

# Growth in an Uncertain World

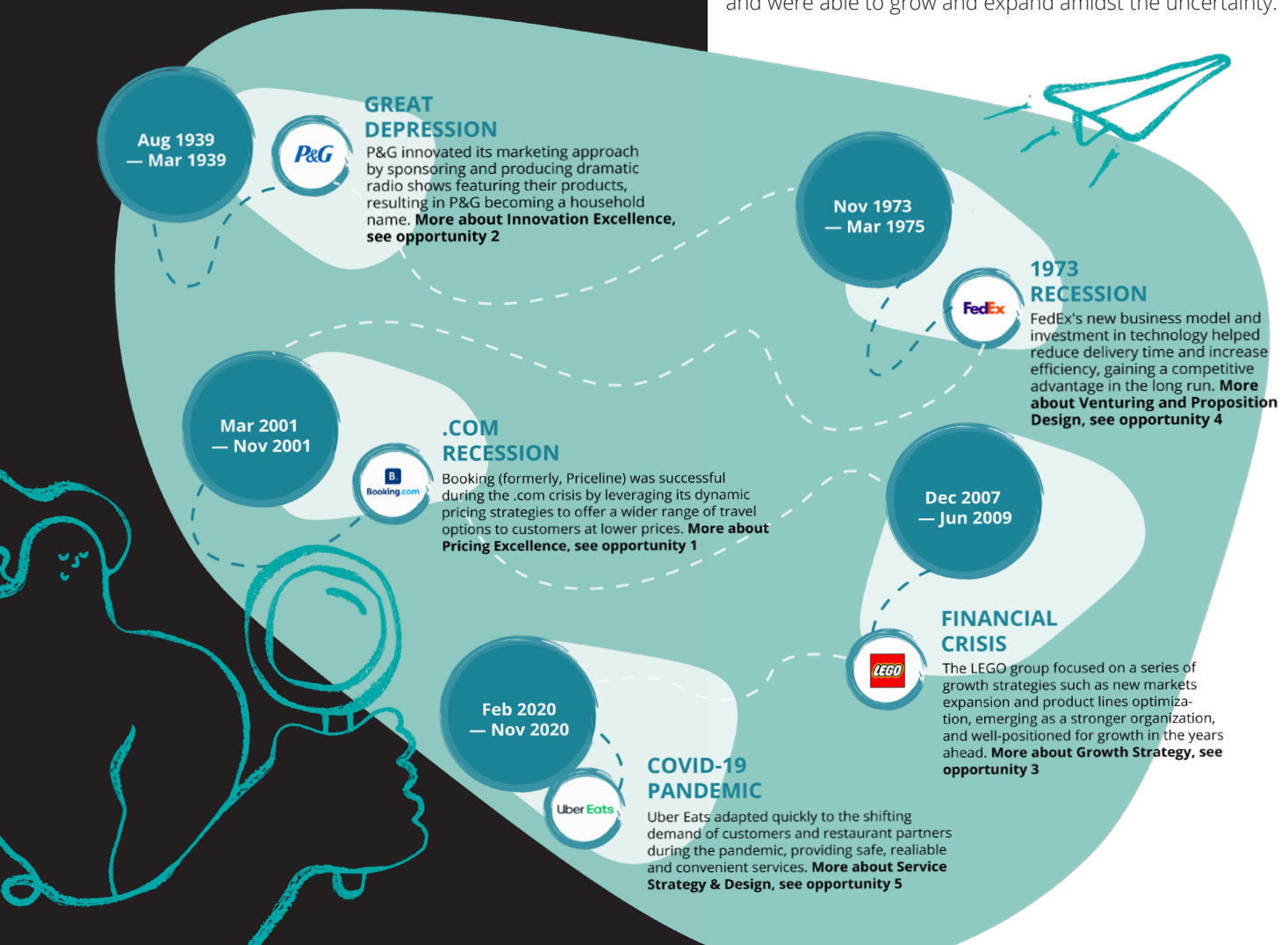
With the current slowdown in GDP growth, many CMOs, CCOs and CFOs are struggling to identify opportunities and invest in a cost-efficient manner that achieve sustainable growth.

**We have identified 5 key customer-facing opportunities and 2 critical enablers** that can help organizations stay competitive during and after times of economic uncertainty.

# Growth in an Uncertain World

Economic downturn provides a prime opportunity to invest capital for long-term sustainable growth. However, with current global fluctuations in GDP, accelerated inflation, and geopolitical instability, the collective mindset is understandably cautious. Consequently, for many CCOs, CMOs, and CFOs, adopting a growth mindset has become more difficult, and they instead opt for temporary contingency plans to stay afloat in rough waters. While this approach seems pragmatic on the surface, the most instructive success stories from periods of market turmoil can actually be found in companies that confronted strategic challenges head-on and leveraged them as pivotal opportunities to build a foundation for future growth and innovation. To achieve sustainable growth, it is important to adjust your strategy and avoid decisions solely based on short-term market fluctuations. We have identified 5 key customer-facing opportunities and 2 key enablers that could help organizations stay competitive during and after this time of uncertainty.

Looking back to the history of economic downturns, we have identified businesses that actually benefited from the downturns and were able to grow and expand amidst the uncertainty.



# Opportunities for Growth

## Opportunity 1 - Don't leave money on the table

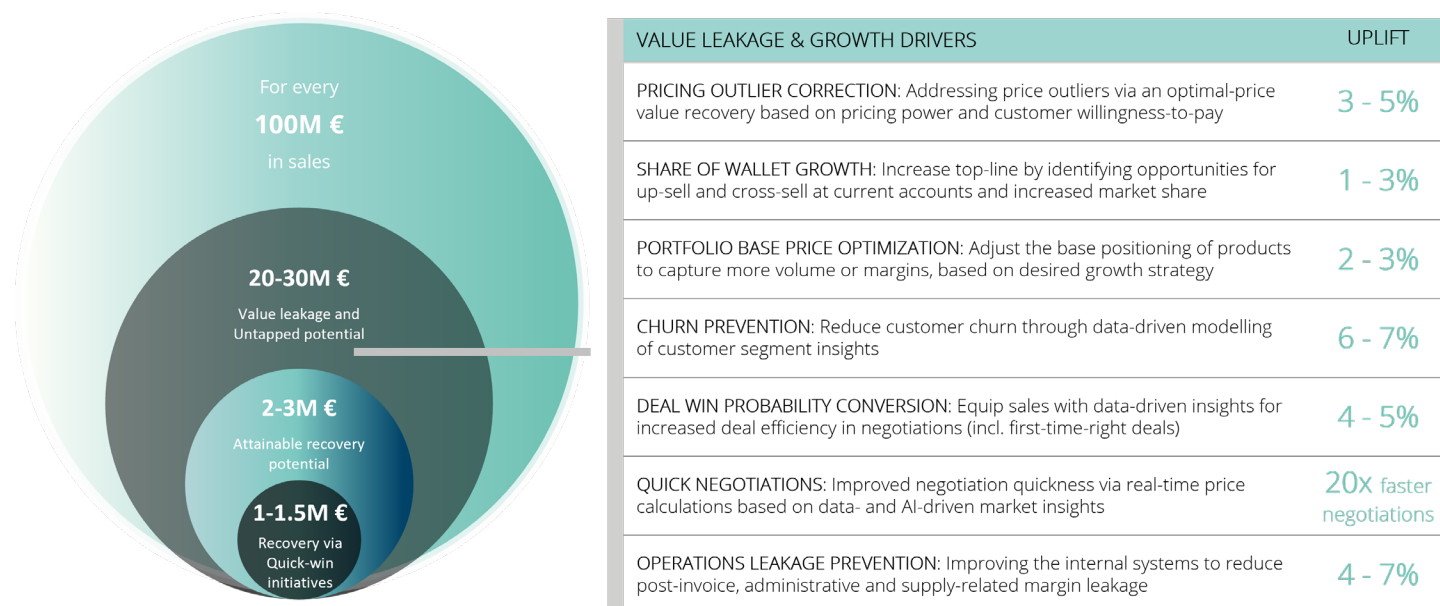
### Pricing and Revenue Management

Given the current high material and transport costs, companies operating in industries characterized by volatile fluctuations in demand typically experience a squeeze in their margin. On average, we see that for every € 100 million in sales revenue, 20% to 30% is lost to margin leakage or untapped growth potential.<sup>1</sup> Leveraging advanced pricing methodologies, data, analytics, and AI, can help companies to recover anywhere between 1% to 1.5% of total revenues within

months, equivalent to 3% to 7% of lost revenues. Strong revenue management is crucial to identifying where margin leakage occurs and subsequently developing solutions to ensure there is no money left on the table. Many companies turn to digital assets like *Deloitte's 360° pricing quick scan* to identify leakage points and recover value through initiatives such as outlier correction, churn prevention, and share of wallet growth by cross-selling and up-selling.

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**Figure 1:** Overview of Value Leakage and Growth Drivers



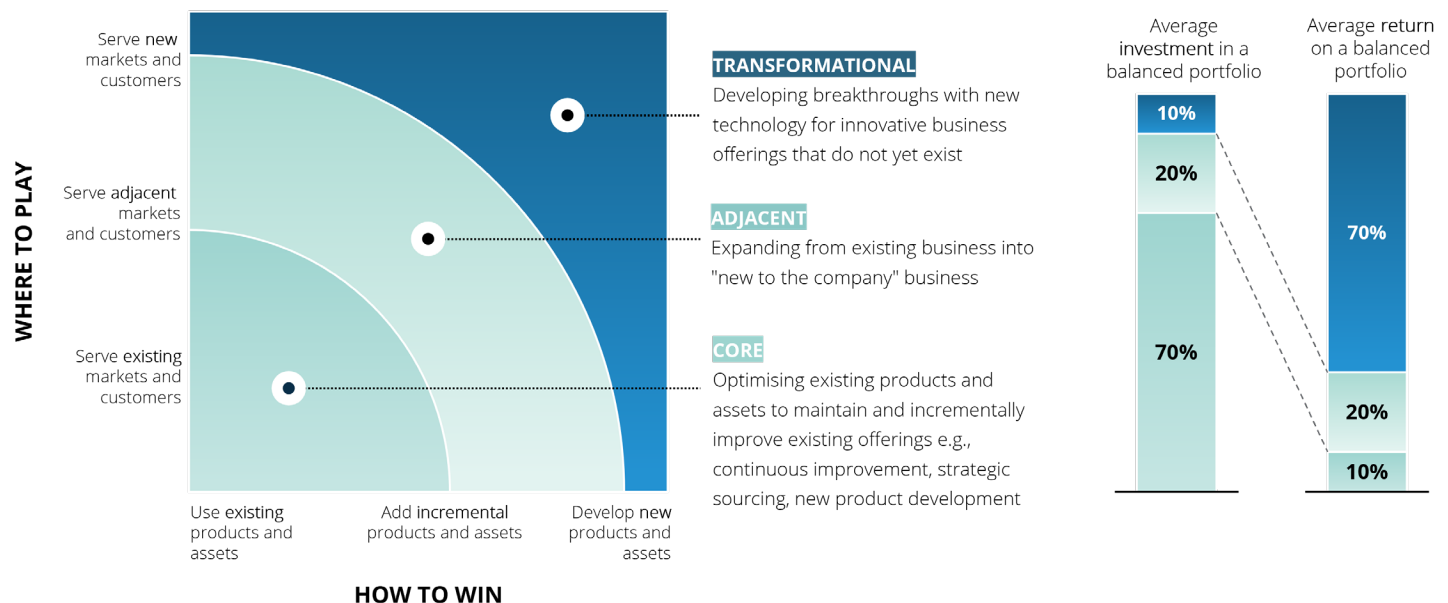


## Opportunity 2 - When change is the only constant, innovation is the winning formula

### Innovation Excellence

Innovation is key to creating advantages during turbulent times. Previous recessions demonstrated that companies that balance their strategy well with both improving operational efficiency and investing in new business opportunities, R&D, marketing or assets showed the highest profitability among others.<sup>2</sup> To optimize innovation efforts and foster future growth, organizations need to consider how to build their internal innovation muscle in a focused and coordinated way. At Deloitte, our own robust innovation approach supported by the proven methodologies and frameworks such as the **12 Levers** and the **Ambition Matrix** help organizations manage their innovation investments and drive their innovation portfolio effectively and efficiently. In addition, an effective innovation often requires systemic change. An ecosystem-based program like **Econnections**, where we connect the e-commerce players to accelerate sustainability in the ecosystem, is essential to drive innovation in a consistent way and break down silos. In doing so, the investment risks are reduced and a real systemic change can be realized.

Figure 2: Innovation Ambition Matrix



Source: Deloitte Analysis

## Opportunity 3 - Unlock growth from the core and beyond

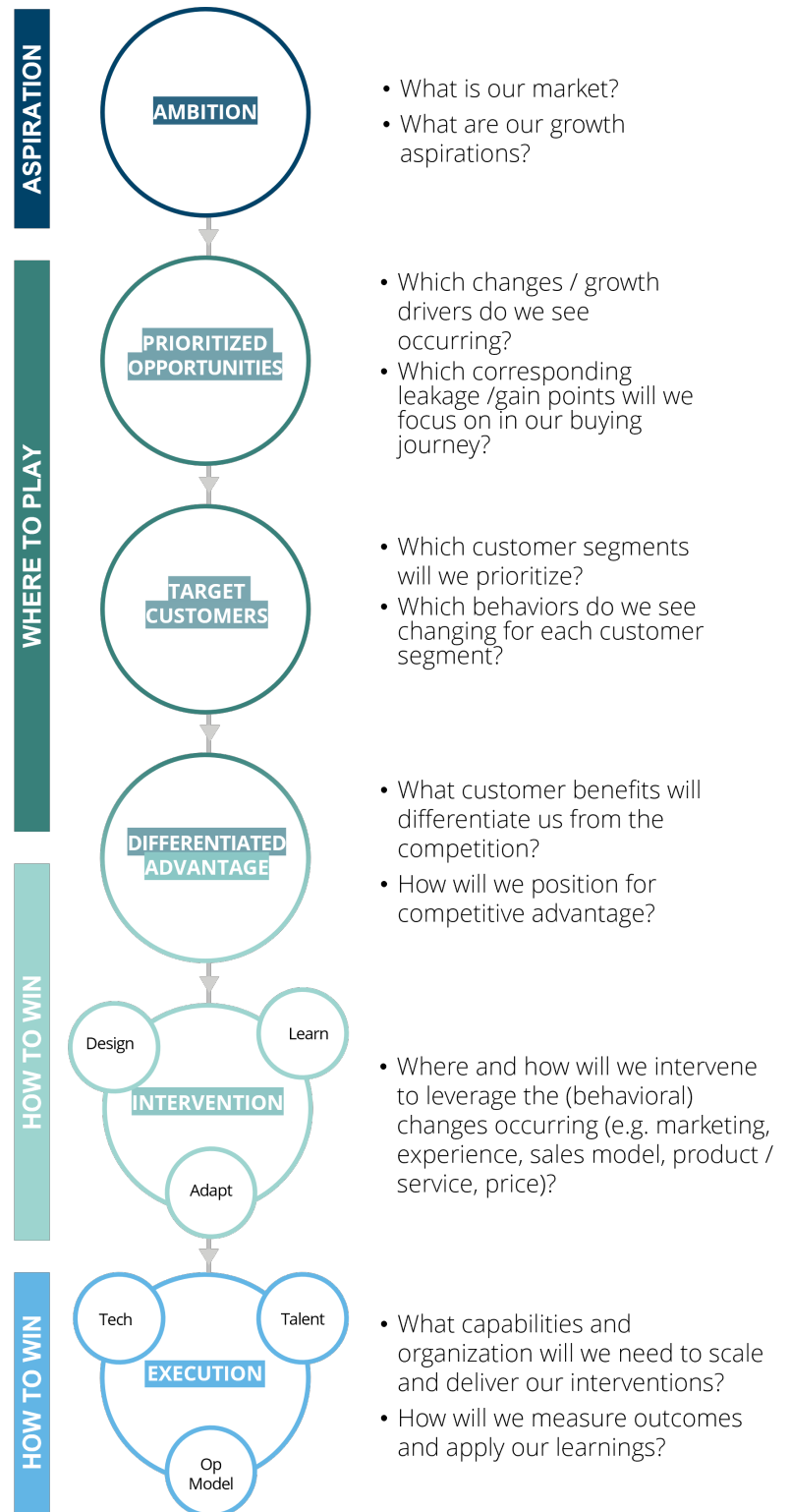
### Growth Strategy

While most companies struggle in times of economic shock, studies have shown that ~9% of the companies not only coped but even flourished.<sup>3</sup> Their secret? They did not rely only on defensive strategies, like cutting costs but also focused on understanding the occurring changes in consumer behavior that prepare them to thrive after the crisis.<sup>3</sup> This is essential as economic shock often marks an inflection point: The world after the crisis will most probably not resemble the one before it.<sup>2</sup>

Our research shows that companies that adopt a structured approach to understanding 'how changes in consumer behavior shape their future strategic choices', could see an average of 1.5-2x increase in the rate of organic growth. Deloitte's GrowthPath methodology identifies opportunities driven by (behavioral) changes within the buying journey and is an effective approach we use with our clients to identify how these changes could be leveraged for growth. There are 3 key success factors that should be considered by companies embarking on this journey:

1. Adopt a data-driven approach to define prioritized leverage points within the buying journey
2. Win with target customers by configuring offerings & aligning customer experience at key points in the buying process
3. Choose and disproportionately invest against the most attractive growth opportunities

**Figure 3:** How GrowthPath Works



## Opportunity 4 - Shake things up and stay ahead of the game

### Venturing and Proposition Design

Redesigning value propositions or business models based on long-lasting trends can help companies achieve long-term growth and become more resilient in the face of market volatility. Adobe's revenue saw a threefold increase and its stock price rose by 29% per year from 2009 to 2019, earning a spot among the most transformed companies of the decade.<sup>4</sup> Although the success didn't come immediately, Adobe laid the foundation of success by initiating the transition to a SaaS model during economic downturn

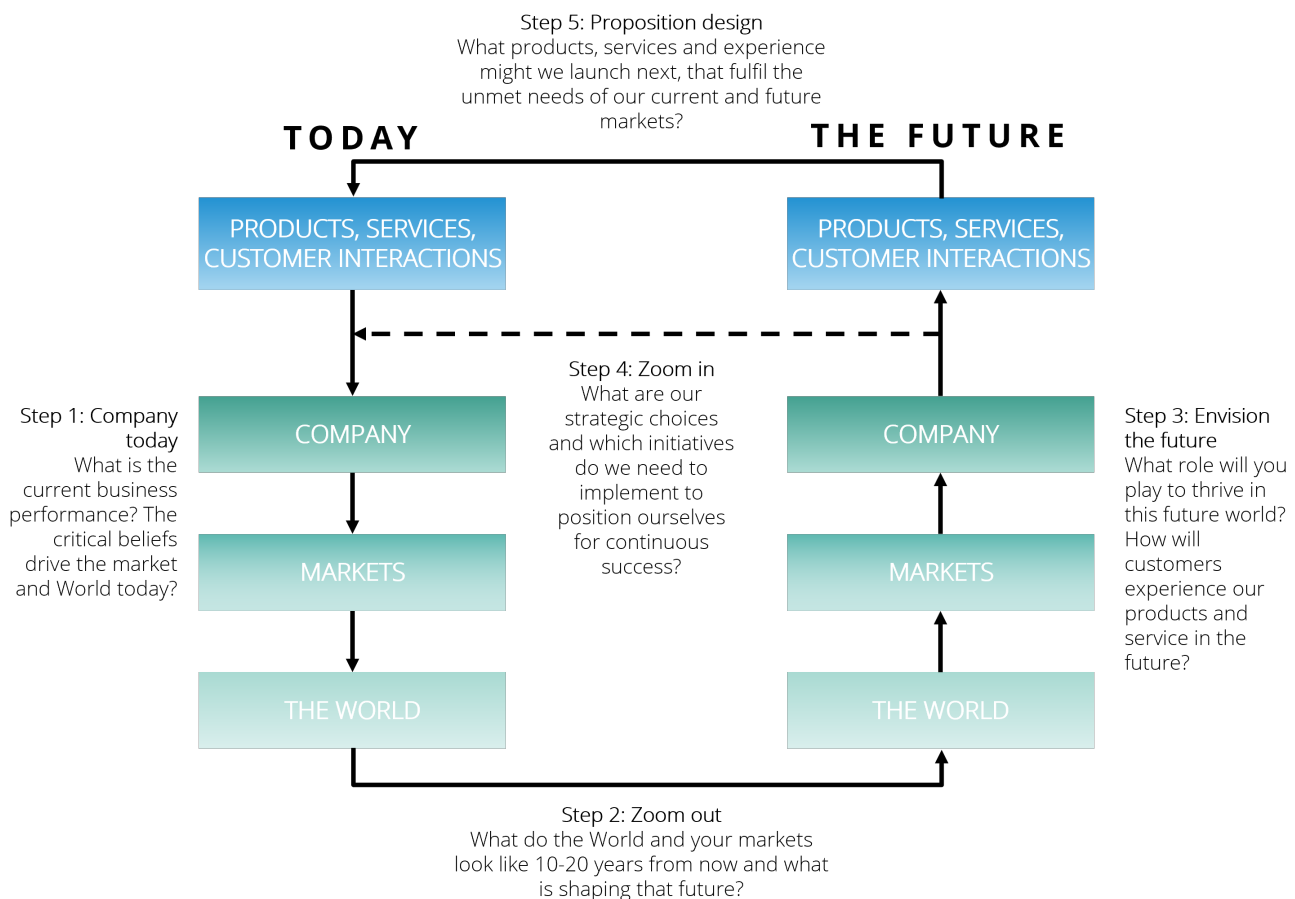
and implementing a bold strategy of capitalizing a long-term trend. Companies can benefit from committing themselves to create long-term competitive advantages, and investing in decisions that would help them withstand economic downturn. That is where a multi-lens perspective like the *zoom-in zoom-out approach* can help connect strategic decision-making to the actual design of new, future-proof products and services – shaping the future as it emerges.

### In Focus:

#### A strategic alliance between Vodafone and Deloitte to enable greater access to healthcare across Europe.

With an increasing demand for healthcare and a decreasing capacity to provide it where it is most needed, many countries are facing a health crisis. Vodafone and Deloitte combined forces and leveraged long-lasting trends. In doing so, the connected healthcare solution was brought to live, aiming to improve public access to healthcare and create better patient experiences. With the Vodafone Centre for Health with Deloitte, this alliance helps to shape the future of healthcare, providing a new proposition to the market.

**Figure 4:** Zoom-in Zoom-out Approach







## Opportunity 5 - Engaged customers are loyal customers

### Service Strategy & Design

Excellent customer engagement throughout the customer journey has become fundamental, with B2B engagement expectations increasingly mirroring the B2C journey. In a recent research, 54% of customers indicated that they have higher customer service expectations compared to a year ago,<sup>5</sup> 93% of the customers who received a good experience are more willing to repeat purchases, and 77% of customers would recommend a company to others when customer engagement is done right.<sup>6,7</sup> Therefore, enabling your organization with *Customer Success Management* capabilities is key to tapping into the growth opportunities with minimal additional investment. *Customer Success Management* supports your customers, making optimum use of the services they pay for, and leverages technology to gain better insights, improving services for yourself and for your customers. In doing so, customer satisfaction (Net Promoter Score) is increased and costs are reduced. Initiatives such as delivering the service 'first time right', providing digital self-service functionalities to customers and incentivizing customers to use the self-services provided allow organizations to reduce non-value-added costs and invest where customer value is created.

#### In Focus:

**From a simple chatbot taking in noise complaints to a chatbot running on AI specialized in cybercrime.**

Together with the Dutch Police, Deloitte GovLab developed the chatbot Wout. Wout is a virtual police officer chatbot capable of taking in non-emergency reports, and was further developed to also take on cybercrime, scaling the police's capacity. By leveraging technology to deliver a better service experience to their users, 86% of people who reported noise complaints through Wout would use Wout again, and for cybercrime this was even 90%.

#### Customer Contact Experience:

**In Service Strategy & Design four strategies can deliver value to the organization:**

1. **Reconsider** low value contacts which are irrelevant to your customer and organization
2. **Automate** customer service contacts which are relevant but can be delivered more effectively by technology-led services such as Chat/Voice/ Digital Human bots or Generative AI such as ChatGPT
3. **Simplify** customer service contacts which are very relevant but with limited value. Improving self-service and digitization can often help in improving the NPS and reduce the cost base
4. **Stimulate** service contacts with high added value. These are opportunities to deepen the relationship with customers and offer additional value added service propositions





To tap into these opportunities for developing innovative solutions and driving growth, two foundational enablers are essential. **Customer intelligence** is crucial for delivering products and services tailored to customer needs. **Experience Design** is critical for designing processes, systems, and solutions while putting users at the center.



## Enabler 1 - Capitalize on data-driven customer insights

### Customer Intelligence

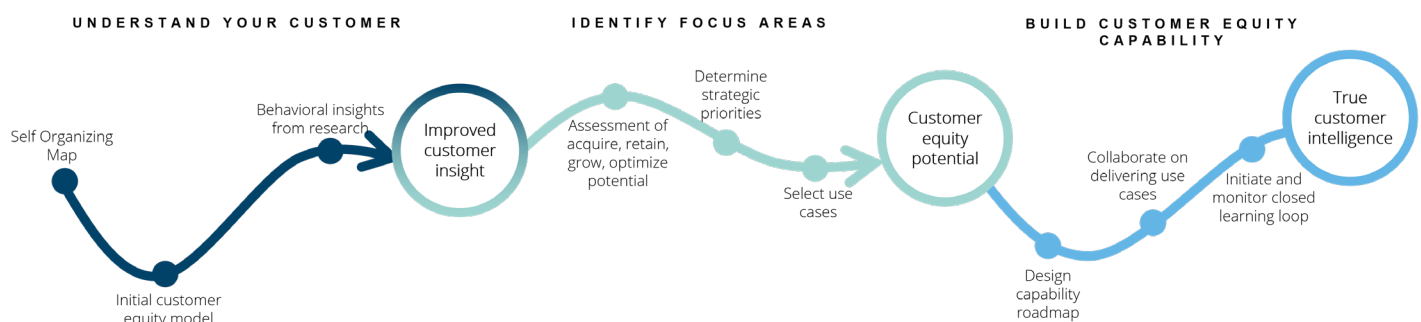
During economic downturn, customers become increasingly selective in their spending habits, and in their choice of products and services. At the same time, companies need to make the right choices when deciding which customer segments to target, and defining what service levels to offer. A crown example of capitalizing data-driven insights is to increase the effectiveness in targeting their product and service offerings to the appropriate customer segments. A study found that those who do so have seen a 10% annual growth rate increase, compared to those that do not.<sup>8</sup> *Self Organising Maps (SOM)*, an AI-driven segmentation technique often used in projects as such, have the capability to analyse customer data and create distinctive customer segments in a day. Insights generated by collecting data in different touchpoints across the customer journey enable organizations to rapidly develop more effective strategies for sales, service, marketing and pricing, tailoring to the unique characteristics of each customer segment. Companies can then deliver optimal value for each individual customer, driving market share, lowering the cost-base, and increasing the bottom-line.

## Enabler 2 - The philosophy of human-centric design

### Experience Design

Organizations that focus on human-centric design have proven to be more successful than others. Human-centric design is to put people first when designing process, systems, products or services. Embedding the philosophy of human-centric design into an end-to-end, frictionless process can enable organizations to have higher revenues and deliver outcomes 2x faster to the market than others.<sup>10</sup> The creation of such a frictionless end-to-end process ensure organizations to provide a more robust and personalized employee and customer experience. Typically, there are two elements relating to human-centric design: ethnographic research, including collecting data by observing and interviewing users, and design sprints, which utilizes rapid prototyping and testing to complete the design process. Combining these two approaches helps create ideas and solutions that better match what users want and need from the product, improving its usefulness and appeal. Deloitte Studio is a space that fosters creativity and co-creation where organizations can improve and validate their new experience design with its users, and ultimately bring it to the market.

Figure 5: Customer Equity Journey



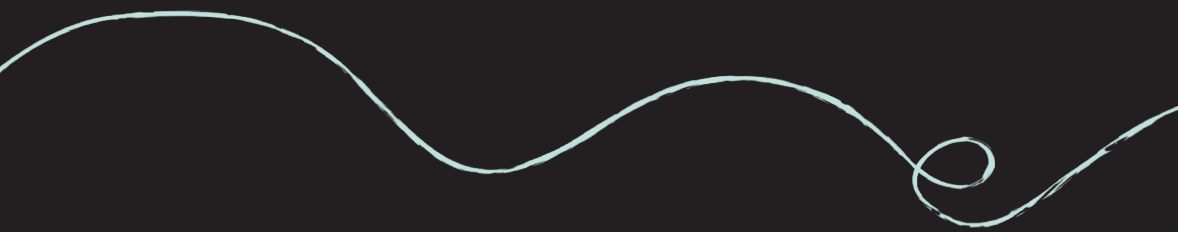




Thinking of growth in challenging times is perhaps counterintuitive. However, seizing the 5 customer-facing opportunities and 2 enablers can open doors to unexpected and exciting possibilities.

***“The best chance to deploy capital is when things are going down.”***

- Warren Buffet



# End Notes

1. Based on industry benchmarks – B2B industrial companies
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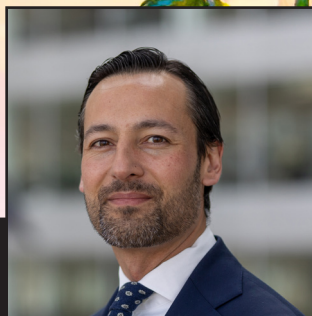


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