Guide to Customer Centricity

Analytics and Advice for B2B Leaders

GALLUP®

“We change the world one client at a time through extraordinary analytics and advice on everything important facing humankind.”

–JIM CLIFTON, CHAIRMAN AND CEO

About This Guide

GALLUP'S *GUIDE TO CUSTOMER CENTRICITY: ANALYTICS AND ADVICE FOR B2B LEADERS* provides a framework for sustainable business growth. The guide is based on in-depth interviews with hundreds of thousands of customers and on analysis from measuring the engagement of nearly 18 million customers. From this research and discovery, Gallup offers leaders insights into and practical recommendations for listening to and acting on the voice of the customer to support creating a truly customer-centric organization.

ABOUT GALLUP

Gallup delivers analytics and advice to help leaders and organizations solve their most pressing problems. Combining more than 80 years of experience with its global reach, Gallup knows more about the attitudes and behaviors of employees, customers, students and citizens than any other organization in the world.

Gallup works with leaders and organizations to achieve breakthroughs in customer engagement, employee engagement, organizational culture and identity, leadership development, talent-based assessments, entrepreneurship and well-being. Our 2,000 professionals include noted scientists, renowned subject-matter experts and bestselling authors who work in a range of industries, including banking, finance, healthcare, consumer goods, automotive, real estate, hospitality, education, government and business-to-business (B2B).

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From the Chairman and CEO

COMPANIES ARE STRUGGLING TO GROW — so they're giving up and acquiring their competitors.

This is the current growth strategy of most Forbes Global 2000 (G2000) companies. As a result, the number of publicly listed companies traded on U.S. exchanges has been cut almost in half in the past 20 years — from about 7,300 to 3,700.

Globally, according to the World Bank, the number of listed companies on any exchange — currently 44,000 — has been largely stagnant since 2006, with a two-year decline.

The herd is getting pretty small. At some point, this acquisition strategy hits a wall.

In a perfect world, the market would have doubled the number of big public companies instead of halving it.

Gallup is not telling its clients to stop acquiring. But we are advising them to get better — fast — at real customer growth, especially in foreign markets.

G2000 companies need a different global customer vision for growth.

There is more growth potential in customer strategies than in acquisitions. Gallup's behavioral economics research finds that you're only maximizing 29% of your B2B customers — or "engaging" them, as we call it. That means 71% of global B2B customers are either indifferent toward your company or actively disengaged with it. There are tens of millions of dollars of lost growth opportunities in a single customer, let alone hundreds of millions of dollars throughout your customer base.

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You don't have to bust the bank to maximize customer growth and margins. You need the right analytics and advice.

So what do we recommend you do? We recommend adding a customer growth strategy to your existing acquisition strategy — one dedicated to finding large amounts of low-hanging fruit in your current customer base, and especially in foreign markets.

Gallup's advanced B2B customer analytics — as detailed in this report — will deliver *exactly* that vision.

Jim Clifton, Chairman and CEO

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Percentage of B2B customers who are at risk:

71%

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Executive Summary: The Biggest Risk B2B Companies Face

B2B COMPANIES ARE AT RISK of losing more than two-thirds of their customer base.

Gallup analysis has found that only 29% of B2B customers are fully engaged — that is, emotionally and psychologically attached to the companies they do business with. The other **71%** of customers are ready and willing to take their business elsewhere.

This pattern holds true for every type of enterprise Gallup has studied. From heavy manufacturing to pharmaceuticals to law firms, B2B companies across all industries are at risk of being replaced — not because of their products or prices, but because they are failing their customers.

B2B companies may have inherent advantages over their competitors, such as their name and reputation or the size and breadth of their geographic footprint. And it may be difficult for their customers to shift their business to another company because of the costs involved with switching — thereby favoring the incumbent. But there is often little in the company's product or service itself that helps it support long-term business growth.

Even the major players in their respective industries tend to live from RFP to RFP, where competition is based largely on price. These companies are finding it increasingly difficult to deviate from their traditional playbook to build a new type of relationship with their customers. Ultimately, their growth will require a different approach.

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It is no longer enough for companies to view the world from *their* vantage point. They need to view the world through the lens of their *customers*.

A customer-centric model is about more than focusing on the customer or having a defined customer experience; it is about putting the customer at the core of everything. The goal of this model is to make the customer organization more successful, both within its own business and within the context of its partnership with the company.

Although an increasing number of B2B companies realize they need to be customer-centric to compete in today's market, few have figured out how to put this model into use. They invest in Lean, Six Sigma and other methodologies that are crucial for keeping costs down, but they don't have a plan for maximizing their customer relationships. And sure, they may have mechanisms in place that tell them how they rate with their customers, but those surveys tend to be nothing more than formalities. B2B companies are missing the vital link between data and action.

Gallup sees this scenario play out repeatedly. The right survey or interview is instrumental in helping companies gauge the health of their customer relationships. Those data, however, rarely find their way out of a spreadsheet. And companies are either apathetic or unsure about what to do with the information they have gathered.

But their disregard has consequences. When customers share their thoughts and opinions, they expect to see change. If they tell their vendor that on-time delivery is an ongoing issue, they rightfully assume that the vendor will take steps to fix its delivery process. If the vendor does nothing, its customers will become further disengaged and will not take the company or any of its future surveys seriously.

Ignoring the voice of the customer can be exponentially more harmful than not asking for feedback at all. Companies must listen to — and act on — their customers' needs and wants. Commitment and follow-through provide the basis for customer centricity.

Based on Gallup's extensive work with B2B clients and their customers, this guide acts as a road map for leaders who want to accelerate their growth through customer centricity. It offers information and best practices aimed at helping leaders focus on their most important relationships.

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WHAT B2B COMPANIES CAN DO TO IMPROVE CUSTOMER ENGAGEMENT

Measure objectively. Companies need an impartial third party to help them assess their customers' engagement. Although the account manager or salesperson is likely closest to the customer, it is best to gather feedback through an objective survey. The account team members, however, should be the champions of the survey and initiative. They should actively participate in educating customers about the survey process and outcomes and encourage them to provide open, honest responses.

Measure holistically. Few organizations take a holistic approach to understanding their customer relationships. They can only gain an accurate understanding of their customer relationships through quantitative and qualitative analyses. A quantitative analysis provides a high-level overview of where an account stands, while a qualitative analysis sheds light on the "why." Companies should conduct customer interviews — again, through an objective party — to better understand why certain scores are high or low.

Focus on the most urgent accounts. Companies should concentrate on their most important accounts to realize the greatest return on their investment of time and resources. Previous Gallup analysis has found that low engagement scores are an indicator of future financial decline. As such, companies should use their engagement survey results to identify their at-risk accounts and prioritize those that need immediate action.

Activate the account team. Armed with the results of the quantitative and qualitative analyses, account team members can build strategies aimed at supporting engagement and generating customer impact. They must act on the feedback from the survey to show customers they are doing something productive with it. Otherwise, the company and the survey initiative come off as insincere.

Put customers first. Too often, companies think about their needs first and their customers' needs second. They motivate account team members through incentives and goals that inadvertently force them to compete with one another. This oversight prevents teams and team members from working together for customers' benefit. If companies want to become their customers' trusted advisers and partners, they must put their customers at the core of their business strategy.

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Companies are playing defense because they do not know what their customers want.

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The Greatest Barriers to Customer Centricity

OVER THE LAST FEW YEARS, Gallup has conducted a series of in-depth reviews with leading B2B companies across various industries. By analyzing these reviews, Gallup has identified the most common barriers these companies face when changing or optimizing their business approach.

The barriers fall into three main categories:

1. those that limit a company's understanding of its customer relationships
2. those that keep a company constantly playing defense
3. those that prevent a company from growing organically

OVERCOMING A LACK OF CUSTOMER AWARENESS

Many companies invest in a survey or similar tool to measure their customers' satisfaction or engagement at the overall and account levels. Surveys and other quantitative measures have value, but they typically assess only surface-level satisfaction or engagement. A deeper understanding comes from qualitative research. Companies have to *talk* to their customers to know where they stand. Unfortunately, not enough do.

And without those conversations with customers, companies tend to develop misguided beliefs about their accounts, including the following:

Historical growth has created a false sense of security among B2B companies. Engagement is vital to enhancing customer relationships, yet many companies grow without emphasizing a focus on engagement. And while expanding accounts from mergers and acquisitions may make it seem as if customer relationships are sound and productive, that "growth" could be masking broader problems.

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B2B companies don't know where they stand with their customers. Customers often complain when there are blatant or recurring performance issues. But they are not necessarily quick to reveal how they feel about their overall relationship with a company, or whether the company is meeting their broader needs. Even in the healthiest relationships, customers may be hesitant to speak out for fear that they could be giving up some of their future advantage with the company. And while customers may review a company's performance, these evaluations tend to be fairly narrow. If a business wants to know where it stands with customers, it has to initiate a dialogue with them.

Day-to-day relationships may not accurately represent an account. Even in the absence of a broader dialogue, a company may receive glowing reviews about a sales or account representative from the customer. The assumption is that if the customer likes the representative, he or she must feel the same way about the company overall. That, however, is not always the case. A representative is primarily responsible for minimizing or mitigating problems and preventing those problems from being escalated to the company's senior leadership. While vital to the business, a successful sales or account representative could be skewing the company's perspective of its relationships with customers.

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ADVICE

Companies should conduct annual "key account reviews" with some of their largest and most important accounts to get past these barriers to customer awareness.

Ideally, these reviews would include interviews with key stakeholders for each account, such as:

- Decision-makers — those who commit funds, choose and sign off on products and services, and make the final decisions
- Influencers — those who are not decision-makers themselves but who influence whether the company continues to work with a provider or chooses to do business with a new provider
- Buyers — those who are involved in the procurement process itself, such as purchasing agents or procurement specialists
- Users — those who interact with account representatives and who "run" the programs, as well as those who ultimately use the company's products or services

Key account reviews highlight what is happening within each account and can reveal different stakeholders' motivations or concerns. Buyers and users often have a short-term or transactional inclination. Decision-makers and influencers are typically more strategic in their focus.

Key account reviews also provide insights into a company's strengths and opportunities across accounts. Themes and patterns that reflect the company's philosophy on sales and service can emerge from key account discussions.

As an example, Gallup observed customers describing a company's account teams as being "great problem-solvers." That is, the account teams were extremely responsive to their customers' requests and would always find a way to deliver on what customers asked of them. This approach had served the company well over time, but the account teams were a little slower and more hesitant to bring their ideas to the table — ideas that could help customers improve or expand their business. Although they were providing what customers needed in terms of problem-solving, the

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account teams were operating in reactive mode and were occasionally at a disadvantage when compared with competitors that customers saw as being more proactive or innovative.

PERFECTING THE DEFENSIVE PLAYS

The barriers outlined previously highlight the importance of engaging in a dialogue with customers to learn where the company stands with its accounts. Key account reviews can be an effective way to start that discussion. During these conversations, however, the company should recognize that there is a difference between playing defense and playing offense:

- If a company does not immediately and decisively address certain issues — including those related to quality, on-time delivery and problem resolution — they will likely cost the company existing business with the account, either now or when the next RFP comes. These types of issues reflect the *defensive* side of the equation.
- Identifying issues or gaps in customer relationships that may not pose a current threat to the account, but could limit future growth opportunities, falls to the *offensive* side of the equation.

These types of issues are equally important, and both demand the account team's attention. The team decides where to expend its energies based on the concerns that the customer raised in the key account discussions. If it has failed to meet the customer's baseline expectations, the account team should not fixate on growth, but rather adopt a defensive mindset.

Any defensive action the account team takes may not directly contribute to account growth. A company will not necessarily score any extra points, for instance, for on-time delivery when most competitors operate at about the same level. But success with the basics like on-time delivery provides the account team with time to think about its offense.

Companies often face common defensive and offensive barriers. On the defensive side, businesses might misunderstand what bothers customers. For example:

Customers tend to focus on both the frequency and severity of problems. Customers understand that a company makes mistakes and that issues with quality and delivery can occur. It is important for the company to

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resolve these issues quickly and efficiently. Customers become particularly frustrated when these problems recur. If a company applies a short-term fix without identifying or addressing the cause of a problem, that same issue may return a few months later. Companies are particularly vulnerable to using short-term fixes when they do not have a structured process in place for monitoring performance after resolving the initial problem.

When evaluating vendor performance, customers scrutinize "ease of doing business" with the company. "Ease of doing business" may sound vague. While surveys and similar tools generally don't attempt to measure or quantify it, ease of doing business certainly weighs on customers' minds. Regarding this issue, customers consider:

- the simplicity and transparency of the company's processes
- how quickly the company responds to questions, requests or problems
- the tone of conversations with the company; whether the sales or account representative and other company contacts seem enthusiastic about actually helping the customer
- how flexible the company is when a customer requires changes

Ease of doing business is often a reflection of the company's internal communications and processes — for example, communication between plants and corporate, or communication across business units or functions. When customers consider a company difficult to work with, it becomes harder to maintain trust between the company and its customers.

Corporate formalities can affect decision-making. Salespeople and account leaders do not always have the authority or flexibility to act on their customers' behalf. As a result, changes or decisions tend to come slowly. Someone at the corporate level often needs to review account team requests, thereby delaying the process.

Customers want the companies they do business with to work faster and with more flexibility. They want individuals at the account level to have the authority to make decisions that benefit their business, rather than waiting for bureaucracy to catch up with them.

A past problem can continue to affect the customer relationship. Even if the company is currently performing well, its relationship with a customer may not be secure. Issues with quality or ease of doing business that the

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company believes were resolved and forgotten may linger among particular stakeholders in the customer organization.

Contract negotiations is one area in which customers frequently remember past issues. These discussions can be contentious in nature. The company assumes that once the customer signs the contract, the customer forgets about the negotiations. But this isn't always the case. The customer will remember the company's tone and attitude from those discussions.

In one example Gallup came across, a customer continued to complain almost a year later about how an existing vendor's representatives first initiated renewal negotiations when he was sick, and then proposed a rate increase over the phone, rather than waiting to meet in person. Though the customer signed the renewal, perceptions of the company's behavior affected the relationship between the company and customer.

ADVICE

B2B companies can mitigate some of these defensive issues by performing the following actions:

Communicate more efficiently with customers. Problems related to quality or delivery often occur at the plant level, with the solution to the problem never reaching key stakeholders in the customer organization. Account leaders need to document and share what they did to address the problem so the customer can assess the company's progress over time. This documentation can also serve as a basis for a solution if the same problem occurs in other plants. Additionally, it is best practice for the company to conduct monthly calls with the customer about quality.

Outline key administrative processes. Companies should streamline overly complicated or bureaucratic procedures that can hinder customer service. Temporarily, companies could outline existing processes to ensure that customers are clear about timelines. Frequently, a lack of clarity and definition creates the greatest amount of frustration for customers. In addition, to simplify processes, account representatives should introduce members of the broader corporate team to customers. Meeting corporate team members ensures that customers know who is operating on their behalf when it comes to approvals, contracts and other administrative functions.

Discuss quality at the end of negotiations or transactions. Companies can never overcommunicate with their customers. In addition to key account reviews and monthly quality discussions, it is always

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helpful for companies to check in with customers at the conclusion of a contract negotiation or other sales or service transaction. The goal of this conversation is to determine if the customer is satisfied with the outcome and address any concerns the customer might have before they become more deeply rooted problems.

CREATING OPPORTUNITIES FOR ORGANIC GROWTH

Defensive barriers, or barriers to retention, tend to be more straightforward than offensive barriers. With defensive barriers, the focus is on tangible issues such as quality and on-time delivery. But offensive barriers are primarily related to opportunities for organic growth, which can be fairly limited. Customers tend to have a strong status quo bias. Even if a company delivers perfectly on its current contracts and takes measures to address or minimize problems, the customer is not necessarily going to give the company additional business. Taking that next step, whether in new or existing territories or product lines, often requires a different kind of *relationship* with the customer.

Increasing organic growth within accounts includes some unique barriers and challenges:

Customers do not always clearly communicate what they want. Many customers wish to have a more strategic relationship with their key vendor, one fueled by innovative ideas the company can offer to help the customer attain a particular objective. What can be frustrating is that customers often have trouble defining what their vendor needs to do. Customers might point to a specific challenge that they want to address or opportunity they are trying to tackle, but then leave the rest to the company to figure out. Sometimes customers are looking for a new product or service offering from the company, or they may want the company to share what it knows about their industry or function. Either way, the conversation has to move beyond the current set of transactions between company and customer.

Senior leaders often are not involved in new, more strategic positioning. The right people within the company must communicate the organization's added capabilities or knowledge to its customers. While talented in their own areas, sales or account representatives may lack the awareness and breadth of vision to effectively capture and package everything that the company can do for its customers. Therefore, it is vital that companies' senior leaders maintain relationships with customers. The presence of

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senior leadership signals the customer's importance to the company. Senior leadership, in this case, does not necessarily mean people from the C-suite of the B2B company unless they have access to their *direct* counterparts in the customer organization. The company's sales and operational leadership teams should be more involved in discussions about accounts.

Leaders avoid thinking about long-term matters and do not invest in their relationships. As a best practice, B2B leaders should meet with their counterparts in the customer organization for periodic business reviews. These meetings are somewhat different from the key account reviews or quality reviews referenced earlier. The goal of these business reviews is to consider the state of the customer's business, not necessarily the state of the account, and identify ways the company can help the customer with various opportunities and challenges. Customers could also schedule, or the company may propose, occasional summit meetings or technology fairs, during which the company displays all of the products, technologies and services it offers.

The goal in all of this is for the B2B company to have more dynamic and forward-thinking conversations with customers and to channel those conversations into growth. As mentioned previously, senior leaders are often best suited to have these new types of conversations with customers, at least at the outset. But account representatives must quickly be brought into the fold as they have frequent contact with customers in the long term.

Traditionally, B2B companies do not set up or train their account representatives to focus on much more than moving units. Often, account representatives do not understand how to demonstrate the value of a product or service outside of its price. To compete in the marketplace, companies need representatives who are dynamic and know how to broaden their spheres of influence beyond the procurement department. These people need to be problem-solvers who use all of their resources to meet customers' needs.

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ADVICE

Transforming a sales and service company is largely a function of recruiting, selection and development. Companies can shift their strategies by:

Recruiting business-minded people. Gallup has found that some clients are beginning to look at a different applicant pool for sales and service roles. They are focusing on businesspeople, those who have MBAs or education that helps them get to the core of a customer's business problem and how to solve it. These companies are recruiting people who can manage customers' complex needs and consistently provide value to the customer beyond day-to-day transactions.

Selecting for talent. The hiring process starts by clearly defining the sales or service role, and then finding individuals with the experience and innate *talent* to succeed. Gallup defines talent as "the natural capacity for excellence." Companies can define the desired talent profile for a role by looking at their current top performers. As the role changes, however, the necessary talents for success in that role may also change; therefore, organizations may need to create a new talent profile for the role.

Developing the account team beyond a training class. The conversation about development typically begins and ends with sales training. But organizations should think about development on a broader level. Whereas selection starts with the definition of the role, development starts with the definition of *success* in the role. Companies need to define the key performance indicators/metrics of success in a role and hold people accountable to those measures by incorporating them into performance reviews. Much of this will be new to account representatives, and sales leaders should provide them with real-time feedback on their performance as they adapt to the changing paradigm. In many ways, feedback will be more important to representatives than any formal training from the company.

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Through key account reviews, your company discovers how customers feel in ways that numbers alone cannot express.

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Key Account Reviews Reveal What Customers Really Think

GALLUP INTERVIEWED THE CEO OF a multimillion-dollar food distribution company on behalf of one of its clients. Through the course of the conversation, Gallup learned that the company was planning to let go of the client.

A customer survey most likely would have shown that the food distributor was satisfied or engaged with the client vendor. However, that survey may not have revealed how close the vendor was to being let go. Fortunately, Gallup connected its client with its customer to rectify the situation. But without that face-to-face conversation, the client most likely never would have known the status of its account — until it was too late.

Customer surveys have value, but quantitative measures only uncover so much about the relationship between a company and its customers. To understand how its customers really feel, a company must also embark on a qualitative journey, which means actual conversations with customers.

EVALUATING KEY ACCOUNT REVIEWS

Qualitative inquiry can take many forms, but a key account review provides the surest path to understanding the nuances of customer relationships. A key account review is composed of a series of interviews with stakeholders in the company's most important accounts. Ideally, an impartial and trusted third party conducts the interviews to ensure complete candor.

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Through a key account review, the company learns more about how customers feel about it and its approach with them in ways that numbers alone cannot express. The company receives specific, detailed descriptions of what is and is not working in the customer relationship. The review allows leaders to highlight red flags in the relationship that the company needs to address immediately, along with more deeply rooted issues or problems that require a more comprehensive solution.

As an example, Gallup learned during a key account review that customers viewed a life sciences company as a prestigious partner to work with in its industry. However, when Gallup closely examined the results from the review, the client was not actually delivering the high level of service that its brand name seemed to represent. This finding went deeper than a customer service issue to the core of the company's brand promise and delivery of that promise.

The review process works because stakeholders are straightforward with an impartial third party. In many cases, stakeholders have pent-up frustrations that they have not been willing to share with the company or that they have shared with their representatives with little to no response. The stakeholders, therefore, welcome the opportunity to speak with an objective third party, particularly if they feel that the third party can help influence the client company's leadership to take action on their comments.

SELECTING AND PREPARING FOR KEY ACCOUNT REVIEWS

The process behind a key account review is generally straightforward. While there are many approaches to key account reviews and customer interviews, Gallup's structure is based on its extensive firsthand experience with B2B clients and their customers.

ADVICE

In selecting accounts to review, Gallup recommends including a wide range of accounts that fall into one of three categories:

1. High-Performing Relationships
    - High growth
    - Strong relationship
    - Strong product penetration

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2. Stagnant Relationships
    - Low growth
    - Good relationship
    - Weak or stagnant product penetration
3. Struggling Relationships
    - Declining growth
    - Adversarial relationship
    - Shrinking product penetration

After selecting accounts to review, the company provides the interviewer with a list of prospective stakeholders for each account. Again, the goal here is variety in both the stakeholder's role and in the nature of his or her relationship with the client. The company should not limit the list to a handful of stakeholders who will give all positive responses. Likewise, the company's leadership should validate and approve the list of stakeholders before submitting it to the interviewing team.

Clients should identify stakeholders for account reviews from their largest and/or most important accounts. This could mean conducting interviews with stakeholders from every account or from only a select few. The chosen stakeholders should come from different roles and levels of the customer organization, ranging, in some cases, from the C-suite down to front-line procurement managers. The third-party interviewer then meets with these stakeholders in person wherever possible.

From each account, the company should include eight to 12 people within the organization, including at least two to three decision-makers — that is, those with *direct* involvement in any purchasing decisions. If the customer is a multinational organization or has several distinct business units that need coverage, the number of people interviewed may be higher.

Gallup has found that it is best practice for the company CEO to send an email to all prospective participants at the client organization before scheduling any interviews. The email should highlight the importance of the review and ask for participants' cooperation. In some cases, the account or sales representative should also reach out to his or her contacts, letting them know to expect a call from an interviewer. These initial overtures tend to significantly increase stakeholder participation rates — particularly among those in more senior roles.

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USING THE FINDINGS

Gallup worked with a multisite, multiproduct manufacturing company that had a one-size-fits-all approach to account management, providing materials to service centers and original equipment manufacturers (OEMs) in the same way. The company ran its existing system without central account managers, largely favoring the OEMs that only ordered from one or two sites. The service centers, on the other hand, ordered different products from various sites. And with each site, the service centers had a distinct experience and received different communication. The situation was creating havoc for customers.

Key account reviews with Gallup revealed that the setup was not working for the service centers. They wanted one point of contact to own their account. Gallup recommended that the client company reposition its sales force and account teams to better streamline the process for the service centers. Essentially, the client needed one person to direct each service center, which it did when it created a key account manager position. Gallup also helped the client understand how to position the new role for success through compensation, responsibilities and organizational structure.

This example illustrates a vital point about key account reviews: Participants expect follow-through. If they are going to share their comments, they want to know that the client company is prepared to act on the results. Stakeholders are often quick to share stories of previous surveys or account reviews that a company did not take action on, which did more damage to the relationship than if the survey or account review had never been conducted.

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ADVICE

Companies need a plan to ensure that everyone fully appreciates and acts on the account review's results. Gallup often briefs senior leadership and individual account teams on account review findings. Leaders are typically tasked with acting on the more systemic findings. However, there may be some specific issues or opportunities raised at the account level that demand their attention as well and that can only be addressed at the executive level — for example, situations in which client leaders think the relationship with the customer is fine but the customer is extremely frustrated with ongoing quality and delivery issues.

Alternatively, stakeholders will talk about unique business opportunities for the client that they may not have relayed to client leadership through the normal sales/business development channels. Some of these opportunities may be in the early stages of development or go beyond the client's ability. Yet even a cursory discussion of the opportunity may provide the client with a chance to take its relationship with the customer to a higher level.

At the account level, each account team needs to develop an action plan based on the key account review findings. The team should focus on the top two to three initial priorities for that account, which the team can use as a starting point for its action planning discussions. Companies could appoint a project champion to help facilitate the creation of the action plans and to follow up with the teams on a regular basis to assess their progress on account priorities.

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Percentage of B2B customers who believe their problems were not resolved:

60%

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The Art of Problem Resolution and Handling

GALLUP RECENTLY WORKED WITH A manufacturer that had problems with its production process. The problems upset many of the manufacturer's customers because its deliveries were frequently late, which set off a costly chain of events. In one instance, a customer had ordered equipment and hired workers to install a product on the delivery date the manufacturer had promised. The customer didn't learn until that morning that the product would not be arriving, but it incurred costs for the equipment and the workers it had scheduled. To make matters worse, the customer had to pay for supplies and labor *again* when the product finally arrived.

Gallup data show that one in five B2B customers have experienced a problem with a company or product, with only 40% of customers believing the B2B company resolved their problem. And only 5% of those customers say they are "very satisfied" with the way the company handled their problem.

With 20% of customers reporting problems, B2B companies are playing more defense than offense. Instead of putting time and energy into growing their businesses, they are constantly trying to fix problems with quality and service. By focusing on problems, they are damaging themselves and their customer relationships, often leaving money on the table as a result. In one scenario, a professional services firm that Gallup worked with had technical issues that prevented it from providing a major report to a client. The firm did not proactively communicate with the customer that the report was going to be late; consequently, the client uninvited the firm from a meeting to pitch new business.

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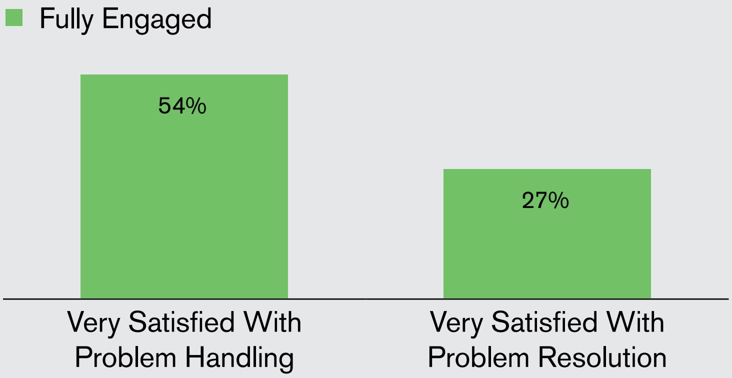
Gallup has found that more than half (54%) of customers who are very satisfied with the way their problem was handled are fully engaged, compared with 27% of customers who are very satisfied with the resolution to their problem.

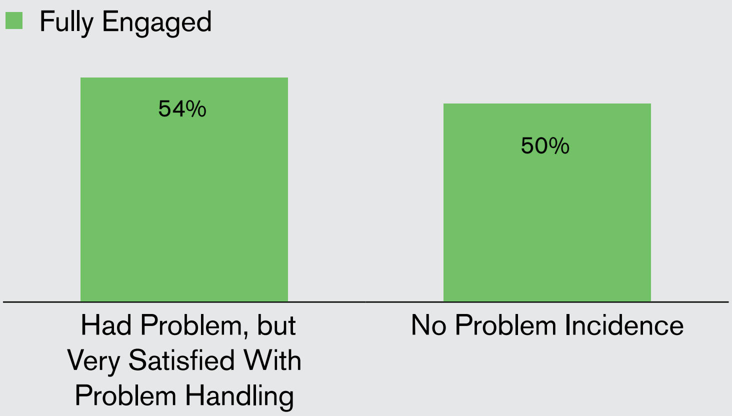
Customer Engagement More Dependent on Problem Handling Than Problem Resolution



SOURCE: GALLUP

Surprisingly, customers who are very satisfied with the way their problem was handled — regardless of whether the problem was resolved — are more fully engaged (54%) than customers who did not encounter a problem at all (50%). When companies handle them correctly, problems can become opportunities to increase customer engagement.

Problem Handling Can Benefit Engagement



SOURCE: GALLUP

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GIVING CUSTOMERS WHAT THEY WANT

While B2B companies should take every possible step to stop problems from happening in the first place, the truth is that issues happen because they are a byproduct of doing business. But all is not lost when problems occur. The key to fixing mistakes and improving engagement is to think beyond problem resolution. This may sound odd, but there is a difference between fixing a problem and engaging a customer. While all customers want a satisfactory resolution to their problem, they are more concerned with *how* the company handles their problem than with the ultimate answer to that problem. Companies do not absolve themselves by fixing the issue; they do so by taking care of the customer's emotional needs.

HANDLING PROBLEMS THE RIGHT WAY

B2B companies have an opportunity to gain a competitive advantage if they can reduce problem incidence and get better at resolving and handling problems when they happen. The potential impact on the business for companies that come out ahead on these factors is quite high, given the low rates overall of engagement among B2B customers today and the substantial relationship between engagement and business performance.

Gallup has discovered that B2B companies in its database are having fewer customer problems than in past years. And, in fact, problems are occurring less frequently over time among the B2B companies that are actively measuring and managing customer engagement. In particular, among world-class organizations — those at the **90th** percentile for controlling and reducing their problem incidence rate — only **6%** of customers encountered problems. This finding suggests that companies can minimize these problems with the right interventions.

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ADVICE

Because of the unique nature of the B2B customer relationship, Gallup recommends that companies apply strategies that work particularly well for their customers' needs. These strategies consist of:

Focusing on what matters most. B2B customers want the companies they do business with to be experts on their industry and their customers. When problems occur, companies can use this insight and knowledge to determine how to best handle and resolve problems and look for solutions to prevent them from occurring in the future. They can achieve this by:

- having a clear understanding of a customer's business and how problems affect the company and its customers
- developing service-recovery solutions uniquely tailored to the customer's organizational culture
- knowing the customer's industry and its day-to-day work environment
- bringing a customer creative ideas to help it achieve its business goals and create positive outcomes for its customers

Treating customers as partners. Because of the complexity of B2B customer relationships, problems may not always be the result of errors or a product or service failure. Instead, problems may stem from a lack of communication, misunderstandings or conflicting messages between the supplier and the members of the company's buying center, or among buying center members themselves. Because of this, suppliers should build strong relationships to facilitate timely and accurate communication. When product, service or communication failures occur, suppliers can draw on these partnerships when discussing and negotiating how to solve these problems.

Maintaining a focus on customers across all company functions. Few customer problems can be resolved by a single contact person or the immediate account team. The problem usually requires close collaboration across customer support, product development, technology and other roles. When a problem occurs, the account team needs to quickly present the full picture to key executives and employees. In many companies — B2B suppliers included — these functional teams operate in silos; they may have competing priorities and different understandings of the problem and how best to handle and resolve it. Effective and efficient problem resolution requires strong leadership from the account team and reward mechanisms

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that recognize employees for the outstanding ways they handle problems — no matter what role they play in that process.

Including senior leaders in service recovery. Senior leaders can play a crucial role in organizing resources to design and implement a companywide service-recovery strategy and process, but one task may be the most important of all. Never underestimate the positive influence of a senior leader's proactive and sincere apology. Senior leaders also need to "walk the walk" if they want to inspire all employees to maintain a focus on customers and go above and beyond to solve problems. Finally, senior leaders' sponsorship and empowerment of the account team is vital to ensuring customer engagement during service recovery — no matter how capable the account team is.

Defining a people strategy. To successfully implement a service-recovery strategy, B2B suppliers must ensure they have the right people in place. Though the supplier-customer partnership is a relationship between two companies, the supplier's employees are fundamentally responsible for building that partnership, and they ultimately solve or handle customer problems. Suppliers should select employees who take ownership of customers' problems, who have high empathy and care about customers' feelings, and who put customers' interests before their own.

Employee engagement also matters. Gallup research shows that engaged employees are more active in learning and continually updating their knowledge of and experience with problem resolution. These employees are more likely to work to break down silos among teams and to go the extra mile in handling problems in ways that exceed B2B customers' expectations.

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On average, companies are doing a poor job of engaging customers.

46%

STRONGLY AGREE “[COMPANY] ALWAYS DELIVERS ON WHAT THEY **PROMISE**.”

51%

STRONGLY AGREE “I FEEL **PROUD** TO BE A [COMPANY] CUSTOMER.”

41%

STRONGLY AGREE “[COMPANY] IS THE **PERFECT** COMPANY FOR PEOPLE LIKE ME.”

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Customer Impact Amplifies Customer Engagement

GALLUP DEFINES CUSTOMER ENGAGEMENT AS a customer's emotional or psychological attachment to a brand, product or company. When a customer is fully engaged with a company, the customer's unspoken needs are fulfilled and the company takes steps to quickly resolve problems and prevent them from recurring. In its simplest terms, engagement keeps the customer from firing the company. Unfortunately, only 29% of B2B customers are fully engaged.

Companies can pull several levers to increase their customers' level of engagement. Some levers relate to the features of the product or service (e.g., being treated as a valued customer), while others relate to customers believing a company is easy to do business with. However, Gallup's research shows that the strongest levers a company can pull are those that drive engagement by generating *customer impact.*

Gallup defines customer impact as providing a meaningful change in a customer's organization, or in a customer's business model, that significantly improves the organization's bottom line. Impact is a game changer: It confirms an organization's value and shows customers that they are more successful doing business with their current vendor than they would be with a competitor. Impact is the single greatest driver in generating growth for B2B companies.

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ACCELERATING GROWTH

Companies that understand how their products and services help their customers succeed gain two important competitive advantages: customer engagement and customer impact. Gallup research shows that when companies engage their customers and generate impact for them, those companies achieve higher levels of performance than companies that *only* engage customers.

In the following examples, Gallup analyzed two lines of business for a client company and discovered that the combination of engagement and impact had a multiplying effect on business growth. Customers who were fully engaged and who felt that their vendor was making a significant impact on their business gave the company a larger share of wallet and higher earnings than customers in all other groups. For Business Line A, Gallup found that customers who were fully engaged and who saw impact contributed to 31% higher share and 20% higher earnings than customers who were only fully engaged. For Business Line B, customers who were fully engaged and who saw impact contributed to 9% higher share and 26% higher earnings than customers who were only fully engaged.

BUSINESS LINE A

↑31% Customer Share

↑20% Earnings

BUSINESS LINE B

↑9% Customer Share

↑26% Earnings

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MOVING FROM COMMODITY TO COLLABORATION

Companies generate impact by developing an intimate, extensive knowledge of their customer's business and proactively bringing fresh ideas that enhance the customer's business and bottom line. This approach deepens the customer relationship and shifts the focus from one of commodity to collaboration. It is often based on information that competitors do not have, making it difficult for them to duplicate — and easily offsetting any reduction in price.

> An advice-based approach to customer relationships requires a high level of expertise and in-depth knowledge of the customer and its marketplace. To obtain this level of trust, Gallup's extensive research across industries has found that companies must:
>
> - know the customer's business
> - bring the customer new ideas
> - make these ideas work for the customer by tailoring them to the customer's marketplace and workplace

MEASURING CUSTOMER IMPACT

Gallup measures customer impact by asking customers to rate their level of agreement with a single statement, using a five-point scale: "*Company* has made a significant impact on the success of my business." To further identify actions that support positive impact, Gallup conducts qualitative interviews with key stakeholders. In many cases, impact comes from providing specific recommendations or other valuable products and/or services that enhance the customer's standing and potential in the marketplace while also strengthening business outcomes, including:

- sharing the company's knowledge about key production or supply chain issues with its customer
- using the company's broader relationships and introducing the customer to other vendors, distributors or retailers that can help with some facet of the customer's business
- offering more comprehensive, valuable products and/or services to customers

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- helping customers use the company's products or services more effectively
- identifying unseen product or service opportunities for customers
- enhancing customers' standing in the marketplace and thus their potential for future business growth
- having some broader effect on customers' cost structure, perhaps through more effective supply chain management, inventory control or process improvement

CONNECTING CUSTOMER ENGAGEMENT AND IMPACT

Customer engagement is fundamental to customer impact because it establishes an element of partnership, which requires a genuine connection between a company and its customers. Even a company with a highly commoditized product has an opportunity to establish an advantage over its competitors by improving customer engagement and creating customer impact. The more a company can help its customers thrive, the stronger the partnership becomes.

Working to create customer impact does not negate the value of the more functional drivers of engagement, particularly those regarding quality, utility, knowledge and responsiveness. To ensure business growth for the customer, a company needs to establish high levels of customer engagement through these more functional drivers, and that engagement needs to be guided by the belief that the company has produced or will produce tangible changes in business performance for the customer.

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GALLUP'S APPROACH TO MEASURING CUSTOMER ENGAGEMENT

At its core, *customer satisfaction* is fulfilling customers' basic needs and requirements at a reasonable price. "Reasonable," in this case, means something close to that of competitors, as the markets and products involved tend to be fairly commoditized. Satisfaction also comes from minimizing delays or problems that can influence the customer's budget and timeline.

Even in the best of circumstances, customer satisfaction tends to be a fairly static measure. And it doesn't necessarily lead to repeat or expanded business with the customer.

Companies that want to connect with their customers only on a rational level, measuring their customers' experiences through rational means such as satisfaction metrics or advocacy scores, are missing an essential piece of the puzzle. Human nature is more complicated than that. Simply maintaining a transactional relationship with their customers puts companies at risk. These customers will leave when another business offers a product or service that is less expensive or more convenient.

THE ESSENCE OF CUSTOMER ENGAGEMENT

Engagement is not an abstract concept. Gallup has consistently found concrete links between engagement and vital business outcomes. In good economic times and bad, fully engaged customers are more loyal and profitable than other customers. After studying slightly over 19,000 B2B business units, Gallup found that units with high customer engagement scores outperform those with low customer engagement scores by at least 30% across six key outcomes.

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High-performing business units achieve:

↑50%
higher revenue/sales

↑33%
greater likelihood to be first choice for future business

↑34%
higher profitability

↓63%
lower customer attrition

↑55%
higher share of wallet

↓32%
fewer days sales outstanding

Gallup has also discovered that customer engagement has a greater effect on business outcomes among B2B companies than among business-to-consumer (B2C) companies. When B2B companies engage their customers, they realize higher levels of revenue/sales, profitability and share of wallet as well as lower levels of customer attrition than B2C companies.

Consumers are individuals first, who typically look for a product or service to fill a specific, immediate need. They are often the sole decision-makers and have shorter timelines, smaller budgets and fewer customer service needs than business customers. In contrast, B2B customers need solutions for their entire division or company because their buying cycle is longer, their budgets are greater and they have higher expectations for individualized customer service. Sometimes, B2B customers do not clearly define their expectations for the product or service, and rarely is there a single decision-maker. A high customer engagement score in the B2B context requires satisfying and balancing the needs and wants of several parties, which helps to explain the higher gains that B2B companies typically get from customer engagement.

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PROMISE, PROUD, PERFECT

After studying customer behavior for decades, Gallup developed a metric that takes into account the complexity of human nature — that is, the emotional rather than the purely transactional aspect of decision-making. Gallup measures customer engagement using a three-item survey known as the Gallup CE³.

The three items that make up the Gallup CE³ are:

1. *Company* always delivers on what they promise.
2. I feel proud to be a *Company* customer.
3. *Company* is the perfect company for people like me.

Using the CE³, Gallup categorizes a company's customers as fully engaged, indifferent or actively disengaged.

Fully Engaged Customers

Fully engaged customers have a strong positive emotional attachment to a company. Some might even say they love it. They are the company's most valuable customers; they spend more, spend more often and stay longer with the company.

Indifferent Customers

Indifferent customers are neutral; they do not really care about a company one way or the other. They neither love nor hate the brand. As a result, they have no particular allegiance to it and may switch to a different company or brand if opportunity permits and the potential benefits outweigh the costs of switching.

Actively Disengaged Customers

Actively disengaged customers have a strong negative emotional attachment to the company. Some might even say they hate it. They can be actively antagonistic, spread negative word of mouth to others and cost the company money to have them as customers. These customers remain either because the costs of switching are too high or they feel there are no better options available.

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Gallup discovered four key drivers that increase the likelihood of satisfying, engaging and bringing impact to customers. Accounts with the highest levels of customer impact have

72%

MORE FULLY ENGAGED CUSTOMERS.

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Key Drivers Are a Road Map for Customer Engagement

COMPANIES CAN IMPROVE THEIR CUSTOMER engagement scores by first taking an objective reading of their existing customer relationships. A measured approach to customer engagement helps companies understand where their customer relationships are strong and where they are lacking. The next steps are to determine which behaviors improve those relationships and to help employees consistently act on those behaviors.

Every company Gallup has studied follows a different path to increasing customer engagement. This makes perfect sense because, for example, a manufacturing company and a financial services firm don't operate in the same way. Organizations have to determine the most important factors or "key drivers" that speak to their customer experience. Key drivers pinpoint the behaviors that support customer engagement and give companies a better idea of what *to do* to increase it.

By effectively working on key drivers related to customer engagement, Gallup's clients have made significant improvements in customer engagement scores and business performance. On average, Gallup's database reveals that B2B companies raise their customer engagement scores by 9% over a seven-year period through this approach. A quarter of clients have been able to double that and improve their scores by 18% over the same time frame. Undoubtedly, improving customer engagement can be a long journey that takes commitment and the right strategy. Change does not come when companies look at engagement as an ad hoc event.

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ASKING THE RIGHT QUESTIONS

When selecting key drivers for a survey, Gallup finds that companies need to consider two issues: 1) how to identify a set of key drivers and 2) how to use them.

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The goal is not to identify specific words and phrases or steps; rather, companies should choose key drivers that help them identify what general types of behaviors would have the greatest return on investment.

To find the right set of items, companies should thoroughly examine existing data; have discussions with essential client personnel about strategy, vision and job shadowing; and review current training, hiring and performance management practices. The wording of the items should measure the overall power or potential of creating strong levels of engagement. Companies should not use items that measure specific actions, such as being greeted by name or saying "thank you" instead of "thanks." Item wording should measure employee talent by using phrases such as "genuinely cared about me as a customer" or "genuinely valued my business." The following list includes other examples of weak and strong items.

Weak Item		Strong Item
Answered my question within 30 seconds	vs.	Spent the right amount of time with me
Mentioned the company name on the phone	vs.	Seemed proud to work for [Company]
Showed me several product alternatives	vs.	Was able to create a solution tailored to our company's needs
Acknowledged our concern	vs.	Genuinely cared about resolving the business issue for our company
Answered my questions	vs.	Made certain I had all of the information I needed

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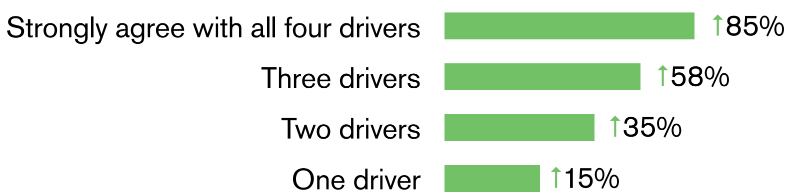
TURNING ANSWERS INTO ACTION

Asking the right questions is paramount to understanding what improves customer engagement. However, it is equally as important to take the answers to those questions and create a workable plan of action.

A key driver approach is a worthwhile investment. Companies that successfully create customer impact find themselves with higher levels of customer engagement and revenue. Gallup analyzed the customer accounts of a professional services firm and discovered that accounts with the highest levels of customer impact had **72%** more fully engaged customers and **4.5** times more revenue gain than bottom-quartile accounts.

For the professional services firm, Gallup measured customer impact using four key drivers. When customers "strongly agreed" with even one driver, the firm experienced a 15% lift in customer engagement. The gains in engagement were even higher when customers strongly agreed with two or three items, and highest when customers strongly agreed with all four items. Gallup also discovered that the chances of customers being actively disengaged were eliminated when they strongly agreed with three or four of the customer impact drivers.

Additive Effects of Customer Impact (% Fully Engaged)



ADVICE

A follow-up analysis helps companies identify how to improve customer engagement. Armed with insights from this analysis, companies can evaluate their current processes, tactics and approach to determine if they align with the ideal customer experience. Then, companies can help employees focus on the correct behaviors and provide them with the support, tools and training needed to achieve emotional connections with customers. Some suggestions for improving customer engagement include:

- Assess the current selection tools, and implement talent-based hiring.
- Offer career options and counseling for underperforming employees.

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- Provide easy access to customer information at all levels for employees who need it.
- Look at internal reward systems and goal alignment to ensure they are encouraging the right employee behaviors.
- Examine brand positioning versus core benefits offered.
- Review marketing communications and promotions to gauge their effectiveness in communicating the core benefits in a way that enhances customer engagement.

GENERATING CUSTOMER IMPACT THROUGH FOUR KEY DRIVERS

Companies might need to take a different approach to generating customer impact with each of their most important accounts. However, Gallup has identified areas that all organizations and their respective account teams can focus on to increase the likelihood of satisfying, engaging and bringing impact to customers. These key drivers of success fall into the following four categories: the basics of engagement, relationships, opportunities, and positioning and approach.

The Basics of Engagement

Is the customer satisfied with [Company] as a vendor?

These key drivers are the foundation for success. While companies might think they know where they stand on the basics with their key accounts, this information often remains hidden from leadership — particularly with some of the company's more problematic accounts.

This disconnect occurs when the account team does not ask the customer the right questions, fails to fully appreciate any initial signs of distress or is slow to filter what it sees and hears back up the chain of command. Communication about delays and other quality issues can become even more convoluted when those problems occur at the plant, factory or site level. Additionally, there is a tendency for account teams to downplay issues that do come to their attention. They do this either because they believe they have taken the necessary steps to address the problem or they feel the underlying relationship with the customer is strong enough to withstand the problem — even if the account team itself was initially unresponsive.

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But often, even the simplest issues can seem more severe to the customer than they do to the company because the customer has a better understanding of how the issue affects its budgets and timelines. And customers remember issues, which potentially affects future interactions with the company. Therefore, it is crucial for a company to constantly monitor its performance with its key accounts. As another best practice, Gallup recommends the company have a structured problem resolution process, which means *all* accounts should consistently identify, record and escalate to leadership any issues.

Relationships

Is there a strong connection between [Company] and the customer?

Relationships between the company and the customer occur at multiple levels. Based on size, geography or a shared sense of values, some companies and customers are more of a natural fit than others are.

The key day-to-day interactions with the customer occur at the account level. While it is important for the customer to like a company's account representatives, the customer also needs to trust those representatives. The best account representatives have an intimate knowledge of the customer and its business, people and problems. These representatives work tirelessly and aggressively to get things done for the customer, such as getting orders processed and delivered, making last-minute changes to orders and addressing or preventing problems. They are a source of ideas for the customer. They also serve as the gateway for the customer to the company's additional resources.

But even the most talented account representatives can only take the customer relationship so far because they often don't know or can't effectively speak to their company's broader offerings or strategy. It is vital, then, that top-to-top relationships between the company and customer support and reinforce account-level relationships. Through these top-to-top relationships, strategic and forward-thinking conversations will occur. These relationships are also necessary for moving past deeper, lingering issues between the company and customer.

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Sometimes company leaders may not know whom they need to form these top-to-top relationships with on the customer side — or they may have written off certain senior-level executives for fear that they are inaccessible or unwilling to talk to the company. Initially, the company needs to create a relationship map, outlining whom it wants and needs to talk to about each of its key accounts.

Opportunities

Is there a clear and feasible path to success with the customer?

The goal with each of the key drivers is to retain and grow business within the account, yet the avenues for doing so are not always apparent to the company. Growth may come from doing more business with the customer across the company's existing product lines — either by helping the customer expand its business in those areas or by having the company take market share from competing vendors. Though desirable, this might not always be a viable option for the company for various reasons, including:

- The customer may be "maxed out" in a particular product category and may be comfortable with its other vendor relationships.
- Where the company is already the primary vendor, the customer may be hesitant to give the company an even larger share of business than it already has, preferring to retain more of a multivendor approach.

Opportunities, therefore, may lie in additional product categories or territories, including areas in which the company does not have a presence and in which third-party partnerships or alliances may be required. There may also be opportunities for the company related to enhanced products or services, which can provide a significant competitive advantage to the company and increase its chances of building long-term relationships with its key accounts.

The customer, however, may not be as enamored with the enhanced products or services as the company — or, at least initially, may not see the value for the price. If the company puts too much pressure on the customer to adopt these products or services, the customer could feel as if the company is pursuing its own agenda rather than acting in the customer's best interest, which could reduce trust between the company and customer.

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It is important, then, for the company to know what the customer's agenda is and where potential opportunities for additional products and services lie. This awareness typically comes from top-to-top discussions, but account representatives should have some sense of the customer's direction as well. At a minimum, representatives should have a handle on upcoming RFPs/bidding events and the expectations or likely criteria for success in the bidding process.

Whatever the opportunity with the customer, the company's chances of success are limited if there are outstanding issues or tensions. These issues could stem from previous negotiations that didn't sit well with the customer, recurring quality issues or other unresolved product or delivery problems.

Positioning and Approach

Is [Company] taking steps to maximize new opportunities with the customer?

When thinking about expanding its business with a company, a customer organization looks not only at the account representative, but also at the broader account team. The customer wants to know that the company has sufficient technical/support resources to accommodate all of its business and that the customer can readily access those resources.

The customer also wants to know that the company is aggressively pursuing any opportunities that arise within the account. In the customer's view, all opportunities should be equally important to the company — but the company may focus on some opportunities more than others. Certain pieces of the business may be more profitable or hold greater strategic importance to the company.

Differences in opinion regarding the importance of pursuing opportunities may create a disconnect between the customer and the company, and this is when transparent communication becomes even more critical. If the company passes on an opportunity or is slow to respond to it, the company should tell the customer and explain the reasons why. Talking with the customer about passed-over opportunities opens the door to a discussion about different product, service or support options. It is also a way of keeping the customer from calling into question its broader relationship with the company.

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The best B2B relationships Gallup has studied "unknot the bow tie" to create a true partnership.

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Strong Customer Relationships Are Built on Collaboration

DURING A CUSTOMER INTERVIEW, THE CEO of a large consumer goods company relayed a story about a sales team he was once a part of. As a member of that team, he met with the founder and leader of a major retailer. The retail leader commented that their respective companies had a great relationship, but that it was shaped too much like a bow tie.

From the retail leader's perspective, the retailer's procurement team and the consumer goods company's sales team were at the center of the relationship, leading much of the interactions between the two companies. On either side of those groups were two great companies that didn't fully understand each other, so their relationship didn't take full advantage of each other's value chain and core competencies. In the leader's mind, this structure was not maximizing value for either company.

The retail executive thought that his company's procurement team and the consumer goods company's sales team were driven by their individual objectives and compensation programs. As a result, the teams were working diligently to achieve their own metrics and personal goals, and they were missing big opportunities for shared benefits, cost savings and growth.

The retail leader's directive was to unknot the bow tie to create a true partnership, one in which both companies were transparent about costs but allowed the other to make a profit. He also believed this partnership needed top-level leadership support, a formal business plan and a solid structure to maximize time and investment.

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ADVICE

That idea of unknotting the B2B bow tie stayed with the consumer goods CEO long after he left the sales department, and it continued to inform his thinking all the way to the C-suite. His story of "unknotting the bow tie" also underpins some of the best B2B relationships Gallup has studied. These relationships show some specific traits, including:

A partnership that starts at the top. In the best B2B relationships Gallup has studied, the client company knows the customer's business and both sides take chances on new ideas, offer transparency and take a long-term view of the relationship. But the partnerships that unknot the bow tie also have an element of "top-to-top" in them: The customer organization's senior executives have a true partnership with the client company's senior leaders. Far too often, the company and customers are economical in small matters but wasteful in large ones because individual incentives and compensation plans create barriers to openness and creativity. Before companies and customers can explore options that might add a little cost in the beginning but offer joint value and savings in the long term, senior leaders in both companies must be invested in a beneficial partnership.

A willingness to take chances — on both sides. Like everything else in business, if there's no risk, there's no return. On the company side, risk means going first, showing value early and making an investment in the relationship before a return is apparent. On the customer side, risk includes entering a long-term relationship that may have higher initial costs but offer much lower long-term costs and increased value over time. Both parties involved know that unforeseeable issues can change the playing field or that key stakeholders on either side could leave. Companies that unknot the bow tie accept those risks if there is a strong probability of a high return on their investment.

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A commitment to ongoing transparency. Committing to transparency means that both sides are honest about what they want to achieve, how experienced they are in certain activities and ventures, and what their costs and margin requirements are. When done correctly, clearly revealing intentions creates trust and allows both customers and suppliers to look for win-win opportunities. In every partnership where this level of transparency exists, there is a fundamental understanding that each company is in business to make money and that both businesses should be allowed to earn a living.

A long-term view. Building meaningful relationships — including customer relationships — takes time. Customers often make long-term investments, linking their company to a specific supplier for a long time. For companies, winning long-term business can be complicated and risky and can take years. Organizations that unknot the bow tie typically understand the time frame involved and recognize that the payoff on either side may not come this quarter or even this year.

A joint, written plan that defines goals and expectations. For partnerships to succeed, both sides need a formal, joint business plan that details each company's role and responsibilities. These plans are specific about what each company hopes to gain from the relationship, how long this will take and the expectations on both sides. Both businesses meet regularly and often as a cross-functional team, allowing team members to share their diverse opinions. This cross-functional team includes executive sponsors, functional managers and day-to-day relationship participants.

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The account manager is the difference in the customer relationship.

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The Making of a High-Performance Account Team

GALLUP HAS OBSERVED AND WORKED with hundreds of account teams and has conducted tens of thousands of customer interviews. Through this discovery process, Gallup identified the core characteristics of the most successful account teams. In general, these teams are defined by their customer-centric worldview. They have a good sense of where the customer's business has been and where it is going, and strategically align with the markets they serve. These teams' companies enable them in ways that allow them to build exceptional strategies for customers. Their companies give them a certain freedom in how they operate to ensure they meet customers' needs.

ADVICE

Beyond these generalities, there are specific actions companies can take to build stronger account teams and, thus, stronger customer relationships. These actions relate to employee selection, performance management and service values, among others.

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APPOINT OUTSTANDING ACCOUNT MANAGERS

The account manager is everything to the customer relationship. This individual is responsible for building and maintaining an optimal relationship with the customer and the internal team. Whom B2B companies name as account manager matters. They must think very carefully about this role and the best fit.

When choosing an account manager, companies tend to look to their sales team and promote the top performer — the person who brings in the most revenue. This strategy usually turns out to be the wrong selection. A high-performing salesperson does not necessarily make a high-performing account manager. The talents required to sell are different from the talents required to lead a team and build partnerships with customers. Companies should be looking at internal and external candidates who excel at managing people, relationships and projects.

During quantitative and qualitative reviews with a hospitality client, Gallup found that individual franchise owners were unhappy with their point of contact from the brand. Owners did not believe that their account manager knew enough about the business. In most cases, account managers were former general managers who were great at quality assurance but lacked an understanding of how to accelerate an owner's portfolio. The account managers could not provide the high-level advice and consulting that owners wanted. As a result, Gallup and the client worked together to create an account management team with the talent and experience better suited to the owners' needs.

Regardless of industry, Gallup has found that the best account managers are:

Dedicated allies. Successful account managers are great when on-site with the customer. They understand how to manage expectations and deliver on their promises. These account managers know every facet of the customer's business and continually think of ways to provide value.

Steadfast advocates. Account managers should make choices in the best interest of their customer first, their company second and their team third. They need to be advocates for the customer in all factions of their company.

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Skilled communicators. Account managers work with people across multiple lines of business within their company. They not only interact with salespeople, but also with employees in technology, analytics and accounting. As the person with the most insight into the customer organization and its needs, an account manager must ensure that everyone on the account team is on the same page and working toward the same goal.

Strategic activators. Through quantitative and qualitative research, companies gain valuable insights into what their customers think and want. Account managers have to take that information and deliver on it. They must mobilize their team to implement real change.

Masterful recruiters. The best account managers deliberately think about how to assemble their team and then recruit top talent to join it. They look for relationship people, not solely people who are good at accounting or sales. Account managers should think about the implications of each person joining their team to determine how he or she could affect customer engagement.

Great motivators. Of course, account managers might not get to choose their team members, but rather inherit them. Even then, account managers who are truly right for the job will understand how to work with what they have. They recognize each team member's individual strengths, celebrate his or her successes and figure out what works best to motivate every person.

Positive brand ambassadors. B2B companies typically don't advertise, and because of this, most B2B leaders don't believe they have to worry about their company's brand. Nothing could be further from the truth. Customers have a reaction every time they hear a company's name or see one of its products — and that reaction is the brand. A brand is not a logo or tagline; it is an experience. Account managers are brand ambassadors, and the good ones always leave the customer with the right impression.

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POSITION SALESPEOPLE AS CONSULTANTS

Traditionally, companies structure their sales teams around a product-based model. But as customers' wants and needs have shifted, this model has become nearly obsolete. Companies achieve more for their customers and themselves through a consultative sales approach.

The product-based or traditional approach to selling relies heavily on the salesperson pushing a particular product or service. Here, the salesperson is hyper-focused on the features and benefits of whatever he or she is promoting. His or her sales pitch consists of a canned presentation and a slick brochure, which is all too familiar to leaders already strapped for time. It does not command their attention or demonstrate what they are looking for from a B2B company, which is value.

Conversely, a consultative sales model starts with a discussion about the customer's business and business challenges. The salesperson does research, asks questions and *listens.* He or she provides customized, not generic, solutions based on his or her findings and discussions. The consultative salesperson is selling a product or service, of course, but he or she is also developing a relationship. And the relationship is what ultimately affects the account's long-term health.

A consultative sales model puts the salesperson in the role of trusted adviser. He or she begins to build a partnership with the customer that the rest of the account team can maximize. This model helps companies engage customers, which produces far better business outcomes than a product-based model.

REMOVE RELATIONSHIP BLIND SPOTS

In a typical B2C company, it is easy to answer the question, "Who is my customer?" Customers are the people who purchase a company's products or services. They are the passengers whose names are on the airline tickets. They are the shoppers standing in line to check out at the local mass merchant. They are Internet shoppers, checking account holders and hotel guests. And, in most cases, they are easy to identify.

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But in B2B companies, the definition of a "customer" is more elusive. This is because several decision-makers from different functional areas in a B2B company usually decide together to purchase products or services. This decision-making body is called a *buying center*, and in general, the larger the company, the larger the buying center.

For too many B2B companies, the buying center is a blind spot. It is not enough to identify a single contact on the customer side; suppliers need to know who all of the players are, what roles they play in the purchase decision and how they evaluate the strength and quality of their relationship with the company.

Gallup has found that developing a relationship map can help companies minimize or eliminate their blind spots. A relationship map ensures that the company matches the right people from the account team to the right people on the customer team. Using this tool, the account team can determine who "owns" maintaining and improving each buying center relationship. A relationship map helps break down complexity and create meaningful interactions across the grid.

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GET THE ACCOUNT TEAM ON THE SAME PAGE

Communication between the account team and the customer team is critical to the overall health of the B2B relationship. However, it is equally as important for companies to ensure that their account teams are engaged in open and honest dialogue regarding the customer and the account. Ongoing internal communication can often work to stop minor hiccups from turning into major disasters.

Many organizations use some form of measurement to help them understand the status of their accounts. But it is then up to the account team to review the findings of any quantitative or qualitative research and create a plan to act on those findings. Team members should be on the same page about what's working well with the customer and how they can fix what's not working so well.

Communication about the customer should not be relegated to the one or two times a year when survey results are available. Account team members must regularly meet to ensure that everyone knows what is going on with the account. Transparency is of the utmost importance for account team members, and they should feel comfortable bringing issues to the table.

DEFINE AND FOLLOW SERVICE VALUES

The best clients that Gallup has worked with have clearly defined their brand strategy and can ensure operational consistency when delivering on their brand promise. They do this by implementing behavioral-based service values. While B2B companies may shy away from defining their brand promise and creating clear service values to support it, these values can provide employees with much-needed clarity about what they are supposed to do and why they should be doing it.

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Service values can also:

- serve as "cultural anchors" and provide a solid foundation to deliver and sustain a company's brand promise
- ensure that employees are internally aligned with the organization's guiding principles
- establish a cultural norm to capture, share and inspire exceptional customer service stories that reflect the brand promise
- create a way for employees to communicate their commitment to consistently deliver service excellence
- provide specific, measurable behaviors to hold individuals accountable for delivering on the brand promise

Leaders have the responsibility to define their company's brand promise and the supporting behaviors that will create a culture of service excellence. They must get managers on board and then ensure that those managers help each team member understand the brand promise, how it relates to his or her individual role and how the company expects him or her to deliver on it.

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Numerous moving parts make up customer centricity:

- having an intentional customer engagement strategy
- systematically talking to customers
- creating an ongoing plan of action

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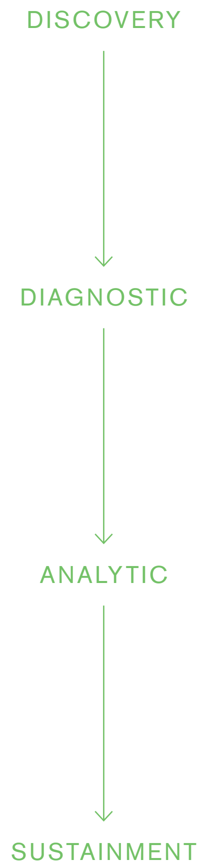
Customer Centricity Demands Action

DATA ARE THE FOUNDATION FOR a customer-centric model. Through key account reviews, customer surveys and key driver analyses, companies learn what their customers need and want from them. The real sticking point, however, comes in knowing how to act on all of that information.

Organizations need a plan for taking their operating model from start to finish. Numerous moving parts make up customer centricity — from having a clear customer engagement strategy to talking to customers to creating a plan of action. Developing this model comes down to four phases, which Gallup has categorized as Discovery, Diagnostic, Analytic and Sustainment. Within each of these phases, Gallup has also identified common tasks that enable companies to understand and act on the voice of the customer.



FOUR PHASES OF A CUSTOMER-CENTRIC OPERATING MODEL

1. *Discovery:* This phase involves an evaluation of the current state of the customer relationship. Some of the tasks associated with this phase include:
    - conducting stakeholder analyses to identify the current customer landscape
    - identifying the organization's needs and priorities
    - exploring the existing world, including account structure, the language and culture of the organization and any prior metrics used to evaluate the customer relationship to date
    - building or refining a customer engagement strategy
    - creating a customer list and relationship map

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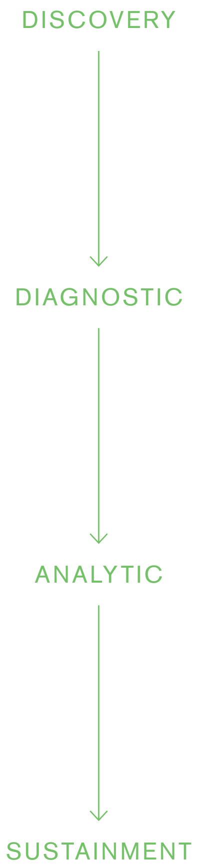

2. *Diagnostic:* This phase incorporates qualitative and quantitative analyses. Some of the tasks associated within this phase include:
    - conducting a key account review
    - gathering key account review findings to make insights into customer accounts
    - using key account review insights to make recommendations
    - sharing best practices based on insights and recommendations
    - carrying out an ethnographic study of customers
    - identifying key priorities for customers
3. *Analytic:* This phase encompasses the findings and insights from the Discovery phase to identify the key drivers of the customer experience and how the company is performing on those key drivers. Some of the tasks associated with this phase include:
    - identifying the key drivers that propel the customer relationship forward
    - gauging the company's success with the key drivers
    - linking the key drivers to customers' key priorities and conducting a gap analysis
    - making connections among the findings of the Discovery phase
4. *Sustainment:* This phase pinpoints specific steps to take to improve the customer experience. Some of the tasks associated with this phase include:
    - creating an action plan to transform the customer experience
    - identifying quick wins for ways to improve the customer relationship
    - implementing a results communication strategy across the organization
    - communicating progress with customers to ensure they understand the organization's efforts to improve the relationship

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RECOGNIZING THE PEOPLE FACTOR

Of course, there is one predominant factor in a customer-centric model: people. If a company truly wants to change, it has to ensure that every employee understands what customer centricity means and how to deliver on it. This applies to employees at all levels, including leaders, managers and individual contributors.

Leaders: Leaders must hear the voice of the customer to improve the company's relationship with the customer and to improve business outcomes. They must take accountability for generating a holistic culture shift and for creating processes to build strong, vital relationships that support business results.

Managers: Managers are in the best position to set the tone for improving customer relationships by targeting the key drivers that best link to customers' overall experience.

Individual contributors: Individual contributors who work day in and day out with client contacts are the face of the organization. Helping individual contributors understand the importance of improving the customer relationship is the ultimate catalyst for creating change.

TAKING A HOLISTIC APPROACH

Customer centricity involves a clear and sustained focus on the customer, but this cannot happen in a vacuum. Companies cannot deliver real value to customers without considering all of the parts and pieces that affect their service delivery.

Gallup views the customer as one part of the customer-centric model. The other components of the model include the company itself and its suppliers. The complete model then includes:

1. the company
2. its customers
3. its suppliers

The company has to determine what it stands for and how it separates itself in the marketplace. That positioning informs the company's interactions with customers and suppliers, and without it, the rest of the model falls apart. However, this model is not linear. The company does not focus on itself and get to a place of being "done," and then move on to its customers or suppliers. It has to work on each element in tandem and be comfortable with the fact that none of these elements is ever really "done."

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Percentage of U.S. workers in B2B industries who strongly believe their company delivers on its promises:

62%

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Culture Matters to B2B Companies

COUNTLESS COMPANIES — IN THE B2B and B2C worlds — say they have a customer-centric culture. But Gallup finds that few do. For example, a company will claim that it is all about the customer experience, but then have a performance management system built on sales incentives. Or, a company may talk a good game about its customer service, but not give its employees any service values to act on.

Though not ideal, the disconnect makes sense. Culture is notoriously difficult to change, and in the B2B domain, it is an even more treacherous hill to climb. Not all B2B companies believe they have a culture, and those that do are likely to label their culture as product- or sales-focused.

But does culture matter for B2B companies? The answer is an unequivocal "yes." B2B entities absolutely must understand how their customers feel about them and use that knowledge to shape their culture and the way they do business.

TAKING A HOLISTIC APPROACH TO CULTURAL CHANGE

Business leaders often regard cultural change as somewhat of an enigma. Plenty are interested in it, but not many have figured out how to make it happen. Gallup has spent decades studying organizational culture and has discovered that companies often cannot transform their culture because they are too narrow in their approach. They look at culture in a vacuum and don't factor in the other elements that matter. In Gallup's experience, companies that want to create or sustain a strong culture can only do so by focusing on the larger dynamic: their *organizational identity.*

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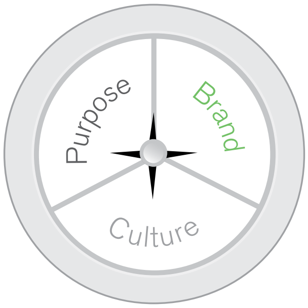
Organizational identity is made up of three interrelated elements: purpose, brand and culture.



Purpose: Why does our organization exist, and why are we here?

Brand: How are we known to the world?

Culture: How do we live, and how do we accomplish work around here?

Purpose, brand and culture provide an overarching structure for companies to focus their work and resources as well as drive business strategy and performance. Each of these elements is important and meaningful in its own right, but the alignment of the three gives companies the fuel to ignite change and lays the foundation for sustained high performance.

Alignment has incredible power. Companies gain momentum when their employees are moving in the same direction toward the same goal. That momentum allows them to deliver a seamless, differentiated customer experience. Everyone — from current and prospective employees and customers to shareholders, industry influencers and members of the media — think and talk about the company in the same way.

DEFINING THE THREE ELEMENTS

Purpose

Everything follows purpose. An organization's purpose, or mission, tells the world why it's here, what it stands for and — just as importantly — what it does *not* stand for. As the guiding principle for actions, behaviors and decisions, purpose rarely changes; rather, it evolves.

In B2B organizations, it is common to have a purpose along the lines of "make money" or "provide a return to shareholders," but purpose should be about more than profit margins. Purpose should get to the heart of the enterprise. A meaningful and well-articulated purpose can attract and retain employees. Employees who are passionate about their company contribute more and stay longer. They build better customer relationships and are the most effective recruiters and advocates for the company.

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For purpose to matter, organizations have to move beyond words on a wall or a few paragraphs in their employee handbook. Leaders and managers must ensure that employees understand the company's purpose and can connect it with their individual work. They have to speak about purpose regularly and live it through their actions. Purpose should inspire commitment on behalf of each employee.

Brand

With a clearly defined and well-supported purpose, an organization can build a differentiated brand that reflects its position in the marketplace. And it can develop and deliver a unique brand promise: the statement of what it offers, what separates it from its rivals and what makes it worthy of customers' consideration.

A brand is more than a tagline, billboard or television commercial. B2B companies do not have to hire marketing agencies or invest in expensive advertising campaigns to build a brand. They only need to create a strong brand promise and consistently deliver on it. They have to earn their customers' trust and the right to do business with them.

But before companies can build their brand externally, they need to build it internally — through their employees. If employees don't believe in the products they are creating or the services they are selling, there is no reason to think that customers will. Leaders and managers must have conversations with their employees about the brand and help them connect their work to it.

Culture

Purpose also informs culture, or the road map that articulates for every employee in the organization "how we do things around here." B2B companies have operating manuals for most aspects of their business. Culture is also an operating manual that gives employees ground rules and guidelines for living the purpose and delivering on the brand promise.

Culture is instrumental because it either facilitates and supports organizational success or undermines and inhibits it. Companies with a strong, successful culture understand that reinforcing the culture is a constant priority. They recognize those who live the culture, continually emphasize desired behaviors and align their performance management systems with their cultural aspirations.

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ALIGNING PURPOSE, BRAND AND CULTURE

Undoubtedly, culture matters, but can companies change it? The answer is "yes," but with a caveat. Organizations *can* change their culture as long as they take the right approach. The road to organizational alignment is not always easy. It requires dedication and persistence on the part of the company, especially by its leaders.

ADVICE

Gallup's experience shows that the most successful companies align their purpose, brand and culture when they:

Thoroughly examine the organization's identity. A company can only gain a true understanding of its purpose, brand and culture by conducting in-depth quantitative and qualitative research. Exploring identity is akin to going on an anthropological dig — the organization has to keep digging to uncover the artifacts that explain its history. This dig can include executive team interviews, employee interviews and focus groups, on-site observations, and internal and external document reviews.

The results of the research help the organization answer crucial questions, such as:

- How clear are our brand and purpose?
- How consistent are we within the functional elements of our culture?
- How aligned are we between our aspirational purpose, brand and culture and our actual purpose, brand and culture?
- Are employees truly committed to helping us achieve our desired identity?

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Bring in an objective third party. Identity is not an abstract concept that a company can mold, refine, measure and manage, but rather must view through an objective lens. Many organizations have inherent biases when examining their own identity. In many cases, organizations lack the data or knowledge needed to evaluate it — or a barrier, such as historical precedence or leadership influence, prevents them from honestly examining their state of affairs. If a company wants to implement real change, it has to work with an outside firm to ask questions and conduct research.

Stop trying to be like every other company. Every organization should aspire to have a unique identity. Unfortunately, many companies try to cobble an identity together using bits and pieces of what works at other businesses. This Frankenstein approach rarely results in long-term, sustainable success. Instead, Gallup has found that organizations are most successful when they focus on evaluating, understanding and strengthening their distinct purpose, brand and culture.

Take and sustain action. The results from the research and inquiry should provide the organization with a concrete plan of action. Leaders have to be committed to following through on the plan, and they have to get their managers on board. Buy-in is vital to any change initiative. Employees have to believe in the words their leaders and managers are saying, and they need to see them living the desired behaviors. Companies must communicate consistently about their purpose, brand and culture to ensure that their systems and processes — that is, performance management and human capital — reflect and reinforce these elements.

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Companies should rethink how they engage and interact with their suppliers.

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Suppliers Are a Competitive Advantage

GALLUP RECENTLY WORKED WITH A manufacturing company that was receiving a lot of negative feedback from its customers about late deliveries. At first, the manufacturer didn't understand why the anger was pointed in its direction. It believed that once the product left its plant, delivery was out of its hands. Eventually, the company realized that its suppliers' actions (in this case, freight operators and trucking companies) affected its customers' engagement, even if the company was not directly involved.

Not all suppliers directly affect customer engagement, but lesson learned — some do. Suppliers matter in customer centricity, not simply because they provide a product or service, but because their actions have consequences — positive or negative — on the customer experience.

For the sake of their customers and their own business, companies need to rethink how they engage and interact with their suppliers. Organizations tend to look at their suppliers as their opponent, when they can be a competitive advantage. Suppliers often have creative ideas or solutions to offer their clients, but those clients have to be willing to listen.

Ultimately, companies should aim to become a true "customer of choice" with select suppliers. Achieving a customer-of-choice status differentiates a company from its competitors and gives it a decisive competitive advantage. This is especially valuable in crises when the company needs flexible and non-bureaucratic support from its suppliers. Suppliers devote their full attention to a customer of choice and ensure that the best employees are working on these customers' projects. A customer of choice is likely to get access to innovative processes and technologies from suppliers, which

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can help the company develop new products and bring advances to the marketplace faster. Finally, a customer of choice gets more favorable terms than a competitor without this status.

CLASSIFYING SUPPLIERS AND THEIR IMPORTANCE

A transportation client revealed to Gallup that 75% of its fleet was constructed with materials from suppliers. The client wanted to know if it was reasonable to assume that 75% of its customer engagement depended on its suppliers. While the numbers don't line up perfectly, the company's suppliers did account for a portion of its customer engagement — although not 75%. Companies often work with well-known or established brands to supply them with products, and those brands can and do have an impact on customers' perceptions and engagement. Companies must think about their supplier relationships to determine how those relationships come to life for their customers.

Of course, not every supplier relationship has the same value for a company or is equally necessary for the business' survival. Many companies benefit from evaluating and nurturing the full range of supplier relationships. For others, however, not all supplier relationships are equally valuable or equally consequential to the enterprise's health. In these cases, a clear supplier segmentation strategy is essential to differentiate suppliers that are "mission critical" from those that are not.

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MEASURING SUPPLIER RELATIONSHIPS

Despite all of this, too many companies don't know whether they are a customer of choice with their key suppliers — or what they can do to become one. Until now, there was no systematic, viable approach to measuring the quality of supplier relationships and to starting a dialogue between companies and their suppliers about the results. To develop an easily manageable way to measure, manage and improve the quality of supplier relationships, Gallup collaborated with Mars, a leader in fast-moving consumer goods.

Mars and Gallup began their work on supplier engagement because of Mars' experience with a strike in France. Gasoline stations across the country were closed, but one important supplier still had one truck with fuel available. Several customers fought over who would receive the truck, which could go to only one company. In the end, one of Mars' competitors received the truck, and Mars was forced to reduce production in one of its plants. Because of this, Mars approached Gallup with an important question: "What can we do to become a customer of choice?"

Gallup started its search for the answer to Mars' question by assuming that the same rules and best practices apply to managing supplier relationships as apply to managing employee and customer engagement. Companies must understand both the rational and emotional elements of engagement to create supplier engagement. The quality of the relationship is determined not only by hard factors, such as price, quality and physical availability, but also in the interactions between suppliers and customers.

Through years of experience in measuring and optimizing employee and customer engagement in companies worldwide, Gallup identified five core dimensions and 10 survey items that determine the quality of supplier relationships. Gallup purposefully designed the survey items to act as a diagnostic tool and conversation starter. The survey results show buyers how they rate with suppliers, but they also provide a type of script or guide for how to talk to suppliers about the results and the relationship.

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Gallup's Supplier Engagement Construct

Dimension	Definition
Clarity	Reflects the clarity of expectations and the quality of communication pathways to ensure these are clear to all
Simplicity	Reflects ways of working and, in particular, the ability to deliver excellence
Integrity	Reflects the notions of trust and the ability to overcome problems to reach a mutual agreement
Reciprocity	Reflects the value both parties place on the relationship
Connectivity	Reflects the interdependence in the relationship and the recognition of shared outcomes

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BECOMING A CUSTOMER OF CHOICE

Once companies identify and assess their top suppliers, they can then turn their attention to maximizing those relationships. But it is important that both sides get something from the partnership. If a company asks a supplier to provide new ideas and invest its own time and money into making its packaging more appealing or speeding up its delivery process, for example, then the supplier can reasonably expect some payoff from the company.

ADVICE

Gallup has found three factors essential to becoming a customer of choice:

- **Engage your suppliers.** Seek feedback, and listen.
- **Clearly communicate with suppliers.** Willingly share information relevant to what the company is trying to accomplish.
- **Be easy to do business with.** Strive for clarity, simplicity and consistency.

A company that actively works to incorporate these three principles into its business practices is on its way to becoming a customer of choice.

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Companies that have a culture of data-driven decision-making outperform those that don't.

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Successful Data Analytics Programs Share Five Elements

COMPANIES ARE INCREASINGLY WIELDING INFORMATION as a competitive advantage in today's world. Because of this, nearly every company is trying to get smarter about the way it collects and evaluates data. Leaders are making sizable investments in hardware, software and human capital to harness the power of data analytics. Gallup has found that few leaders realize the return they had hoped for. They find that their data can answer the question "What happened?" but not "Why did this happen?" or "What will happen next?"

Companies often discuss analytics and strategy as though they are synonymous. This approach sets up their analytics program for failure. They end up with spreadsheets and trivia, but no actual plan. Analytics is not a strategy; it is more a means to an end. It provides insights that companies can use to help inform and shape strategy. Consider, for example, a food manufacturer that is having trouble forecasting its production levels. The company can use analytics to better determine how many candy bars or boxes of rice to produce, but this information alone does not help the supplier sell more of the products. Performance does not improve solely because of data. Insights are *only* powerful when they support change.

Gallup has been collecting and evaluating data for more than 75 years on just about every topic imaginable. Through its work — internally and with clients — Gallup has discovered that successful analytics programs share a common framework. This framework enables companies to create meaning from data, turning insights into impact.

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ADVICE

The data analytics framework comprises five steps:

1	2	3	4	5
Identify the problem.	Use the right metrics.	Focus on the right data and systems.	Put the best people and teams in place.	Align analytics with culture.

1. **Identify the problem that the company needs to solve.**
Companies have to start by identifying specific problems that they are trying to solve with their data analytics program. Many times, companies approach analytics as they would technology issues, focusing on hardware and software without thinking through the problems they want to solve and determining how they will use the insights they gather from the data. Starting with specific problems provides focus and the ability to design the program from the outset to ensure that the company obtains the most relevant, actionable information.

   Gallup often finds that it is best to start small with an analytics program. Clients will excitedly tell us about large-scale analytics solutions they are considering — complete with real-time reporting, integration of data across multiple platforms, parallel crunching of high-volume data and other bells and whistles. But when it comes down to it, these clients haven't identified the problems they want to solve, and they have no plan for what to do with the data and insights.

   Given the time and expense associated with implementing a large-scale analytics program, it's worth considering whether building small programs for specific problems and then scaling up is the best approach. Starting small, if done correctly, benefits the company by allowing it to find its analytical footing and learn what it needs from a technology, data, management and talent standpoint to support positive business outcomes. Moreover, a small application on a specific problem allows a company to better understand the ROI of its analytics approach before implementing a larger program.

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2. **Use the right metrics.**

The most powerful metrics support change by providing the greatest insights into and explanatory power of customers and employees. These metrics are also the most predictive, reliable and actionable. While many companies spend most of their time on descriptive analytics (what happened), true insight comes from diagnostic (why and how it happened) and predictive analytics (what will happen next).

Descriptive analytics: Descriptive analytics fall in the domain of reporting and summarizing information. These analytics focus on what is happening or what has happened — for example, "Here are the top 15 salespeople in terms of revenue for the month of March in the Western region." Descriptive analytics are very useful, especially for companies that are just starting to understand all of the different data being generated internally.

Diagnostic analytics: Diagnostic analytics focus less on what happened and more on *why* it happened. These analytics highlight processes and causes rather than outcomes (for example, "Sales are down in the Western region, and the likely reasons are a decline in prospect volume, attrition of our two top salespeople and a new entrant into the market."). Diagnostic analytics provide answers to "How do we fix this?" and "How can we improve?"

Predictive analytics: Predictive analytics take the lessons learned about why events have occurred and build models to predict what will happen in the future. These predictions can be in the form of macro-level forecasts, such as, "Sales in the Western region will grow by 5% to 8% over the next 12 months." Or the predictions can focus on micro-level matters: "There is a 75% chance that the largest customer in the Western region will leave for another vendor in the next 12 months." Forecasting is extremely helpful in making business operations more efficient by trimming costs. The process also simultaneously ensures that companies retain the resources necessary to take advantage of future opportunities.

Companies can use more granular predictions, such as customer-level predictions of intent to repurchase, to prioritize internal resources and inform support strategies from a sales and customer support perspective. For example, Gallup works with numerous

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clients in the franchising space whose growth is largely dependent on independent franchisees. Gallup and these clients have worked to build models that predict which franchisees intend to build with the brand again. The franchisors can use this information to better allocate their resources to the most valuable franchisees and those with the greatest potential for growth.

Unfortunately, studies show that most companies rely predominantly on descriptive analytics. A handful more use diagnostic analytics, but when it comes to predictive analytics, far fewer have made any progress outside of rough forecasting. Companies get the most out of their data by intentionally moving from one level of analytics to the next and understanding the best way to use each in practice. Using analytics appropriately and strategically can help companies gain a significant competitive advantage.

3. **Focus on the right data and systems.**
   Leaders must take the information gained from analytics and use it as the basis for their business decisions. This means that any data produced must be reliable and "good." Gallup has found that many companies lack the internal expertise to know if they have the right data to solve their problems and provide optimal analysis.

   For companies to fully apply their data-driven insights, they must have the right systems and infrastructure in place. Companies need usable, useful, accurate and timely data that they can easily merge across the entire business. Companies must keep the data transparent by designing their reporting systems so that employees can see information in an easy-to-understand format. This allows employees to spend less time making sense of complex data and more time using insights from the data to solve problems.
4. **Put the best people and teams in place.**
   Success with data starts and ends with people. Companies need employees throughout the organizational hierarchy who understand how to use data appropriately and who appreciate the limitations involved. This applies equally to top leaders, analytic talent, decision-makers and managers. Misusing data is more dangerous than not using them at all.

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Organizations also need employees — not just leaders, managers and analysts, but front-line employees as well — who can deliver on the actions and behaviors the data and models suggest are optimal. A team that lacks the appropriate talent and skill required to implement all aspects of an analytics program is one of the most common failure points that Gallup sees companies struggle with.

Companies should have a complete human capital strategy in place to attract, recruit, hire and develop top talent for their analytics roles. Talent-based assessments can help companies identify and select the necessary talent for these roles, while talent audits can identify any existing gaps in talent across the company. However, it is equally important for companies to have plans in place to engage and develop their employees. Data analytics is a sought-after skill set, and companies have to put as much energy into retaining talented employees as they do into finding them.

5. **Align analytics with the company's culture.**
Finally, companies must have a culture in place that embraces data-driven decision-making and one that is capable of making the insights, behaviors and necessary changes a priority. Culture represents the way a company gets things done — and often, Gallup finds significant misalignment between what a company's analytics program says it should focus on and what the company incentivizes (both formally, through pay plans, and informally, through expectations and mentorship).

Leaders must create a vision for their analytics program and determine how to implement that vision. They must set the stage for how they expect employees to perform, for what constitutes good decision-making, for what resources to use and for how much alignment and collaboration there needs to be among business units and functions. Data and insights never create change on their own. They facilitate change only when a company commits to doing the hard work necessary to properly align them with their cultural value.

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Appendix

IN GENERAL, THE DATA IN this report come from Gallup's B2B client database and Gallup's B2B meta-analysis. Please see below for details.

GALLUP'S B2B CLIENT DATABASE

Gallup's historical B2B client database contains information from B2B client leaders and employees who completed the Gallup customer engagement survey between 2001 and 2014. It holds data from 17,983,420 respondents from 358 client organizations in 60 countries, 39 languages and 60 industries (categories based on North American Industry Classification System codes).

Gallup updates its database annually. Findings used to conduct research and set benchmarks are based on five-year rolling periods. Gallup's 2015 customer engagement database includes data from 2010, 2011, 2012, 2013 and 2014. This analysis includes data from B2B clients only.

GALLUP'S B2B META-ANALYSIS

Gallup's most recent meta-analysis on customer engagement and organizational outcomes in the B2B context accumulated 23 research studies, including three U.S. Gallup Panel studies and nine B2B clients across six industries and two countries. Within each study, Gallup statistically calculated the business unit-level relationship between customer engagement and the performance metrics supplied by the various companies. In total, Gallup included 108,989 respondents comprising 19,093 business units in the analysis. Gallup studied six broad classes of outcomes: profitability, revenue/sales, share of wallet, customer attrition, days sales outstanding (DSO) and brand preference.

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Individual studies often contain small sample sizes and idiosyncrasies that distort the interpretation of results. Meta-analysis is a statistical technique that is useful in combining results of studies with seemingly disparate findings, correcting for sampling, measurement error and other study artifacts to understand the true relationship with greater precision. Gallup applied Hunter-Schmidt meta-analysis methods to the 23 studies to estimate the true relationship between customer engagement and each performance measure and to test for generalizability. After conducting the meta-analysis, Gallup examined the practical effects of the observed relationships by conducting a utility analysis.

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To increase customer impact:

- know customers' businesses as well as or better than they do
- bring customers new ideas that help them do their jobs better

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