



The Chief Customer Officer

A New Leader for a New CPG Landscape

Customers today are armed with unprecedented information, choices and purchasing channels, spurring some organizations to establish customer-focused roles at the senior level. A recent study by the CCO Council predicts that the chief customer officer (CCO) will soon become “a staple of modern business,” as more established organizations hire C-level professionals to lead the charge to create strong — and profitable — company-customer relationships. The rate of the role’s adoption has grown dramatically: In 2000, there were fewer than 10 active CCOs; in 2014, there were more than 400 worldwide. Ten percent of Fortune 500 companies have already adopted the role, a percentage that jumps to 22 percent among the Fortune 100.

We have witnessed this trend accelerate among consumer packaged goods (CPG) companies globally. Demand has grown from our clients for senior-level, strategic, customer-focused leaders as many in the industry struggle to achieve top-line growth and adapt to one of the most powerful forces today: e-commerce. McKinsey & Company projects that online will account for 10 to 30 percent of total CPG industry sales growth in the next five years — equating to \$15 billion to \$50 billion.¹ Despite the immense opportunity, the sector has been slower to adapt to a world where consumers expect seamless experiences across channels, from mobile devices to brick-and-mortar stores. Some organizations are installing CCOs to help bridge that gap, ensure consistency across channels, and collect and interpret consumer insights from the use of e-commerce. These roles are also enabling CPG companies to gain insights into the overall drivers of profit and loss (P&L), offsetting the leverage retailers previously had as the once sole owners of that data.

¹ “The digital future of consumer-packaged-goods companies,” McKinsey & Company, October 2015, http://www.mckinsey.com/insights/consumer_and_retail/the_digital_future_of_consumer_packaged_goods_companies.

The largest CPG companies typically have existing structures to manage customers across geographies, but every CPG company structure is different, and many are still trying to define what a CCO is. As a relatively new position in many companies — according to Forrester, 85 percent of CCOs are the first to hold the position at their organizations — the CCO's day-to-day tasks are often broad and vague, but complex and strategic nonetheless.

Some organizations are unsure how to navigate this largely uncharted territory: When should a CPG company establish a CCO? How is the role defined? What types of leaders are best positioned to succeed?

The following leaders shared their insights into these questions with us:

Mark Barnard, chairman of LIC, CEO of Octopus Group Holdings and former chief commercial officer of Diageo

Joseph Cavaliere, chief customer officer, Newell Rubbermaid

Andrew Clarke, chief customer officer, Mars

Tom Corley, former executive vice president and president of sales and foodservice, Kraft Foods

Giuseppe D'Angelo, chief international officer, Ferrero

Anne Fink, chief operating officer, PepsiCo North America Foodservice

Ignacio Gonzalez Hernandez, general manager of Southern Europe and the U.S., Campofrio Food Group

Simon Hunt, chief commercial officer, William Grant & Sons

Jose Maria Marquiegui, vice president of P&G prestige, Procter & Gamble

Tom O'Brien, chairman, Simplot

Andy Tosney, vice president of global sales, Mondelēz International

Enrico Vita, CEO, Amplifon Group

Alex von Behr, chief customer officer, Unilever

THERE IS NO ONE-SIZE-FITS-ALL APPROACH

Historically, the customer was touched by various functions, from marketing and sales to product development and technology, with few organizations centralizing ownership of the relationship. Today, there is a universal appreciation of the strategic role of the customer relationship among the CPG leaders we spoke with, as well as the need to rethink conventional approaches to the relationship. “The word ‘consumer’ is almost becoming irrelevant in today’s pragmatic marketplace because all of the work that we’ve done traditionally in consumer research is too slow,” said Tom Corley, former executive vice president and president of sales and foodservice at Kraft Foods. “The fact of the matter is customers see the dynamics of shopper behavior before research,

so you better have your resources and capabilities pointed to the customer so that you can be both proactive and reactive, and I think that's why you're seeing this emergence of the chief customer officer.”

At its core, the CCO owns the customer experience, developing strategies to strengthen and build profitable relationships and then driving those strategies at the enterprise level. But how each organization handles these relationships at the senior leadership level

While this role is still in the formative stages, the most successful models tend to be those created with the customer at the center.

varies. In addition to the establishment of the CCO, we are also seeing more U.S. companies establishing chief growth officers to oversee both marketing and sales functions, a phenomenon that will likely extend to Europe, the Middle East and Africa, where chief commercial officers are currently more prevalent. Mondelēz International recently named a new chief growth officer and its

first-ever chief commercial officer, signaling the shift in how the customer relationship is reflected at the organizational level. Some companies are also revisiting their traditional approach to marketing and sales leadership, with commercial or customer leaders absorbing the functions as part of their broader purview. For example, Birds Eye recently brought its category marketing, group sales and R&D under the frozen food company's newly installed chief commercial officer.

Global vs. regional

There is also a division as to whether the CCO role should have a global or regional scope. On the one hand, global oversight can help ensure a consistent customer experience and create accountability. The global reach can also build efficiencies and streamline operations across geographies, especially important for organizations that are expanding into new markets. On the other hand, some feel that customers vary too greatly from region to region and that cultural nuances could get lost under a more homogenized global umbrella. Additionally, some believe that for organizations that are regionally focused, a global model of customer relationship management may not be worth the heavy investment. “Indesit Company did not have a global customer role, nor did most of our key competitors because the top retailers have independent management for each country and therefore, a local approach,” said Enrico Vita, CEO of Amplifon Group and former chief commercial officer of Indesit Company. “While we understood the value of global coordination, it would have represented a high cost that would not bring significant added value.” Ultimately, the approach tends to be dictated by the strategies and geographic reach of both the company and its customers.

Structure around the customer

While this role is still in the formative stages, the most successful models tend to be those created with the customer at the center.

IS IT TIME FOR A CCO?

We've found there are a few common conditions underlying the decision to establish a CCO.

GLOBAL SCALING STRATEGY. When expanding into new markets, some CPG companies have established dedicated ownership of the customer to ensure a consistent experience tailored to local preferences. According to Mark Barnard, chairman of LIC, CEO of Octopus Group Holdings and former chief commercial officer of Diageo, "Retailers demanded a more strategic and global dialogue with us in the CPG side as they expanded globally." Many industry CEOs believe that in a globally connected environment, not having someone at the senior level who can speak the language of the customer is a significant missed opportunity.

CHANGING CONSUMER PREFERENCES AND DYNAMICS. Clinging to long-held perceptions about end consumers can quickly render companies obsolete in an era with an increasingly diverse population with different tastes. As Tom Corley, former executive vice president and president of sales and foodservice at Kraft Foods observed, millennials are the first generation to teach their parents how to eat and cook whereas previously, it has always been the reverse. Increasingly, in-store shopper experiences — not traditional media approaches — are driving the conversation about the brand and providing competitive advantage, requiring well-defined joint strategies rooted in consumer insights.

STRUGGLES ACHIEVING TOP-LINE GROWTH. Industry players that have struggled to grow the top line bring on CCOs in order to gain revenue-generating insights about the retailer, end consumer and the overall P&L.

INCREASED TRANSPARENCY ENABLED BY E-COMMERCE. "E-commerce platforms now give a level of transparency to consumers like never before, but they also give you a lot of transparency into your competitors and retailers," said Simon Hunt, chief commercial officer of William Grant & Sons. "That market transparency has really driven different expectations at the customer level. When you've got a consumer now looking to make a purchase at 2 o'clock in the morning, there's actually a lot of research they do before they decide what they're going to purchase offline." Armed with deep knowledge of these evolving purchasing journeys, CCOs can create truly differentiating value propositions for customers.

"Manufacturers should organize to mirror their key customers and this can vary from being very global to being much more regionally or channel focused," advised Ignacio Gonzalez Hernandez, general manager of Southern Europe and the U.S. at Campofrio Food Group. "To best serve the customer, the organizational structure needs to put the customer at the center, without forgetting that you must also have the consumer and the shopper at the center." As some key customers have moved away from centralized management and given more negotiating power to individual countries and stores, Campofrio has adapted: The commercial organization oversees customer experience, with close ties to the shopper marketing function, which helps tailor strategic plans to deploy in customer stores.

In order to compete and grow relationships with strategic clients, PepsiCo established a general management structure, with a dedicated leader and multifunctional team for each key customer. Anne Fink, chief operating officer of PepsiCo North America Foodservice, served as the general manager for the relationship with Target during her previous tenure as senior vice president and general manager of PepsiCo sales, where she had oversight of dedicated sales leads, insights, marketing and supply chain.

As chief customer officer of Unilever, Alex von Behr leads global customer strategy, with an emphasis on building customer capabilities within the organization and sharing best practices to enhance the customer experience across markets. He also leads the global customer team, which is composed of smaller teams assigned to major global customers. Simon Hunt, chief commercial officer of William Grant & Sons, is responsible for all commercial activities of the brands globally, as well as direct distribution companies, joint ventures, third-party distributors, e-commerce and shopper marketing.

THE KEY TO COMPETING: STRONG RELATIONSHIPS, STRONG JOINT STRATEGIES

Despite different approaches and areas of oversight, the majority of CCOs and CPG leaders we spoke with believe that the mandate for customer relationship leaders today is to develop joint strategies with key customers. Amid fierce competition, joint strategies have become a vital way to differentiate and add value. According to von Behr, Unilever previously took a less structured approach to how it worked with customers globally, but now, the company has customer innovation centers in most major markets focused on developing joint business plans with them.

The creation of mutually beneficial business plans requires leaders who can think beyond the traditional manufacturer-customer relationship. “In terms of the partnering, we have a digital summit for our customers and we curate for them the top 15 companies they should be talking to in Silicon Valley. This would otherwise involve many trips for them and appointments they may not be able to get on their own,” said Fink. “We’re bringing this to them in two-and-a-half days in a very experiential way. We do this because digital is one of the trends that matters most right now. And we’re elevating ourselves as a partner and securing a seat at the table as they make strategic decisions on a wide range of topics that affect their business and ours. That’s just a timely example of the advanced level of partnership we are focused on. As we advance our capabilities in relevant areas, we assess how we share those with our customers in a meaningful way.”

Jose Maria Marquiegui, vice president of P&G prestige at Procter & Gamble, agreed that there is a significant opportunity for mutual growth by establishing common objectives and finding more ways for retailers and manufacturers to collaborate. However, this approach may not work for every CPG company: The emphasis on managing significant customer relationships has lessened for some organizations when large retailers deliver less-than-anticipated business.

An integral part of building and maintaining strong relationships is understanding what is working, and CPG companies largely measure customer satisfaction in similar ways: net revenue, gross margin, market share and surveys. Others have tailored their evaluations of customer satisfaction to their specific markets. According to Giuseppe D’Angelo, chief international officer of Ferrero, the company has defined KPIs at the regional and local levels and benchmarks itself against competitors versus internal best practices.

IT'S NO LONGER JUST ABOUT SALES

E-commerce and digital expertise

The Amazons of the world have been game-changers for companies whose products primarily sold in brick-and-mortar locations, requiring leaders who understand how to bridge the two worlds in service of the customer and who can convert data culled from e-commerce into consumer insights for the benefit of every channel. Other digital technologies, such as geotracking, can also uncover opportunities to both gain granular details into shopper behavior and enable the creation of much more targeted — and ultimately, more effective engagement efforts.

“You look at companies like Four Square and you can actually track the consumer behavior,” observed Hunt. “You can see seasonality within a time of day based on where people are going. And you can start targeting real-time social media messages. You can walk into a retailer and show how you’re building traffic. It’s still very early data and I don’t think anyone is doing it brilliantly yet, but you’re starting to see a number of companies in different markets testing this. For example, if people are walking past a bar, their phones can tell them that three of their friends are there and they can walk in and get an offer on whatever drink you’re promoting at the time. That’s already in place.”

At the same time, CCOs cannot have tunnel vision when it comes to digital channels. They need to be able to strike the artful balance of partnering with e-commerce giants without alienating their traditional customer base. “You will never move your total bottom line by having exclusive focus on omnichannel,” said Corley. “You have to manage a three-legged stool: first, bricks-and-mortar; second, where growth is coming from; and third, e-commerce. You’re going to have to have people who have a total understanding of what relevant shopping behavior is and the capability to bring solutions to traditional retailers, emerging retailers and retailers that have had a lot of growth, but are now seeing that mitigated because of fragmentation in shopping behavior.”

Broader skills and shopper behavior understanding

Previously, according to Fink, CPG companies only needed a great sales leader, but increasingly sophisticated retailers now demand customer leadership with broader skills. The understanding of shopper behaviors, changing demographics and trends — and most importantly, the ability to adapt to them — have become crucial capabilities. The insight and data about consumer shopping habits that CPG companies capture also is a valuable resource for retailers, leaders said. Even the most developed retailers have only a partial view into shoppers’ behaviors because of all the choices consumers have, presenting CPG companies with the opportunity to develop plans for their retail customers that reflect a deeper understanding of consumer shopping habits.

The CCO must bring insights into the consumers, especially in a world where shopper demographics and habits are changing. “You have all these different cohorts today — 20 percent of households are married with kids, half of the people born in the U.S. are Hispanic and millennials are now 26 percent of the population, with \$300 billion of spending power,” said Corley.

Data-driven revenue management

In recent years, a number of CPG companies and retailers have successfully used big data and advanced analytics to enhance revenue management. Sophisticated pricing algorithms, for instance, have helped some companies boost their return on sales by several percentage points. With the ease of comparing prices online, pricing excellence is more important than ever. Yet, many CPG companies and retailers are still in the early stages of adoption. They often fail to monitor competitors’ prices regularly, rely on manual and intuition-based price-setting methodologies, or don’t differentiate prices by region, store or customer segment. Many promotional strategies are based on theories rather than data. It is not surprising that despite CPG companies’ aggressive spending on promotions, sales volume has grown at a lower rate than promotional spend. Thus, the CCO must be able to use big data effectively, especially in heavily promoted categories to boost returns on trade investment.

Influencing skills

Given the rapid change in the market, Andrew Clarke, chief customer officer of Mars, believes the CCO should be an infuser of new thinking. “I see a big part of the role as being a change agent, someone who understands what’s going on externally, being well-connected, being able to bring that into the organization and being a catalyst to help the business change,” he said.

With an emphasis on convincing consumers to buy the product and external partners to collaborate, the ability to influence within the organization can often be overlooked. According to several executives we interviewed, the number one thing CCOs don’t understand is the importance of internal selling. “I can’t go to the head of innovation and say, ‘You will do this.’ You have to look at the total picture and influence through associate leadership,” said Andy Tosney, vice president of global sales at Mondelez International.

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ANDREW CLARKE
CHIEF CUSTOMER OFFICER OF MARS

Big-picture perspective

With the customer experience being impacted by so many functions and marketplace variables, the need for the CCO to have stronger general management and strategic thinking skills has been heightened, observed Joe Cavaliere, chief customer officer of Newell Rubbermaid. According to Cavaliere, the most successful CCOs start with developing their growth strategy and then ensure the organization is aligned to deliver the strategy. “Many leaders realize that the most important choice they make every day is how they spend their time,” he said. “I manage my calendar proactively, which allows me to spend more time on the initiatives that will deliver the biggest impact. To support this, we have created a simple, cross-functional operating rhythm that enables the organization to function more efficiently. If you’re not strategic about how you interact with your team and customers, you’re going to have a hard time because you can’t be everywhere.”

Cross-functional partnership

Additionally, many CPG leaders we spoke with cited the need for CCOs to have an understanding of various functions in order to deliver value-adding customer experiences in a way that drives growth for the organization. “The CCO is very much an orchestration role,” said Barnard, who noted that supply chain, finance and marketing should be key internal partners to the CCO. And as more organizations expand into new markets and scale globally, international experience will become even more important.

CONCLUSION

The trend of establishing CCOs will likely continue as more CPG companies witness the benefits of elevating the customer relationship to the C-level — greater efficiencies, improved customer satisfaction, stronger competitive advantage and increased revenues. It is clear today that it is not enough to be adept at sales; customer relationship leaders need experiences across different functions, business models and cultures combined with consumer insights and the ability to develop value-adding joint business plans.

The strongest CCOs orchestrate strategic discussions across the entire ecosystem, where all functions and the entire portfolio of brands, products and services are integrated into a set of initiatives: to drive growth, cut costs and differentiate their customers in the marketplace. CCOs have the greatest impact on driving a customer-centered, consumer-driven organizational culture. We anticipate that as the conductors of these vital conversations around the customer and consumer, and the source of valuable market insight, CCOs will naturally evolve into a greater share of the next generation of CPG CEOs. However, to ascend to the top role, some argue that CCOs will need to shake perceptions that the role is more sales-focused — rather than the strategy, general management and talent development role it has become. CCOs will also need to build deeper cross-functional capabilities, particularly in finance, marketing, and general management, if they are to be seen as succession caliber.

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