should be clearer about technical details and price transparency.

According to the discovered needs of the customers, not only the communication must be adapted, but also the presented offer. If a customer segment was found to be price-sensitive, the preferred offering, for example, could be presented with a discount. But this is still not the end of the story. If the timing is wrong, better customer acquisition rates and stronger relationships are rather unlikely. Communication messages should be sent at the right time, and should be developed for the right offering. We summarize this task with: *“best time, best offer”* many companies should deal with.

### « *Best time, best offer* »

From our observations, the power of *“best time, best offer”* will get even more important in the world of digital service offerings. Offerings are increasingly accessible through online shops and apps. They often work with a freemium pricing strategy. This model contains three levels of customer involvement. In the basic level, the company provides their basic offering to unregistered users for free. In a second step, they add slight additions to their basic offering if the customer registers on the website or app. Thus, the company gets valuable information about their customers and is able to address them via telephone, mail, or letter. But they still do not earn any money. Only in the third level, the company will get a return. Here, the customer can access the whole offering in exchange for a regular subscription fee. Often online appearances of newspapers or software tool providers work with this strategy. To manage that funnel is a challenge. However, with the results of our 360-Degree Touchpoint Analysis, decisions can be made successfully. Companies get answers about which communication messages to send at the right time for the specific stage in funnel.

## 360 DEGREE TOUCHPOINT ANALYSIS

Fourth, the results of our 360-Degree Touchpoint Analysis allow for an innovative way to segment customers. While older models segment by channel usage, nowadays the changing landscape calls for a segmentation which is more stable over time and independent of channel usage. Information about customer needs and about how, why, and when people chose specific channels build the basis for such segmentation criteria.

One possible segmentation considers factors that influence the customer's decision-making process. It segments customers according to the extent to which people perceive themselves as being capable to choose the right channel (self-reliant vs. advice-reliant) and the way in which they seek information (exploratory vs. goal-oriented).<sup>19</sup> Figure 6 and 7 show the four resulting segments including the needs of the customer and the necessary messages which should be sent.

The Four Search Strategies

Type	Description	Needs	Characteristic of channel
Information	Self-reliant; Exploratory	Information; Control	Internet only
Reassurance	Exploratory; Advice-reliant	Choice; Validation	True multichannel users
Peace-of-mind	Advice-reliant; Goal-oriented	Confidence; Service	Less intensive channel use/offline shops important
Convenience	Goal-oriented; Self-reliant	Simplicity; Speed	Interactive channels (e-mail/phone/chat)

*Figure 6: The four search strategies<sup>20</sup>*

Implications for Channel Management

Type	Focus	Role of provider	Message
Information	Product; Operational excellence	Provision of information	"Look no further!"
Reassurance	Product; Relationship	Advisory role	"Trust me!"
Peace-of-mind	Relationship; Service	Expert	"I know what you need!"
Convenience	Service; Operational excellence	Facilitator; Mediation	"It will be delivered tomorrow!"

*Figure 7: Implications of the four search strategies for channel management<sup>21</sup>*

In our projects, we even went a step further. We found that a segmentation according to customer preferences towards touchpoints is most beneficial. It was explored that customers use touchpoints they trust and those they are able to use. Thus, for example, segmentation criteria according to trust can include: (1) the customer only trusts herself/himself, (2) the customer listens mainly to her/his peers, or (3) the customer trusts the actions of the masses. This segmentation gives the company a direction how they should treat their customers within the specific channels and what communication messages they should send at each channel. Figure 7 provides one of our segmentation approaches.

<sup>19</sup> van der Veen & van Ossenbruggen (2015)

<sup>20</sup> van der Veen & van Ossenbruggen (2015)

<sup>21</sup> van der Veen & van Ossenbruggen (2015)

## 360 DEGREE TOUCHPOINT ANALYSIS



Figure 8: Segmentation according to touchpoint behaviour<sup>22</sup>

Fifth, our 360-Degree Touchpoint Analysis also gives a clear direction about what goal a company should preferably follow: (1) Optimising touchpoints or (2) Influencing the behaviour of customers. Using the one or the other, there lies an enormous difference in the actions the company has to take. Optimising touchpoints is one option. It can include to make the company's website responsive because customers increasingly use the touchpoint over their smartphone. However, a second option can be to influence the behaviour of customers regarding their touchpoint usage. For example, if a company wants to refrain from customer service over the phone because of increasing cost and change to chat bot solutions, the customers usage behaviour has to change rather than the touchpoint. Overall the 360-Degree Touchpoint Analysis allows companies to optimise single touchpoints as well as the whole customer journey on a variety of aspects. As we are digging deep in the heads and hearts of customers, the information proves to be very beneficial for the decision making in marketing and sales departments in various industries.

<sup>22</sup> WATC Consulting AG ©

## 360 DEGREE TOUCHPOINT ANALYSIS

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### *Implementation*

Three additional elements are needed in order to optimally implement the gained knowledge about all touchpoints. First, a target system has to be established. The target system contains the goals the company wants to achieve at each touchpoint and over the customer journey regarding financial and content-related issues. Second, a Playbook is developed. It presents an overview about all planned measures on investment options and communication messages for all touchpoints. The Playbook gives the companies' employees guidance towards the accomplishment of the goals defined in the target system. Third, a Roadmap should be developed which includes a detailed plan on how to successfully change the single touchpoints. That includes time planning, responsibilities, and concrete tasks.

The comprehensive process of our 360-Degree Touchpoint Analysis which was developed on the experiences of numerous projects in the field, ensures profitable growth for the company. Foremost, it is an approach which supports companies in a better development of customer relationships by helping to invest in the right touchpoints and to send the right communications messages. Master the process and you will wow your customers in a profitable way!

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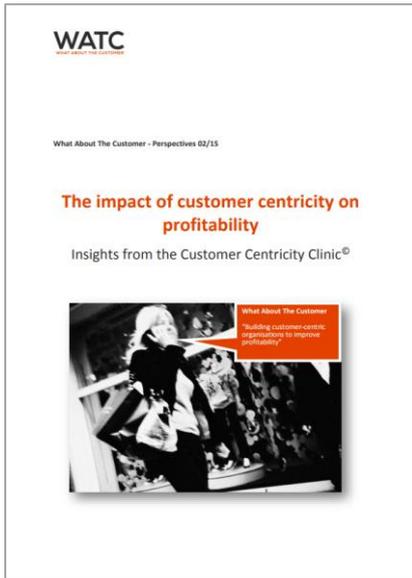
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### The impact of customer centricity on profitability

In stagnating markets organisations are forced to improve their customer centricity. By our understanding, customer centricity consists of two dimensions: “mutual value creation” and “inclusive culture”. Based on our innovative online research, Customer Centricity Clinic© we were able to identify three success factors of customer centricity: (1) knowledge about the value of the customer and quality of the customer value model, (2) an understanding among all employees with regard to their strong influence on customer centricity and (3) the promotion of customer-centric behaviour through correction during the employees’ performance reviews. Organisations which master these three factors show a 15% higher profitability. Customer centricity thus has a positive influence on profitability.



### The fight for the European Car Buyer

The competition on the European car market is fierce. Companies in the automotive industry are facing challenges in seven main areas. However, the determining battle of the future will be the one for the ownership of the customer relationship. In that struggle players in the automotive industry will stand before a number of very difficult trade-offs between differentiation, profitability and growth of market share.



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