Five Friction Challenges Facing the Consumer Packaged Goods Industry

A Customer Friction Factor study of 15 top-tier CPG firms

Why read this report

A seismic shift in the consumer market is forcing consumer packaged goods (CPG) organizations to address a perfect storm of forces that have converged to disrupt the way they interact with customers. With dramatically heightened customer expectations and new technologies enabling and empowering consumers, CPG chief information officers (CIOs) must address their entire ecosystems, focusing on reducing the friction that depreciates the end-to-end customer experience.

Identifying and reducing causes of friction throughout the customer journey is crucial for CIOs as integrated customer experiences are rapidly becoming the leading point of competitive differentiation. Cross-industry studies suggest that providing a frictionless, integrated customer experience is a key differentiator that improves business outcomes such as revenue growth and gross margin. By identifying and resolving friction throughout the ecosystem, CIOs can improve business outcomes while delivering greater time to value — not only to consumers, but all ecosystem stakeholders.

This paper reviews the results of an NTT DATA Services study of 15 top-tier CPG companies. Using a unique, analytical approach, we measured customer friction for each company across five categories, assigning them a quantifiable score (note that, like in golf, lower scores are better). Our results were consistent with other cross-industry studies attributing improved business outcomes to lower customer friction. The CPG companies we studied that had the least amount of customer friction also had on average a 31% greater asset turnover and a 13% lead in gross margin over those with higher friction scores.

The paper also details our two-pronged approach for rapid friction resolution. First, we use an NTT DATA Customer Friction Factor℠ (CFF℠) Assessment to identify and quantify an organization’s customer friction points, providing an actionable map to help justify the investments necessary to correct them. We then leverage our in-house practice expertise to implement and measure a solution for continuous improvement.
Written by:
Lionel Pieterse
Vice President, Commercial Industry
NTT DATA

Co-author:
Matt Leach
Vice President, Digital and Application Services
NTT DATA Services

“Consumers have heightened expectations for premium experiences that blend products and services in more personalized ways. Consumer packaged goods organizations need to take ownership over customer experience and provide a holistic view of who they are across all touch points whether physical, human or digital.”

— Bob May
Senior Vice President, Consumer Industries
NTT DATA Services
The threat and the opportunity

In response to changing market dynamics, CPG manufacturers, as if in the eye of the storm, are uniquely positioned to be the ambassadors of an experience-positive ecosystem from upstream supply chain partners to retail and distribution channels and, ultimately, to the customer. CPG companies need to see this reality as both a threat and an opportunity. Those that step up to optimize the end-to-end customer journey will be able to create the ultimate integrated customer experience and a lasting competitive advantage. Those that do not, will forfeit their competitive advantage and put their current business at risk.

The high cost of customer friction
Whatever the channel used and however customer experience is defined, customer friction is the nemesis of positive customer perception. From annoying pop-ups to slow responses and redundant requests, customer friction is any aspect of customer interaction that has a negative impact on a customer’s experience. In this context, a customer can be any stakeholder (such as employees or suppliers) who’s engaging with a company to accomplish a task. The less friction a customer encounters, the more likely they are to be satisfied with a product or service and continue to do business with the company.

But there is a catch: The root causes of customer friction are often not obvious. While it may be easier to focus on improving the user interface, to achieve the biggest gains, companies must reach beyond addressing the digital façade and probe beneath the surface. Diving deeper can deliver the insights necessary to create the optimal customer experience. To maintain these gains, companies must also optimize their infrastructure to be able to deliver quickly, while enabling the agility to keep pace with ever-changing demands.

The friction metric dilemma
Competition is fierce. To stay in the game, companies need to root out friction by adopting a customer perspective as they follow a customer’s journey through the entire ecosystem. But what’s the best approach for accurately identifying and measuring friction to achieve actionable insights? The traditional measures like customer satisfaction surveys, net promoter scores (NPS) and sentiment analyses each have their flaws and can be incomplete (or even biased), making actionable steps difficult to determine. These methods also aren’t necessarily timely, and they don’t identify arguably the single most important data point that can be gleaned from a poor customer experience — when (or where) a customer decided to disengage.

Turning insights to action
To accurately measure customer friction and ultimately drive efforts to reduce it, companies need a quantitative, objective, proactive method that yields precise results. This will provide the data needed to drive transformation and realign an organization’s applications and processes with the needs of their end customers and stakeholders. And to use this data to accelerate solution implementation and drive continuous improvement, CPG companies need a trusted partner with industry-specific knowledge, consulting capabilities and a specific service practice, as well as technology expertise and the ability to provide access to innovation labs and processes.

NTT DATA has a unique, two-pronged approach to help eliminate customer friction. Our CFF Assessment lays the groundwork, providing CPG companies with a deep analysis and friction scores that identify tailored recommendations for reducing customer friction using an actionable plan. We then leverage our in-house practice expertise to implement and measure a solution for continuous improvement.
The face of friction in CPG
To help CPG organizations better understand customer friction in their industry, we embarked on a comprehensive assessment of friction within 15 leading CPG companies. Our study measured friction across five categories: engagement, process, technology, ecosystem and knowledge.

We measured various customer friction points across the following CPG websites by applying the CFF framework (See Figure2):

- Anheuser-Busch
- Coca-Cola
- Conagra Brands
- Dean Foods
- Dr. Pepper Snapple Group
- General Mills
- JPS S.A.
- Kraft-Heinz
- McCormick
- Mondelez
- Nestle S.A.
- PepsiCo
- Tyson Foods
- Unilever N.V.
- WH Group

Our CFF analysis — primarily focused on product search, information, transparency and purchase availability — encompassed the following factors:

- **Personas.** We targeted millennials, who grew up in a technology and increasingly online- and socially-networked world.
- **Transaction overview at a glance.** We searched for specific products, located product information, determined product purchase availability and validated purchase information.
- **Channel engaged.** We examined the web browser channel of customer engagement.

CFF CPG assessment findings
Not surprisingly, CPG organizations whose websites had the lowest friction scores had an average of 31% greater asset turnover and 13% higher gross margin. Overall, our research confirmed that consumers’ experience is indeed impacting the bottom line for CPG companies, particularly in the categories of process, technology, and knowledge.

**Process:** The process friction category represented 32% of all friction within the 15 evaluated sites. Many of the CPG websites made customers work too hard to complete their goals. From start to end, websites with high friction scores averaged 55% more steps to complete their goals. Process challenges tell us that CPG companies need to reevaluate their processes to improve customer orientation. To do this, they should consider business analysis, application integration and re-architecture, depending on individual company study results.

**Technology:** This category represented 21% of the friction and is based on technology architecture and customer inputs. Our studies found that lagging sites had confusing navigational menus, hard-to-find search results and a high number of page refreshes. Potential resolutions include customer journey mapping and user experience (UX) design as well as application modernization and leveraging SAP Hybris as a marketing platform.

**Knowledge:** This category accounted for 16% of the friction in our study. It examines the availability, accuracy and utilization of all the company’s customer and product knowledge. Based on our results, we found that many of the websites that had high friction scores in this area presented confusing product information and didn’t properly guide users to reach their goals. Services that could provide resolution include business process outsourcing, SAP Hybris and Sitecore CMS.
Customer experience in CPG

The changing landscape of the CPG industry and shifting customer expectations mean that CPG companies need to start thinking differently about how customers experience their product and brand. The successful CPG companies will evaluate their customers’ journey from an ecosystem perspective and focus on four key topics to transform customer experience:

- Don’t abdicate customer experience to competitors and partners — there are too many formats and opportunities for failure that negatively impact the brand.
- Simplify customer engagement by focusing on core goals and transactions, removing any additional noise from the customer journey.
- Develop deep relationships and brand loyalty through meaningful engagement on the customers’ terms and through the channels they prefer.
- Introduce a personalized experience that seamlessly blends CPG with retail across an integrated ecosystem.

---

**Figure 5: Heat map, a graphical representation of friction based on the five categories, used to determine a score for each company. Company IDs used to protect privacy.**

**Customer experience drives three types of customer loyalty, which in turn drive customer retention, wallet share and recommendations. What’s more, improving CX [customer experience] can slash costs. The result: higher revenue and increased profitability.”**

— Forrester Research, “Improving CX Through Business Discipline Drives Results”

---

**Accelerate time to value with NTT DATA**

In the sea of rapidly changing trends, CPG organizations must step up to optimize the end-to-end customer journey — creating the ultimate integrated customer experience and a lasting competitive advantage. Those that do not will forfeit their competitive advantage. Partnering with NTT DATA can accelerate time to value by offering a unique approach to cutting the root of the problem and fixing it. Using our industry expertise creating and implementing digital, application, infrastructure and business process outsourcing solutions, we can help companies reduce customer friction and increase loyalty while also improving margins and top-line growth.

---

**Figure 6: Study results — process, technology and knowledge**
As business models are disrupted and products continue to be commoditized, customer experience is emerging as the last differentiator for many industries, including CPG.

CFF Assessment offers a comprehensive and timely analysis of meaningful data, along with a highly actionable roadmap that enables the elimination of trouble spots and transformation to a customer-centric enterprise, in just four to six weeks, and includes the following steps:

1. **Transaction identification.** The first step in the process helps us identify and evaluate potential candidates for assessment and gain a basic understanding of their impact to the business.

2. **Customer friction kick-off workshop.** This step lets our clients and the CFF team view each of the transactions through the customers’ lens. Kick-off workshops typically occur in person, attended by a cross-section of relevant stakeholders.

3. **Customer friction scoring.** After the kick-off workshop, NTT DATA experts calculate CFF scores and analyze the results. The CFF score then becomes the measure of customer satisfaction, which will be explained in detail in the friction clarity workshop.

4. **Friction clarity workshop.** We share CFF Assessment results with stakeholders in this final step, providing unique insight including:
   - **Heat maps:** A graphical representation of the areas of focus along the five types of friction (engagement, process, technology, ecosystem and knowledge)
   - **Leaders/laggards competitor analysis:** A summary of where the business stands when compared with peers in the industry and/or potential disruptors to the market
   - **A prioritized implementation roadmap:** The CFF team’s expert analysis yields an individualized roadmap, which features a list of potential business and technology action items to reduce customer friction in your organization

Visit [nttdataservices.com](http://nttdataservices.com) to learn more.