

LIVING BUSINESS

Achieving Sustainable
Growth Through
Hyper-Relevance

 **accenture**



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Businesses have long depended on the loyalty of their customer base to support growth. Today, many are experiencing a different reality. Consumers are shopping around—more than ever before. Research confirms it: The traditional concept of customer loyalty has shifted, with the onus on the company to constantly adapt and cater products, services and experiences to the customer.

That means companies can no longer rely on the same methods they used before to attract customers. Moreover, instead of taking steps to build loyalty, they have to think in terms of attracting those same customers by offering them a consistently fast, personalized and reliable experience—or risk losing them to the competition.

Brands need to keep up. Sixty four percent of the times that customers shift from one brand to another, it's in order to seek a more relevant product, service or experience—and this number is likely to increase. Companies need to be agile, moving nimbly and continuously to accommodate customers' ever-evolving needs. They need to be hyper-relevant.

The price of remaining static is very high. In the U.S. alone, the potential revenue that companies lost to competitors in 2017 by not being relevant enough was a startling \$1 trillion.

So how do you achieve growth at a time of unprecedented disruption? By becoming a Living Business—one that continuously adapts to changing customer preferences and market conditions with speed and scale.

INTRO

“What are the keys to sustainable growth in a world where market turbulence is the norm?” It’s a question on the minds of many company leaders who are spending more money than ever before in the pursuit of the next big idea, yet are not seeing a return on their investment.

To identify a clear path forward for today’s large organizations, Accenture undertook a major research initiative in 2018 to determine how leaders in sustainable growth are different than their peers. We found that these companies:

- Understand the changing digital needs of customers;
- Pivot growth strategies to profitable areas beyond the core;
- Fund new growth by optimizing costs elsewhere.

Additionally, our findings indicate that the path to continuous growth depends on developing five interdependent sets of capabilities. Each capability set is focused on deploying advanced technologies with precision. In turn, they sharpen companies’ abilities to conceive, design and exploit distinctive offerings that meet customers’ demands at the exact moment they most need them. Together, these capabilities characterize organizations that can consistently [deliver](#) hyper-relevant services.

In short, they transform static companies into [Living Businesses](#).

Small digital pure-play organizations are hardwired to thrive in this environment. So, too, are giant digital natives such as Amazon. These organizations are constantly offering customers a more personalized and relevant consumer experience. They’re also seamlessly moving from one growth opportunity to the next, even across industry boundaries. In fact, 78 percent of consumers surveyed would be willing to engage with digital natives for their banking and financial service needs.

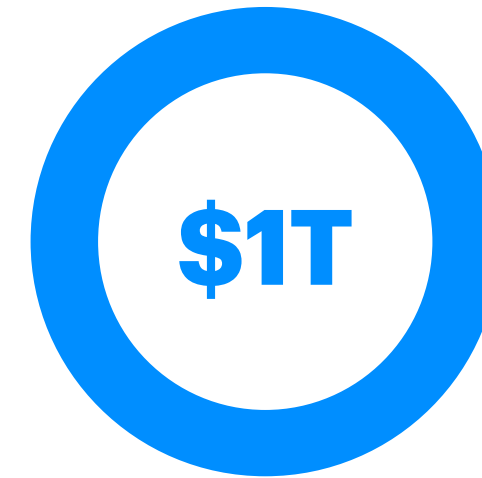
But most large companies and industry mainstays face a tougher road. Asset-heavy infrastructures are limiting the ways in which they can serve existing customers and attract new ones. Outdated marketing, promotion and channel strategies, developed to exploit the ability to deliver volume at scale, are now barriers to overcome.

So, how can established organizations like these unlock growth with relevance? They do it by innovating responsively, designing with customers in mind, and acting with agility. And a select group of organizations have begun to crack the code.

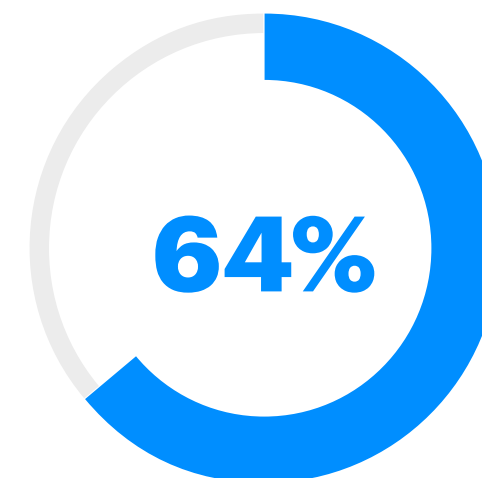
LIVING BUSINESSES OUTPERFORM THEIR PEERS

Successful companies today realize that customer expectations are shaped by the most relevant, real-time, dynamic experiences they encounter across all industries. These companies have realized that to be relevant, they must infuse vitality into all they do. Customers don't switch from these organizations to others; increasingly, they switch to them.

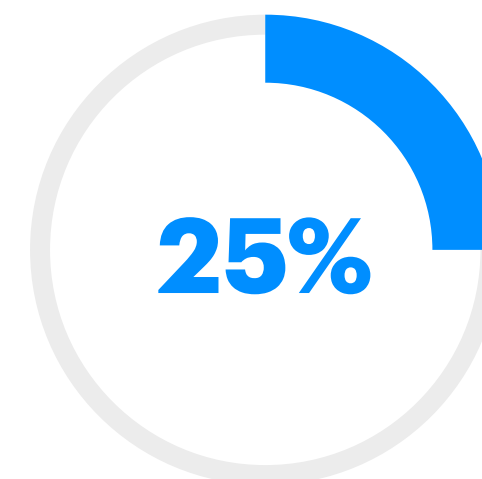
Based on our consumer survey of more than 23,000 consumers (representing 33 countries and commenting on more than 8 different industries):



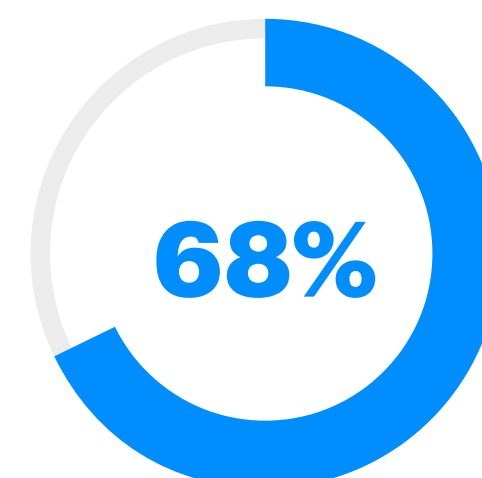
\$1 Trillion is the amount of revenue at stake in the **US** alone that **companies lost to competitors in 2017** by not being relevant enough in the moment.



64% of the instances when customers switch from one brand to another is driven by a **lack of relevance**



One in four customers say that they'd **quit doing business altogether** with a business that wasn't relevant



68% more likely that a company perceived as relevant by its customers will **be recommended to friends and family**

Overall, the research revealed, Living Businesses have mastery over three distinct characteristics. These companies:

- Consistently deliver intelligent experiences. The way they interact with customers, partners and employees is informed by targeted and real-time data. If a customer wants a certain delivery timeline, it's arranged. If a customer would be attracted by a particular offer, it's provided. If an employee or a partner needs information from a different part of the organization to make a decision or carry out a process, that information is accessible in a useful form. These companies adapt experiences to individual needs, preferences and context—while staying true to their brand values.
- Engage in responsive innovation. Their infrastructure and culture are primed to embrace new ideas, behaviors and technologies so they can anticipate and respond to evolving opportunities.
- Act as agile organisms. Their operating models have broken down internal siloes. These organizations are carefully deploying the latest technologies to advance overall performance.

Take Nike, which uses leading-edge technology to enhance customer experiences and connect with the customer to gather the feedback and data that ultimately helps in refining their customer experience, making it more personalized and efficient. Similarly, GE Global Research provides intelligent experiences by developing cloud-hosted software models that can help the company improve safety levels, cut costs, and help customers get the most out of their investments.

They embed responsive innovation in all that they do. They are Living Businesses.

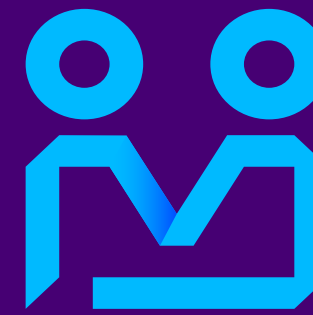
THE COST OF RELEVANCE

In our study of over 1,000 companies, we assigned each organization a “**Vitality Score**” based on its proficiency across five sets of capabilities:



Target

the right sustainable growth initiatives by adopting an investment strategy that fuels continuous cycles of innovation;



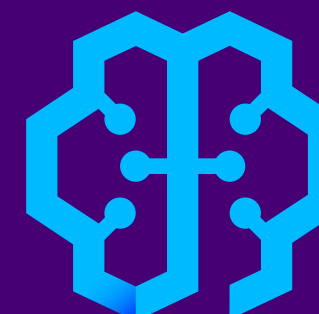
Scale

their ability to reach their market potential through platforms, partnerships, and alliances;



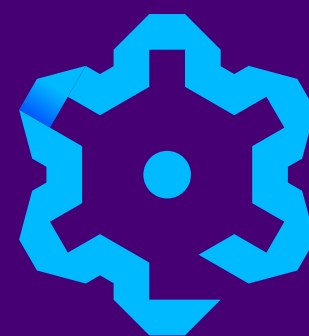
Design

products and services that reflect the company’s purpose with relevance in mind;



Rewire

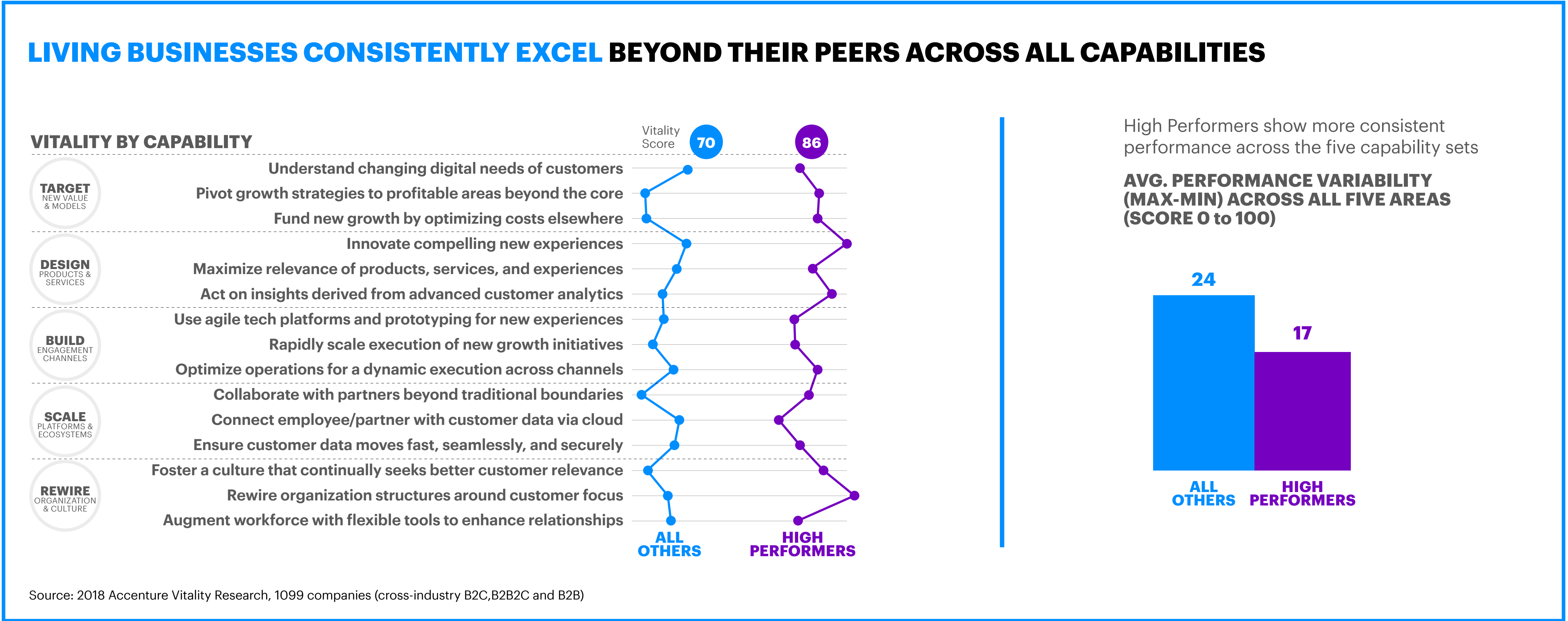
their workforces—through changes to their structure, metrics, culture, and more—so that employees see explicitly how their work fosters a better customer experience, and hone in on relevance as a goal.



Build

a range of engagement channels so that the company can bring designs to market in a variety of ways, enhancing customers’ experiences and enabling live feedback;

We found that the companies that scored highest on these capability sets—what we call high-vitality companies, or Living Businesses—were also much more likely to achieve strong performance relative to their peers. These high-vitality companies—only around 10 percent of all the organizations we studied—are 50 percent more likely than low-vitality companies to report a strong readiness to weather business cycles and disruption in their industries. They are also three times as likely to achieve above-average revenue and profit growth.

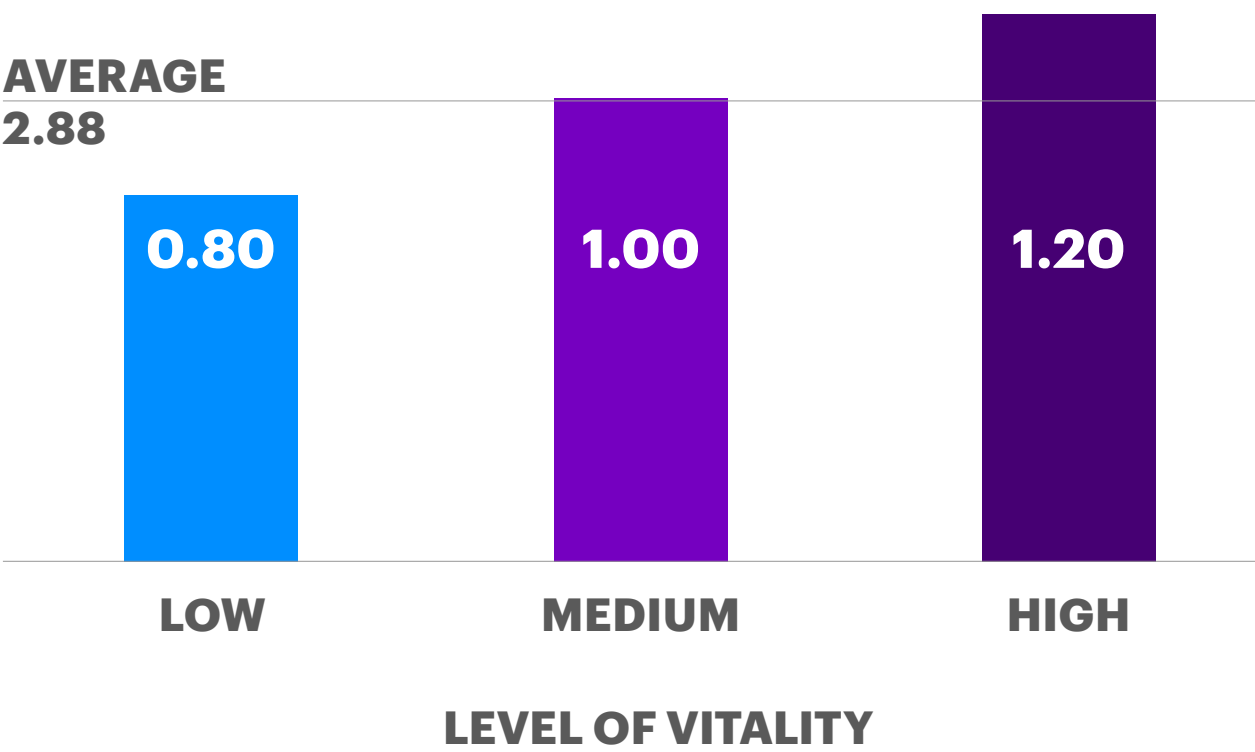


HIGH VITALITY COMPANIES—LIVING BUSINESSES — ARE BEST POSITIONED TO SURVIVE DISRUPTION

High vitality companies are 50% more likely than low vitality companies to be well prepared for industry disruption.

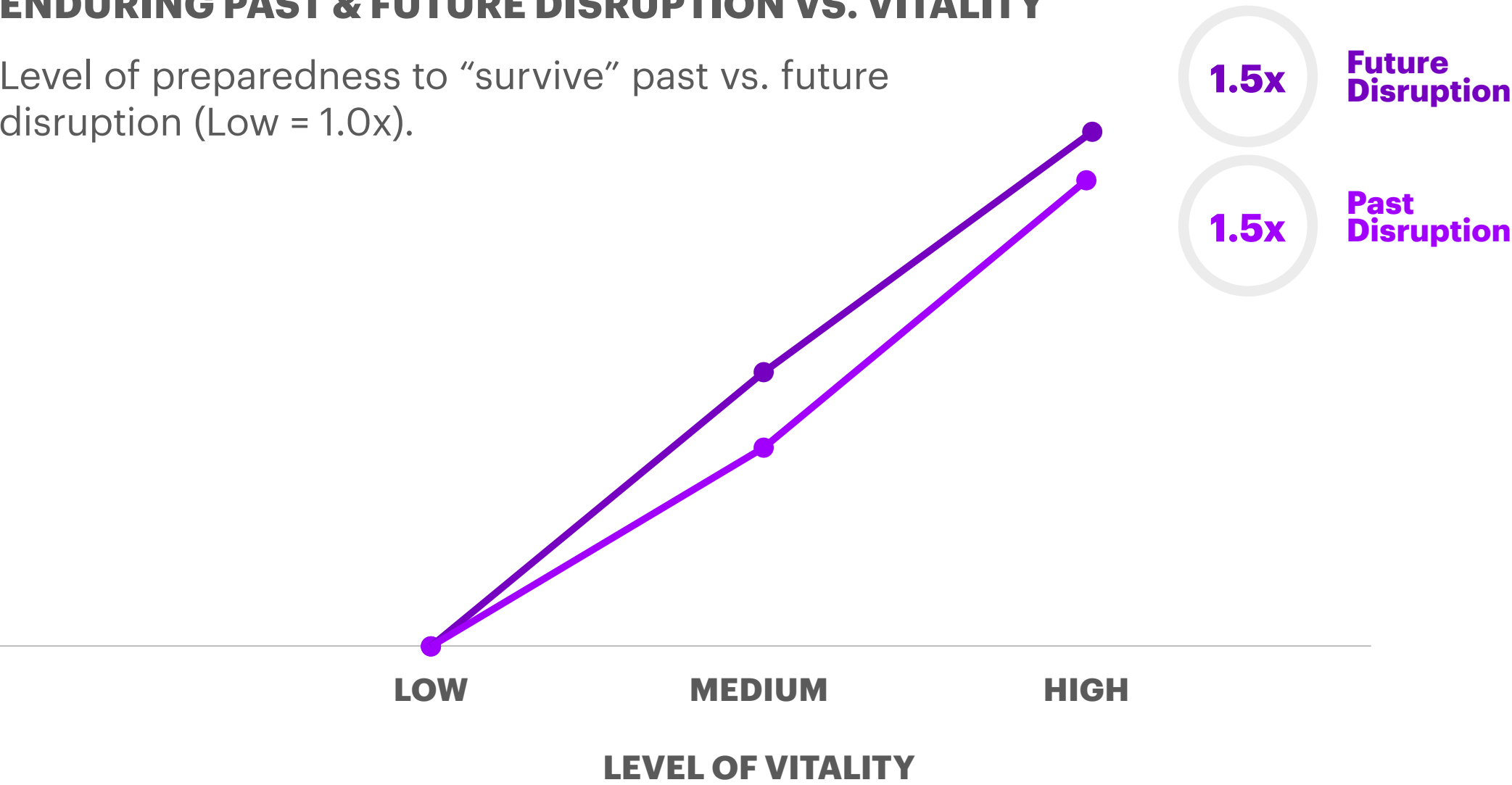
BUSINESS CYCLE ENDURANCE VS. VITALITY

Self-reported preparedness to “survive” past and future disruption (on a scale of 1 to 5), compared to average preparedness score.



ENDURING PAST & FUTURE DISRUPTION VS. VITALITY

Level of preparedness to “survive” past vs. future disruption (Low = 1.0x).



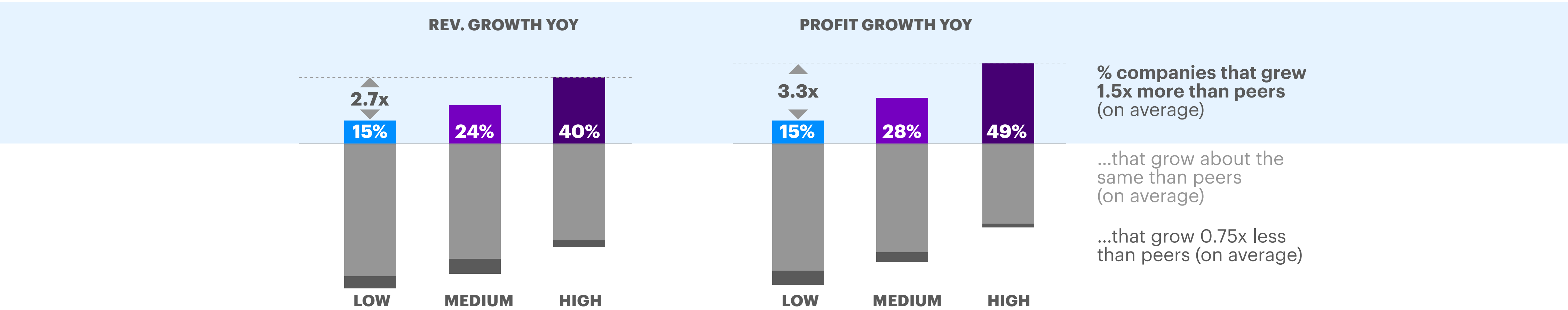
Source: 2018 Accenture Vitality Research, 1099 companies (cross-industry B2C,B2B2C and B2B)

LIVING BUSINESSES ARE LIKELY TO PERFORM BETTER THAN THEIR PEERS

Vitality links to stronger growth. High vitality companies are around **three times** more likely than low vitality companies to achieve above-average revenue and profit growth.

COMPANIES THAT GROW FASTER BY LEVEL OF VITALITY

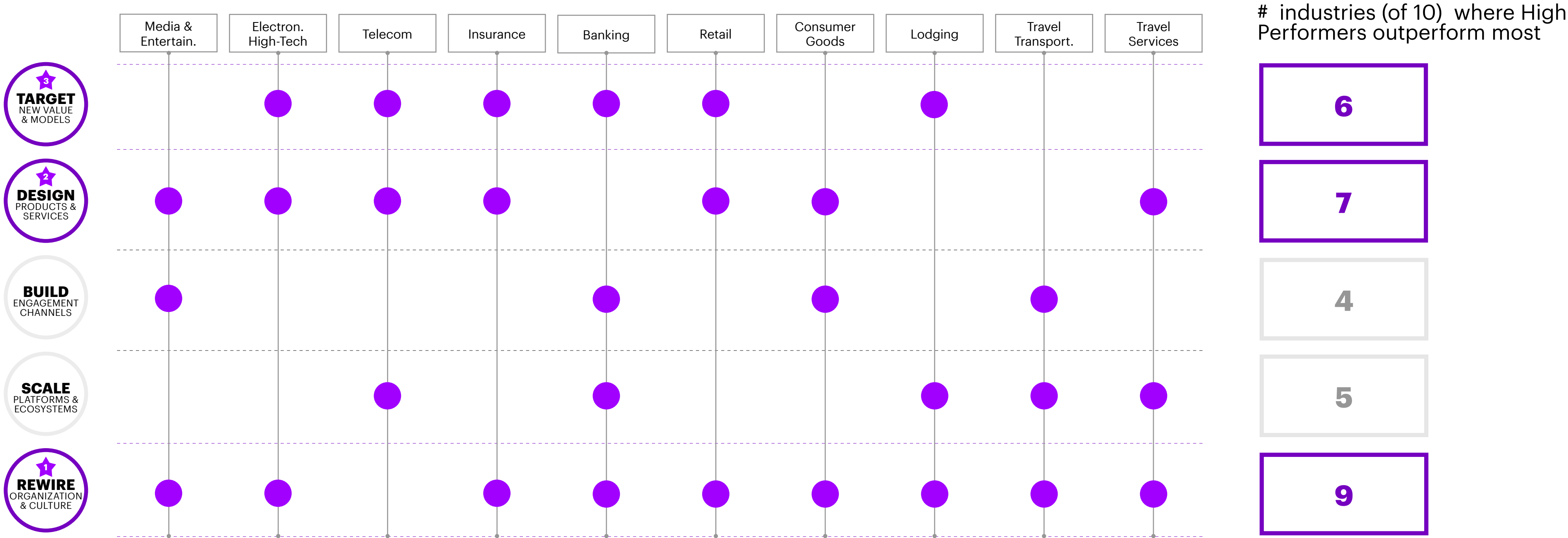
% of companies by vitality level with self-reported YoY revenue/profit growth higher than average



Source: 2018 Accenture Vitality Research, 1099 companies (cross-industry B2C,B2B2C and B2B)

WHERE HIGH PERFORMERS EXCEL VARIES BY INDUSTRY BUT THREE CAPABILITY SETS STAND OUT MOST

OPPORTUNITY SCORES BY PATHWAY



Source: 2018 Accenture Living Business Opportunity Research, 1099 companies (cross-industry B2C,B2B2C and B2B)

The extent to which these organizations excel at each capability differs by industry. High-performers stand out on three capability sets—Target, Design and Rewire—in particular.

On a macro level, companies holistically aligned to these capabilities are far better positioned to identify and pursue investments that meet and anticipate market expectations. On a micro level, they are strongly positioned to personalize offerings around individual customer needs.

And what guides them along on this journey? A purposeful personality. A clear and focused purpose underpins the organizational behaviors that will adapt and evolve around customers. This purpose sets it apart from other companies at the outset, serves as its north star, and manifests as a predictable “personality” to both employees and customers.

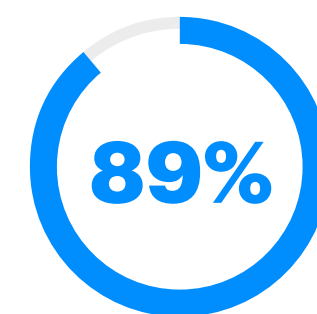
THE FIVE CAPABILITY SETS:

Your Transformation Pathways to Relevance

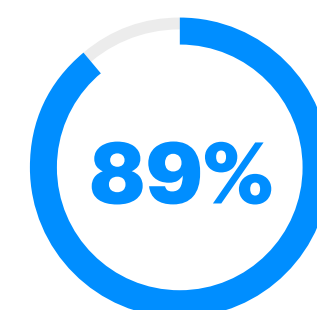
Most executives in our study are feeling intense pressure to become relevant. But the difference between the high-performers and the other companies is telling: 95 percent of respondents representing the highest-performing organizations agree that “customer expectations are increasingly shaped by the most relevant, real-time and dynamic experiences” that they encounter across all industries. Respondents at lower-performing companies were 20 percent less likely to agree.

Moreover, the gap between understanding the nature of the challenge and taking effective action to meet it is also wide—up to seven times greater for lower-performing companies than for high-performers.

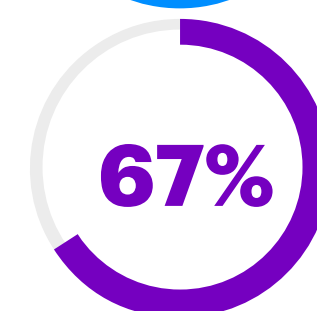
Leaders who aspire to bridge that gap within their organizations should begin by considering each capability set as a transformation pathway, with their current status as a starting point. The good news for organizations ready to transition into a Living Business is that the age of a company isn’t an impediment to progress. Older companies are not at an inherent disadvantage at the outset. Outside of the small digital pure-plays and the digitally-native giants, the age of the companies we studied was not an indicator of their proficiency in these areas. To understand why, consider each capability set in turn:



of high performers believe that their business needs a “much more iterative, dynamic, agile approach to doing business compared to three years ago.”



of high performers agreed that “business reinvention is required to be successful in today’s context.”



Among lower-performing organizations, 67% agreed;

High performers were unsurprisingly far more adept than others at bridging the gap between their knowledge of what is needed to succeed and doing what it takes. The knowledge-achievement gap among other companies was up to seven times greater.

TARGET

GROWTH TO FUEL
INNOVATION



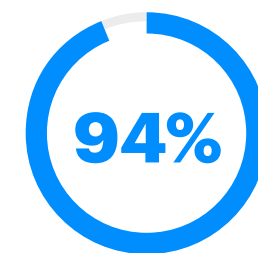
TARGET

In essence, targeting is about identifying and selecting new value and business models wisely. It includes recalibrating investments based on a better understanding of whether a new idea or opportunity represents a beneficial disruption worth pursuing. It also requires balancing core growth with disruptive growth.

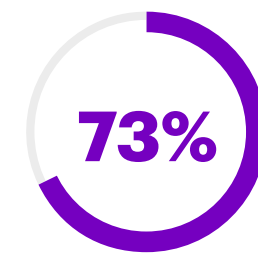
To fully develop this capability set, executives must ask, “What is it about our company that makes us relevant to customers now?” Then, they must think about their brand’s identity with that relevance in mind. In this way, they can look for value more broadly than they may have in the past, and reconsider their product/service portfolio through the lens of relevance. They will also have a better vantage point from which to consider opportunities to cut costs and take other measures in existing areas to create or free up investment capital.

Companies should:

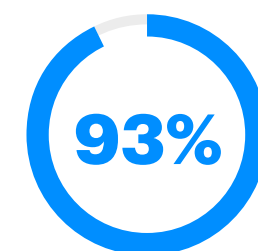
- Understand customers’ changing digital needs and preferences;
- Pivot growth strategies to profitable areas beyond the core;
- Fund new growth by optimizing costs elsewhere.



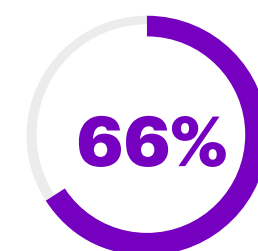
Among high-performers, 94% are planning to invest more in growing through areas beyond their core business in the coming three years, compared with just



of all other respondents.



of high performers believe these capabilities will be highly important in the next three years, compared to

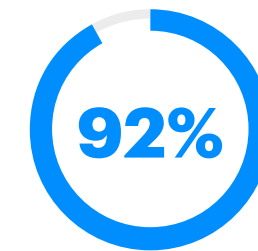


other respondents.

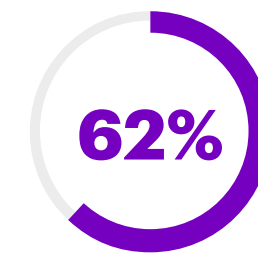
TARGET

mBank, based in Poland, provides a good example with its “mPower Business Starter,” a digital service model developed to simplify the process of launching a business. Traditionally, setting up a fully operative company in Poland takes between 10 and 30 days. It requires several separate interactions with a bank and the government. Now, using the Business Starter, it takes about 10 minutes and occurs in a single interaction with the bank. The bank works in cooperation with the Polish Ministry of Digital Affairs and Ministry of Economic Development, and integrates government, bank and accounting services (through its own mAccounting offering). Customers can create a digital signature, open a business account and register their new company in one efficient transaction—filling out a fraction of the forms and fields they would have previously.

In the next two years, mBank expects 15 percent of companies entering the Polish market to use the mPower Business Starter.



of high performers are excelling beyond their peers (other companies in their industry) when it comes to “funding new growth initiatives by optimizing costs elsewhere,” compared with



of other companies in our study.

High performers in the insurance, communications and high-tech industries were especially likely to be strong in these capabilities relative to other companies in the industry.



DESIGN

**HYPER RELEVANT PRODUCTS
AND SERVICES**

DESIGN

Executives sometimes debate over whether they should develop and bring to market products that are flashy and alluring, or those which are staid yet practical. Living Businesses know that these sorts of decisions are not binary. They also know how to meet different—and evolving—expectations. The “win” lies in finding the right balance.

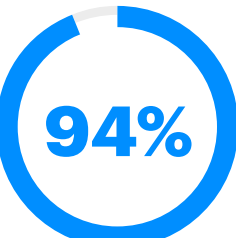
Consider, for example, how insurer Achmea Holding N.V., is targeting an underserved market segment—low-income households—by providing a product explicitly designed for them, to provide safety and improve their neighborhoods, by preventing or reducing damage from fires and burglaries.

Specifically, Achmea has developed and piloted a peer-to-peer alarm platform that makes it easier for neighbors, friends, and family members to find out when there is a potential problem near them, reach one another, and help each other out. The platform works by connecting a variety of home security solutions including Chuango to messaging apps such as WhatsApp and Facebook Messenger.

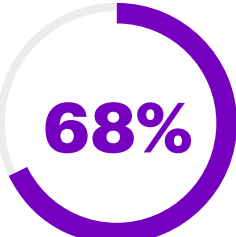
With initial, positive results in (declining claims from those participating and also from social housing corporations in the target area), Achmea is now planning to scale this to more households within the next several years.

Designing for relevance means:

- Acting on insights derived from advanced customer analytics.
- Developing compelling new experiences;
- Maximizing personalization and contextual sensitivity of products, services, and experiences;

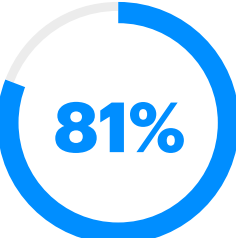


of high performers believe design to be highly important to business success, compared to

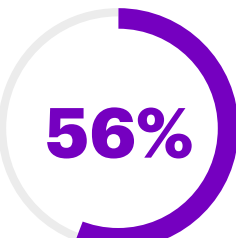


of all other respondents.

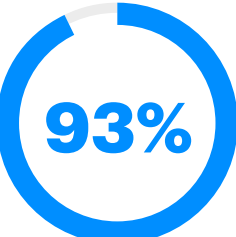
High performers in Media and Entertainment, Insurance and Travel are especially likely to be strong in these capabilities relative to other companies in the industry.



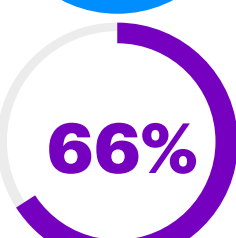
of high performers were also more likely to have grown through innovation in areas beyond their core business, compared with



of all other respondents.



of high performers report strong success at innovating compelling new customer experiences compared with



of their peer set.



BUILD
NEW EXPERIENCES
CUSTOMERS LOVE

BUILD

This transformational pathway is focused on using a company's operating models to test, build and scale physical and digital experiences that are immediately relevant to customers. In addition, it is about using engagement channels to the greatest possible advantage—for the customer and the company.

Living Businesses tend to be laser-focused on outcomes in this area. This ensures that they move on to new endeavors before the advantage of a single, hyper-relevant offering or approach is exhausted.

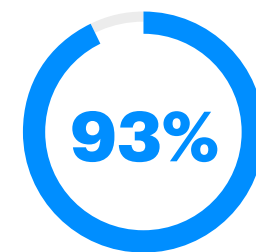
Consider Toyota Motor Sales in the United States. The company's Customer 360 Insights team uses Apache Spark, a distributed computing framework that allows it to mine and analyze streams of social media interactions for the customer feedback that matters most.

Toyota's analytics, for example, transcend simple classifiers such as "brake noise." Instead, the company has experimented with different types of word-recognition analyses that consider related symptoms people may be discussing at the same time. This approach helps the car maker offer customers the most relevant advice, as well as identify larger trends that may have safety implications or contribute to new designs.

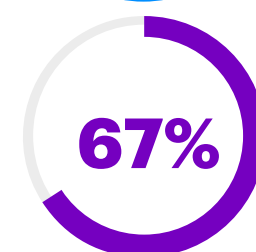
With this approach, Toyota has reduced the time spent analyzing customer feedback from more than six days to just four hours. As the company adds greater sensing functionality to its cars, it will be able to further enhance its ability to partner with individual drivers.

Build capabilities focus on:

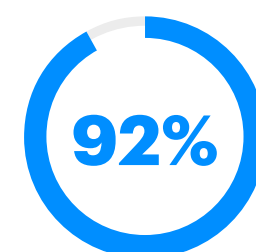
- Using agile technology platforms and prototyping to develop and improve experiences;
- Rapidly scaling execution of new growth initiatives;
- Optimizing operations for dynamic execution across channels.



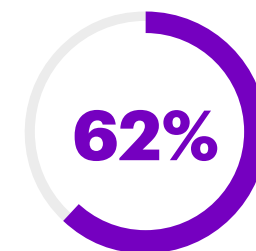
of high performers found these build capabilities to be highly important to business success, compared to



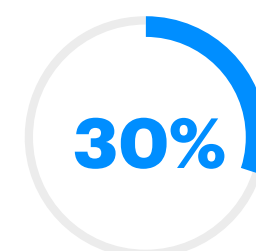
of all other respondents.



Among high performers, 92% report excelling beyond their peers when it comes to optimizing operations to make products and services more relevant to customers. Only



of other respondents could say the same.



High performers were 30% more likely to believe that "acting on insights derived from customer analytics" would be at least moderately important over the next three years, compared to their peers.

High performers in the hotel industry are especially likely to be strong in these capabilities relative to other companies in the industry.

SCALE

BEYOND YOUR
BOUNDARIES



SCALE

To master this set of capabilities geared towards achieving market potential, a company needs to establish collaborative relationships with forward-thinking partners beyond its traditional industry boundaries. That's because Living Businesses share select data purposefully and efficiently—internally and across a broad ecosystem of partnerships—to achieve a powerful multiplier effect.

Many companies possess this capability set. Then there is Nike.

Nike excels at using leading-edge technologies to enhance customer experiences by linking their partners to their own operations. It is increasingly using apps such as NikePlus, Nike Run Club and Nike Training Club to extend relevant offers to users that stem not only from the brand but also from an increasing array of external partners. These actions, in turn, unlock new customer data without burnishing the Nike brand.

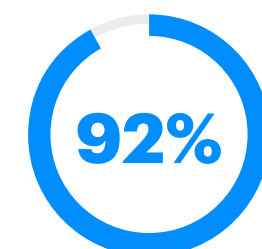
Nike has also united several previously isolated channels through which customers connect with the company. These moves have increased its ability to gather and react to customer feedback, while providing more comprehensive and streamlined customer experiences.

As CEO Mark Parker has said, “We see massive potential in a future where more Nike products are connected, bringing consumers inspirational content and serving as the onramp for Nike membership. And you can envision where that future goes, where consumers seamlessly engage with us through digitally connected products that continue to inform our design, manufacturing and distribution capabilities, creating new growth opportunities.”¹

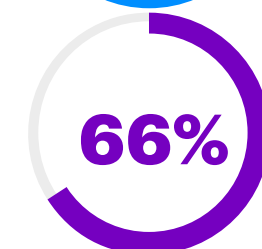
1. <https://diginomica.com/2018/01/03/nike-focuses-digital-membership-relentless-flow-innovation/>

To harness scaling, companies should:

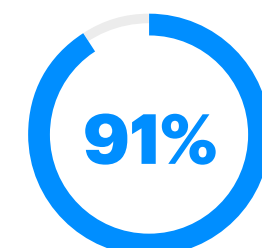
- Collaborate with partners beyond traditional boundaries;
- Connect employees/partners with data via cloud platforms;
- Ensure that customer data moves fast, seamlessly, and accurately.



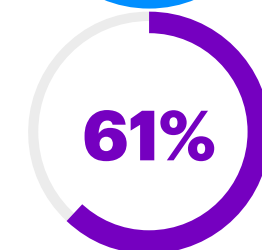
of high performers found these scaling to be highly important to business success, compared to



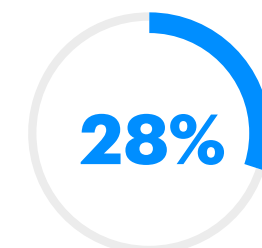
of all other respondents.



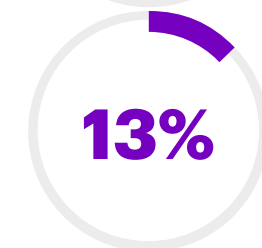
Among high performers, 91% report excelling beyond their peers when it comes to “collaborating with partners beyond traditional industry boundaries.” Only



of other respondents said the same.



What's more, in the last year, 28% of high performers engaged with a new type of alliance partner. Among lower-performing companies?



That number was just 13%

High performers in Transportation and Consumer Goods are especially likely to be strong in these capabilities relative to other companies in the industry.

REWIRE

**YOUR CULTURE
AND WORKFORCE**



REWIRE

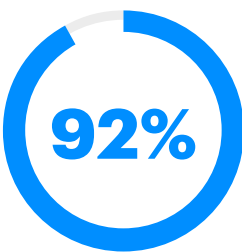
Living Businesses strive to develop a workforce that combines the power of human ingenuity and artificial intelligence.

Take GE Global Research, which is investing in training scientists to become “dual scientists” who are not only masters in their original area of study, but also understand how to interact with AI and other machine learning systems to create additional value. For example, dual scientists help develop cloud-hosted software models of GE machines (such as turbines, aircraft engines and locomotives) that can help the company improve customer safety levels, as well as cut costs. These models, called “digital twins,” help anticipate a specific machine’s service needs and tailor its maintenance schedule. By doing so, they help customers get the most out of their investments. The company found that a locomotive digital twin resulted in a 32,000-gallon reduction in annual fuel consumption and a concurrent reduction in carbon emissions of 174,000 tons.

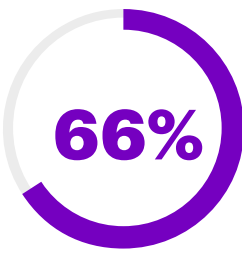
By July 2017, 400 employees had received certification in data analysis and about 50 scientists had shifted jobs accordingly. Meanwhile, GE created 100 new jobs related to AI and robotics in 2016.

Rewire capabilities include:

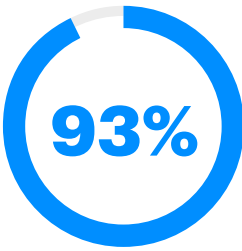
- Fostering a culture that continually seeks to better customer relevance;
- Re-orienting organization structures around customer focus;
- Augmenting the workforce with flexible tools to enhance relationships.



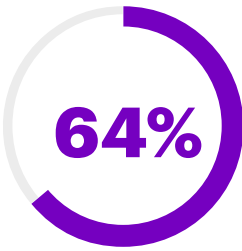
of high performers found rewiring to be highly important to business success, compared to



of all other respondents.



of high performers report excelling beyond their peer set when it comes to adjusting their organization’s structure in ways that benefit the customer. Only



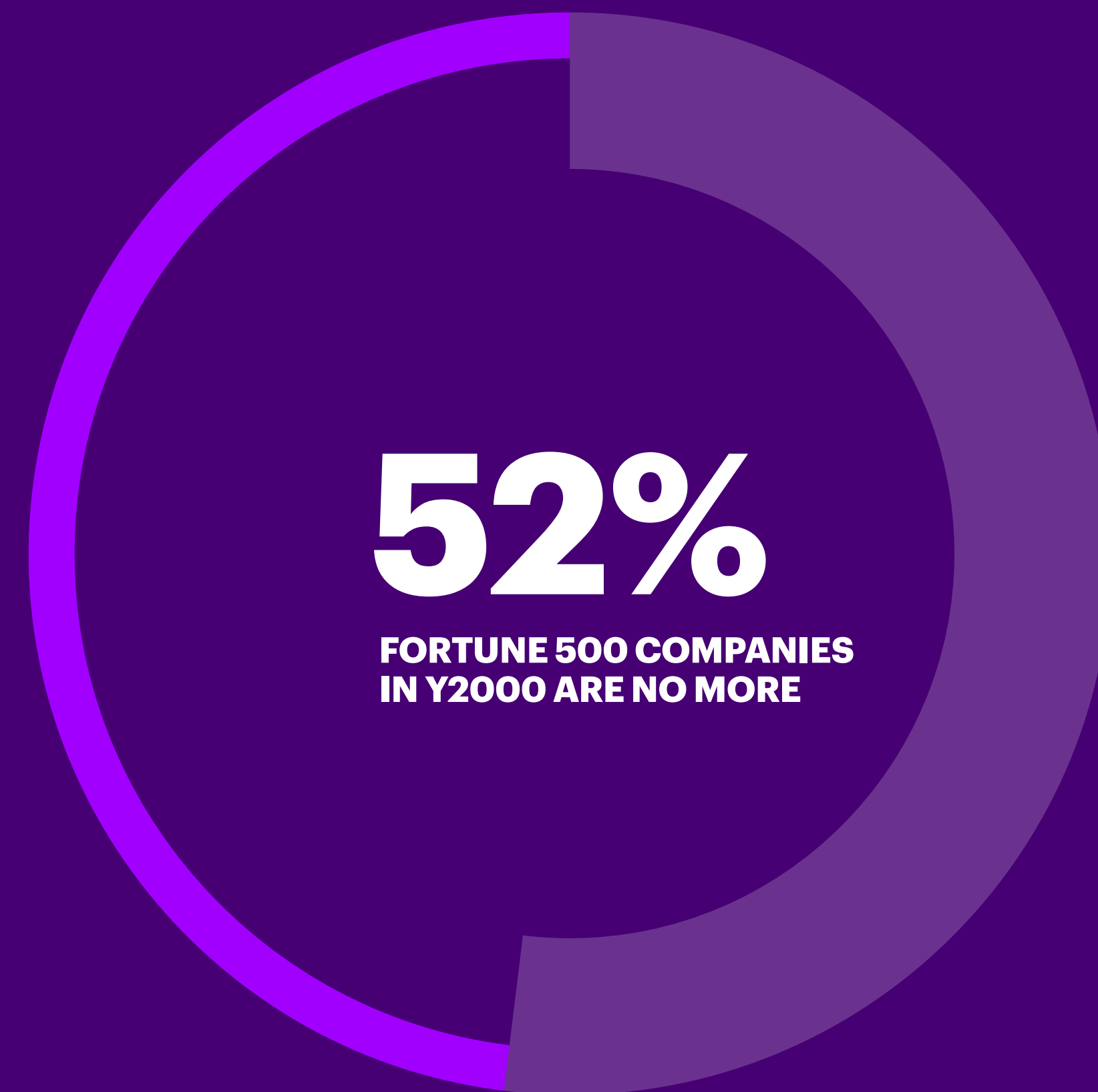
of other companies can say the same.

Rewire proved to be a key area of differentiation for high performers across 9 out of 10 industries we studied—more than any other capability set.

NO TIME TO WASTE

A track record of sustained success is no longer a reliable predictor of future growth, or even survival. Fifty-two percent of the companies that were included in the Fortune 500 in the year 2000 are no more.

That's why Living Businesses are focused on creating new advantages before their current strengths fade. The contrast between their continuously highly relevant offerings, and those of companies hanging onto outdated "best practices," will be stark. And the consumers of today and tomorrow will always choose relevance.



ABOUT THE AUTHORS

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About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 442,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.

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About the Research

In 2017 and 2018, Accenture Research surveyed over 1000 top executives, including 195 CEOs, at companies spanning more than 10 industries and with headquarters in 28 different countries. The survey asked about the extent to which customer relevance is driving their company’s growth outcomes, and also asked respondents to assess their company’s capabilities in terms of becoming and staying hyper-relevant to customers. We used this information to assign each company a “Vitality Score,” and, using both self-reported performance data and public financial data, we developed a model that links Vitality with firm performance.

Separately, as part of Accenture’s annual Global Consumer Pulse Survey, we asked over 23,000 consumers, representing 33 countries and commenting on more than eight different industries, about what makes companies and brands relevant to them. We also found out how their perception of a brand’s relevance drives their purchasing behaviors.