Adapting the business due to changing customer buying behaviour –
Point of View
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I am surprised that only 18% of the total respondents in the SiCW Business Leaders Survey cite ‘adapting the business due to changing customer buying behavior’ as a top priority. Given the growth of internet retailing and smartphone proliferation alongside weak growth in western markets, I would have expected to see a larger proportion of respondents be concerned about how their business and operating models need to adapt to address changing customer and consumer preferences and to serve those groups in more cost effective and profitable ways.

When you break down the results by sector, a fascinating divergence emerges. There are some sectors where ‘adapting the business due to changing customer buying behavior’ features within the top five issues; for consumer goods it was considered a priority by 28% and retail by 31%. This is in stark contrast to other sectors such as banking (11%) and utilities (9%). Yet these sectors are either experiencing a loss of trust and confidence from their existing customer base or are increasingly vulnerable to switching and the emergence of new entrants. I believe the results of the Business Leaders Survey demonstrate that the FMCG and retail sectors fully grasp the importance of the customer and their changing needs in driving their future commercial success. Equally, the results highlight the deeply entrenched cultures within financial services and utilities businesses that put products rather than customers at the heart of their business strategy. New market entrants within the UK retail banking sector are espousing customer centric values such as “genuinely caring about you and your money” and “putting customer service ahead of cost cutting”. I believe this trend will continue and organisations that fail to put the customer at the heart of their strategy are therefore at risk of losing market share.

A further inference that can be made from the results is that many sectors still see investment in customer centric strategies as discretionary. It is easy to cut this type of investment in a downturn, as part of larger cost efficiency programmes or as a result of more immediate and pressing issues such as responding to new regulatory requirements. Whilst responding to regulatory change is not an option for many organizations, I believe that failing to respond to the very real changes in customer preferences that are being driven the increased proliferation of web enabled devices and amplified by the rise of social media could prove costly in the medium to long term.
A further surprise is that only 28% of those prioritizing customer buying behaviours ranked ‘extracting lifetime value from customers’ as a priority. Organisations focus heavily on customer acquisition as evidenced by the rise of group coupon organizations like and a plethora of direct incentives offered to incentivize customers to take on new broadband and mobile telephony deals. Customer acquisition is costly and to deliver for their shareholders, businesses need to focus on maximizing the lifetime value of their customers. This means focusing more on retaining existing customers both by enhancing the relationships those customers have with their brands and by better understanding the drivers of attrition so that they can retain customers before they decide to walk. This is easy to say but more difficult to execute in a world that makes it easier than ever for consumers to share opinions, compare offers and switch allegiances.

Key to being able maximize the life-time value of customers though is having access to robust customer insight and data. Never before have companies had access to so much data about their customers – a phenomenon commonly referred to as Big Data. Businesses need to analyse this data to better predict customer behavior and use this to develop improved customer segmentation and define tactics and strategies to maximize customer retention and value over time. The critical part here is being able to harness the data in an intelligent way. It is all very well to have perceptive insight but the company needs to be able to act on it. This means ensuring the business model is flexible enough, and it comes as no surprise that 47% of those prioritizing on customer buying behavior are changing their business model in response to changing customer behavior.

As I stated previously, I believe CEOs need to start focusing on making their businesses more customer centric in order to respond to rapidly evolving customer behavior and to maximize customer lifetime value. Those businesses who take on these challenges during the current economic climate will, I believe, be much better positioned to maintain and grow their market share as market conditions improve.