



# BUSINESSES ALIGN MUCH CLOSER TO THEIR CUSTOMERS THROUGH EFFECTIVE TRANSFORMATION INITIATIVES

## Understand what value means to your customer

Customer preferences are now a key driver of transformation and adoption of new business and operating models. Over the past five years, there has been a seismic shift in customer expectations rooted in the digital revolution with an exponential increase in the number of channels through which consumers see products and services, newly emerging customer networks, and a resurgent emphasis on value (potentially superseding price).

Brian Cantor, Managing Director with Alvarez & Marsal in Chicago explains that “Consumer focused organizations need a scalable, responsive framework to adapt to the change and to fully capitalize on top line opportunities.”

Focusing on the consumer now requires a deeper understanding around the 3 macro factors driving these seismic shifts:

**1. Exponential Channel Expansion** – In recent years, there has been a massive increase in the number of channels open to consumers to see products in movies, shows, and airport and train displays that they can – and will expect – to purchase on the spot. These channels accelerate the frequency of interactions between the company and its customers.

**2. Personalization and the Networked Customer Experience** - Your customer will expect you to know them at a deeper level. That knowledge allows businesses to suggest products and items that will make their lives better. Providing value is a permanent demand and customers will in turn give you the permission for very high levels of loyalty and engagement across 24/7 global platforms.

**3. The Resurgence of Customer Value (over Price)** - Customer growth today is located “at the edges... in luxury and value”, [according to Professor Sergio Rebelo](#) of the Kellogg School of Management at Northwestern University. At both ends, companies must understand what value means to their customer and provide it, whether that is a customized experience based on a deep knowledge of the individual, or reaching customers with the right offer at the right time.

“At A&M we often get called by companies seeking to transform their businesses. Step 1 often requires taking out non-essential costs that get in between the company and its customers,” says Joe Berardino, Managing Director of Alvarez & Marsal’s corporate transformation practice.



Consumer-focused companies have been profoundly affected by digital disruption and they are going on the offensive when embracing transformative change OR on the defensive as they desperately try to play catch up with an ever-accelerating set of customer expectations.

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**“TRANSFORMATION INITIATIVES ARE DIFFICULT BECAUSE THEY REQUIRE CORPORATE EXECUTIVES TO SIMPLIFY ORGANIZATIONAL REPORTING LINES SO THAT THE BUSINESS CAN BE MORE RESPONSIVE TO THE CUSTOMER. THIS REALIGNMENT USUALLY REDUCES COST WHICH CAN INTELLIGENTLY BE INVESTED IN A MORE AGILE CUSTOMER EXPERIENCE.”**

**Joe Berardino, Alvarez & Marsal**

Whether it is an outdated supply chain or a complex hierarchy slowing down product development and adding cost, removing every obstacle to meet the customer’s needs is the foundation of a successful transformation.

The following questions will help leaders define strategic priorities:

1. Who is our customer now, and who do we want to be our customer in the future?
2. Are we providing value in the eyes of our customer, or in our own eyes and our own legacy measures?
3. What is our current ratio of telling vs. listening to our customers? How do we flip it?
4. Do we act on what customers share with us? Do they know this?
5. How do we interact with our customers? Does the experience match or supersede the product?
6. Do we have a well-articulated growth strategy and can our team easily share it?

Answering these questions is vital to companies at every stage of their lifecycle. For mature businesses being beaten on price, convenience and customer insight by digital competitors, the future depends on transformation. Yet companies born in the digital age are not exempt. They too must work at continuously staying nimble.

To transform and grow, businesses must truly understand what the customer values, be that lower prices at one end or entirely customized products and services at the other. Only then can the business get closer to their most valuable asset.

## CUSTOMER-FOCUSED COMPANIES

**Best Buy** saw that its very existence was under threat from the shift to online, and began its ‘Renew Blue’ turnaround program in 2012. Like other consumer electronics businesses, its customers had become much better informed because of reviews online, and after looking at a TV or computer in a Best Buy store, would often go and buy it from the lowest cost provider, typically Amazon.

The company started to match the prices on its own website with those of Amazon and other online merchants. Then crucially it made \$1 billion of cost cuts, making tough choices including cutting 400 positions at its headquarters and pulling back on expansion in Europe, China and Canada. In 2017, the company announced its turnaround was complete.

After **McDonald’s** lost around half a billion customer orders in the US between 2012 and 2015, Steve Easterbrook took over as CEO with the job of reversing the decline and cutting \$500 million of costs. [Detailed research carried out by the company](#) showed that customers were not deserting McDonald’s for salad bars or more exotic forms of fast food, as the conventional wisdom held, but for rival burger chains – and that price was key.

McDonald’s didn’t need a digital solution. They responded by cutting prices and making “day-to-day basics” the focus. The company’s same-store sales rose 6 percent and beat forecasts in the third quarter of 2017. Its shares have climbed more than 70 percent since Easterbrook became CEO.

Beauty brand **Glossier**, created by the editors of the *Into the Gloss* beauty blog, started “mini focus groups” on Instagram to find out what its customers were looking for. It now launches a product every 6-8 weeks based on the replies it receives. This has resulted in revenues up 600 percent year-on-year and tripled the number of active customers within a year, [according to founder Emily Weiss](#).

## GOT A QUESTION? CONTACT AN INFLUENCER

ANSWERS ARE ONE CLICK AWAY



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