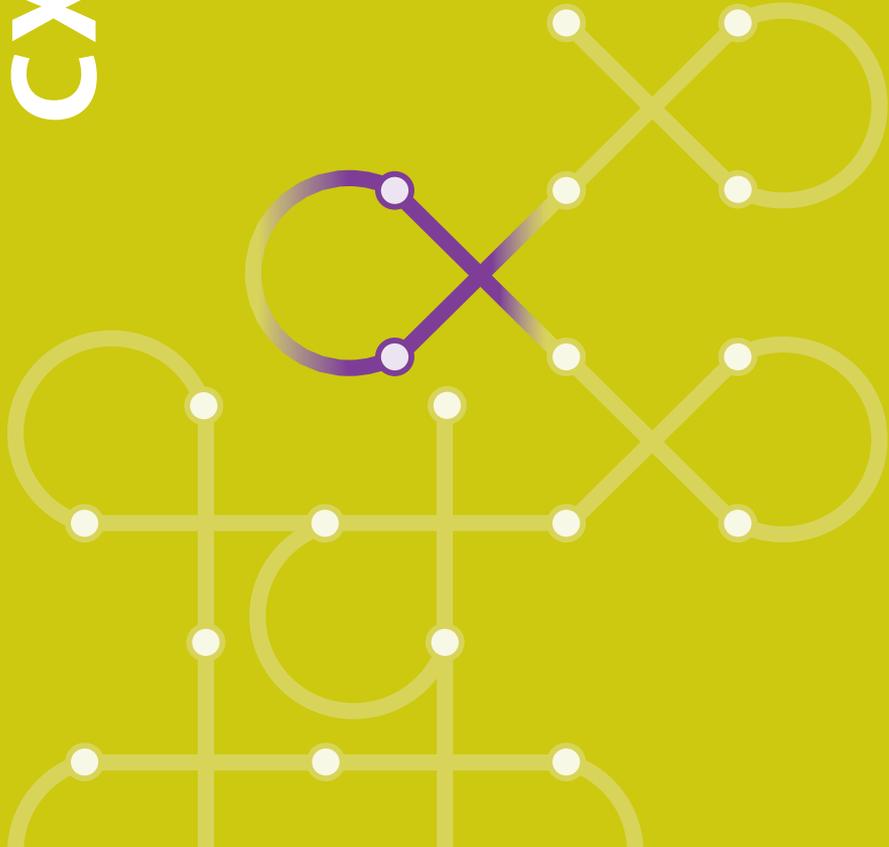


# CX LEADERSHIP



# How the CEO can Propel a CX Initiative

## Author

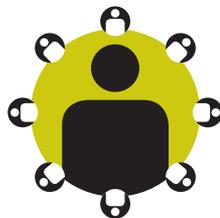
By Krishnan Ramanujam

President, Business and Technology Services, Tata Consultancy Services

Whether it's a series of tweaks or a wholesale transformation, every customer experience initiative will run into roadblocks along the way. They can throw the program off track or even derail it altogether. Such bumps include turf battles among customer-facing functions, over-optimistic expectations of untested technologies and poor project management.

However, one factor can help a CX initiative withstand even multiple setbacks along the way: a deeply involved CEO. From our client work, and from studying transformations at other companies, we've seen five instrumental roles that CEOs have played in successful CX initiatives: consensus builder, experience unifier, influential designer, chief customer advocate and thought leader.

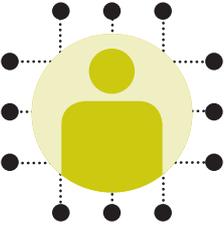
I'll examine each role and illustrate them with examples from such companies as Domino's Pizza, Burberry, Pepsi, Virgin Group and Airbnb.



**One factor can help a CX initiative withstand even multiple setbacks along the way: a deeply involved CEO.**

# 1. Consensus Builder:

## 1. Convincing Key Constituencies to Go Along



Some CX initiatives cost companies a great deal of money. And even when the potential returns are projected to be multiple times the investment, these programs can create anxiety among key stakeholders: board directors, division leaders, functional heads, and highly influential CFOs. In these cases, a convincing CEO can be the only force that gets the program off the ground. The experience of Domino's Pizza Inc. CEO, Patrick Doyle, is a perfect case in point.

Domino's is an Ann Arbor, Michigan-based company that delivers pizza direct from its pizza-making operations around the U.S. and other countries to consumers, businesses, homes, and offices. Back in 2010, the company's growth had stalled, and its share price was less than \$10. From comments that customers made on social media, its phone lines, and other places, Doyle got the message: Domino's pizza wasn't good enough. That year, he even went public with such comments in a TV commercial (e.g., "Worst excuse for pizza I ever had"). He vowed to fix it.

But after customers, the next group Doyle had to convince was Domino's franchisees—the 1,100 business people who owned 90% of the chain's U.S. locations back then. This would not be an easy group to persuade. Their businesses were hurting badly (the Great Recession of 2009 hadn't helped). And part of making the pizza better and delivering it faster required them to make substantial investments.

So how did Doyle do it? Through extensive consumer research that showed the pizza had to get much better, and customers would embrace the improvements that corporate had experimented with. It took 18 months to research and analyze what the company needed and get buy-in from franchisees. But it worked. “The fundamental starting point for getting buy-in ... was very thoroughly [thinking through] how it is going to affect everybody,” he said.<sup>84</sup> “If you do that, then it starts to get a lot easier. ... They are going to understand that you have done that work.”

Says Doyle: “You want to build consensus as often as you can. That’s what gives you the |credibility to, every once in a while, hope that most of the people will line up behind you.”<sup>85</sup>

Today, Domino’s is vibrant again, with a stock price approaching \$200 a share, revenue of \$2.5 billion in 2016 (more than three times the number in 2010<sup>86</sup>), and profits of more than \$200 million.

<sup>84</sup> Franchisee publication, accessed May 7, 2017, [http://www.blumaumau.org/11166/domino's\\_ceo\\_patrick\\_doyle\\_leading#comments](http://www.blumaumau.org/11166/domino's_ceo_patrick_doyle_leading#comments)

<sup>86</sup> Franchisee publication, accessed May 7, 2017, [http://www.blumaumau.org/11169/domino's\\_ceo\\_doyle\\_laying\\_groundwork\\_change](http://www.blumaumau.org/11169/domino's_ceo_doyle_laying_groundwork_change)

<sup>85</sup> Domino’s revenue in 2010 was \$694 million, according to the firm’s annual report, accessed May 7, 2017, [http://www.annualreports.com/HostedData/AnnualReportArchive/d/ASX\\_DMP\\_2010.pdf](http://www.annualreports.com/HostedData/AnnualReportArchive/d/ASX_DMP_2010.pdf)

## 2. Unifier: Getting Everyone on the Same Page



One reason why many companies launch organization-wide CX transformations is that the experiences they offer are highly inconsistent. This happens frequently in industries such as retailing and restaurants, where customers in one country or a region of that country encounter very different experiences or even a very different set of products.

One company suffering from this malady was UK apparel retailer Burberry in 2006. Back then, the company known for its iconic trench coats was growing only 2% a year. (It was a \$1.2 billion firm at the time.)<sup>87</sup> Its products and store experiences had become highly inconsistent. “An experience in any given Burberry store in the world might be very different from the customer’s previous one,” said Angela Ahrendts, a new CEO brought in that year to turn around the company.<sup>88</sup>

That was a huge problem, she believed. “From Apple to Starbucks, I love the consistency—knowing that anywhere in the world you can depend on having the same experience in the store or being served latte with the same taste and in the same cup. That’s great branding.”

What did Ahrendts do? She immediately appointed a ‘brand czar’ (Christopher Bailey) to set a global design for all its apparel and its stores. She told her management team that “anything that the consumer sees anywhere in the world will go through [Bailey’s] office. No exceptions.”

<sup>87</sup> Harvard Business Review, Burberry’s CEO on Turning an Aging British Icon into a Global Luxury Brand, January-February 2013 Issue, accessed May 7, 2017, <https://hbr.org/2013/01/burberrys-ceo-on-turning-an-aging-british-icon-into-a-global-luxury-brand>

<sup>88</sup> Ibid

Then to unify the design of products and store experiences, Ahrendts and Bailey started with Burberry's famous trench coat, a product whose price tag can exceed \$1,000. (It was worn by British soldiers in World War I, and by Hollywood stars in films ever since.) With products now designed in one place (not multiple sites around the world), the design team revamped the trench coat to appeal to the next wave of buyers: millennials. The designers came up with more styles and colors. They also united a series of regional company websites into one global platform. (This global site generates more online visitors every week than the number who walk through the company's stores in total.) And they had a video produced that showed the trench coat's craftsmanship. Store salespeople were instructed to play this video on their new iPad tablet devices, and many customers were impressed when they watched.

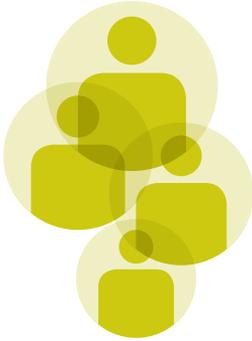
**“From Apple to Starbucks, I love the consistency—knowing that anywhere in the world you can depend on having the same experience in the store or being served latte with the same taste and in the same cup. That’s great branding.”**

By 2012, Burberry was back in growth mode. Revenue had nearly tripled to \$3 billion from the number in 2006, and operating income more than doubled (to \$600 million from \$250 million). Ahrendts' skill in unifying the CX brought new glory to Burberry. And her reputation for creating a great and highly consistent CX attracted the eye of Apple Inc., which hired her in 2014 to run its then-\$21 billion-a-year global business<sup>89</sup> of Apple stores.<sup>90</sup>

<sup>89</sup> Apple retail store revenue as disclosed in the company's 2014 annual report, accessed May 7, 2017, [http://investor.apple.com/secfiling.cfm?filingid=1193125-14-383437#D783162D10K\\_HTML\\_TOC783162\\_8](http://investor.apple.com/secfiling.cfm?filingid=1193125-14-383437#D783162D10K_HTML_TOC783162_8)

<sup>90</sup> Fortune, What the Heck is Angela Ahrendts Doing at Apple?, September 10, 2015, accessed May 7, 2017, <http://fortune.com/2015/09/10/angela-ahrendts-apple/>

### 3. Influential Designer: Putting a Thumbprint on the Experience to Come



Two CEOs have played important roles this decade in helping design their companies' customer experiences: Pepsi and Airbnb. Around 2010, Pepsi CEO Indra Nooyi was perplexed by the company's flat growth. She decided to take a customer's view of the problem, and went to a grocery store every week as a 'mom'—not as a CEO—to answer this question: "What products really speak to me?"<sup>91</sup> From a CX standpoint, Pepsi's products did not.

Nooyi then told the executives who report to her to take a camera and an empty photo album and snap photos of products that they thought were designed well. The results were disappointing. Only a few brought back photo albums. "Some had their wives take pictures. Many did nothing at all. They didn't know what design was," Nooyi wrote in a 2015 *Harvard Business Review* article. A few Pepsi executives thought design was merely about the colors and logos used in packaging. They considered it to be "like putting lipstick on a pig, as opposed to redesigning the pig itself," she said.

At that point, Nooyi realized Pepsi had to hire a top designer. In 2012, that person (Mauro Porcini) became the first chief design officer in the company's 118-year history. "In the past, user experience wasn't part of our lexicon," Nooyi said. "Focusing on crunch, taste, and everything else now pushes us to rethink shape, packaging, form, and function." Porcini has since been helping Pepsi design the entire CX—from seeing the product on a shelf to the Pepsi fountain machine where customers pour their drinks.

<sup>91</sup> Harvard Business Review, How Indra Nooyi Turned Design Thinking Into Strategy: An Interview with PepsiCo's CEO, September 2015 Issue, accessed May 7, 2017, <https://hbr.org/2015/09/how-indra-nooyi-turned-design-thinking-into-strategy>

Since then, Pepsi's CX design initiative—ignited by CEO Nooyi—has had impact. It's helped a new beverage product (Mountain Dew Kickstart) generate more than \$200 million in revenue in two years—not an easy feat in the food industry. It comes in a slim can and tastes nothing like the old Mountain Dew. And it appeals to women who want a lower-calorie but tasty beverage.<sup>92</sup> Moreover, the company no longer outsources design to marketing agencies. Pepsi has brought the design function inside, and design thinking into nearly every major company decision.

Airbnb's CEO (Brian Chesky) took a similar but different approach. In 2011, he read in Walt Disney's biography about how the legendary cartoonist created the *Snow White* movie in the mid-1930s: storyboarding the tale before putting it to his cartoon animators. Chesky and his management team decided to do something similar: storyboard the experiences of their three main stakeholders: hosts (the people who rent their apartments, condos, or houses), guests, and employees. "When you have to storyboard something, the more realistic it is, the more decisions you have to make," he says.<sup>93</sup> Who exactly are the customers? What emotions do they have when they purchase and use your product? By storyboarding the travelers' experience at an Airbnb rental, the company thought more clearly about who the customer is. Are they men or women? Are they young or old? Do they live in cities, suburbs, or in the countryside?

Pepsi has brought the design function inside, and design thinking into nearly every major company decision.

<sup>92</sup> Ibid.

<sup>93</sup> Fast Company, How Snow White Helped Airbnb's Mobile Mission, August 11, 2012, accessed May 7, 2017, <https://www.fastcompany.com/1681924/how-snow-white-helped-airbnbs-mobile-mission>

Interestingly, only two of the 33 storyboards (drawn by a Pixar artist that Chesky hired) were about a traveler at an Airbnb rental unit. That helped the management team identify new opportunities to pursue, one of which is travel excursions. After storyboarding the CX, they realized that many vacations can be dull. Through subsequent research, they found that many customers would opt for memorable excursions such as attending costume parties and midnight bike rides.<sup>94</sup>

By initiating storyboard-based design thinking into the Airbnb CX, CEO Chesky set the company into hyper-growth mode. The privately held firm generated a profit of more than \$100 million on \$1.7 billion in revenue in 2016, according to one media report. And Airbnb is projected to quintuple that revenue by 2020.<sup>95</sup> Not bad for a company whose latest round of venture funding valued it at \$31 billion.<sup>96</sup>

<sup>94</sup> Vanity Fair, Airbnb's Ambitious Second Act will Take it Way Beyond Couch-surfing, November 17, 2016, accessed May 16, 2017, <http://www.vanityfair.com/news/2016/11/airbnb-brian-chesky>

<sup>95</sup> Fortune, Airbnb's Profits to Top \$3 Billion by 2020, February 15, 2017, accessed May 7, 2017, <http://fortune.com/2017/02/15/airbnb-profits/>

<sup>96</sup> TechCrunch, March 9, 2017, accessed May 16, 2017, <https://techcrunch.com/2017/03/09/airbnb-closes-1b-round-at-31b-valuation-profitable-as-of-2h-2016-no-plans-for-ipo/>

## 4. Customer Advocates: Putting the Customer in the Design Room



No company is as focused on customers as online retailer Amazon.com. Its ascension to become one of the world's biggest retailers—in bricks or clicks (\$136 billion in revenue)—is a testimony to constantly sweating the details of how it deals with customers. As founding CEO Jeff Bezos told a reporter: “We’re not competitor-obsessed. We’re customer-obsessed. We start with what the customer needs and we work backwards.” That relentless focus on customers remains at Amazon, regardless of whether the company is making money. “We don’t focus on the optics of the next quarter,” Bezos has said. “We focus on what is going to be good for customers. I think this aspect of our culture is rare.”<sup>97</sup>

In Amazon’s early days, one way Bezos kept the customer front and center was by placing an empty chair in the room for management meetings. He designated that chair as the customer’s chair, and ‘the most important person in the room’. That set Amazon’s early mindset of being customer obsessed.

<sup>97</sup> Forbes, Jeff Bezos Reveals His No. 1 Leadership Secret, April 4, 2012, accessed May 7, 2017, <https://www.forbes.com/forbes/2012/0423/ceo-compensation-12-amazon-technology-jeff-bezos-gets-it.html>

## 5. Thought Leader: CEO as CX Expert



It does a company significant good when the very top of the organization demonstrates an affinity for customers, and a company's CEO is its best public 'thought leader.' Several CEOs have played this role before, during, and after their companies' CX overhauls—and very publicly. One of the best known is Virgin Group's founder Sir Richard Branson. "Every action Branson takes and every word he speaks—whether the cameras are on or off—reflect his commitment to creating an exceptional experience for both his customers and employees," said marketing consultant Carmine Gallo after accompanying Branson on his airline's first flight from Los Angeles to Las Vegas.<sup>98</sup>

Branson's reason for writing and speaking prolifically is brand management: It shows just how customer-obsessed the Virgin Group is. The obsession has helped build an organization that generates \$24 billion a year in revenue and employs more than 71,000 people. "A good leader doesn't get stuck behind a desk," Branson told Gallo.<sup>99</sup> "Anybody can sell a cup of coffee. Anyone can buy an airplane, and we all buy planes from the same manufacturers. But there the difference stops. If you fly on a Virgin plane . . . you know you're going to have a completely different experience."

Branson has been highly visible for years as a public advocate in the sectors where his 60+ companies have competed: airlines, music, banking, cable TV, and beverages, to name a few. He appears to write in his blog every day. He published a book in 2014 on leadership (*The Virgin Way*) and an autobiography three years

<sup>98</sup> Forbes, Seven Customer Service Lessons I Learned In One Day With Richard Branson, accessed May 7, 2017, <https://www.forbes.com/sites/carminegallo/2013/05/09/seven-customer-service-lessons-i-learned-in-one-day-with-richard-branson-video/#1df2b5726183>

<sup>99</sup> Ibid

before that (Losing My Virginity). He has more than 11 million followers on LinkedIn, a professional social network for which he has authored nearly 100 articles since 2012. He also has his own Twitter account (with 10.6 million followers), one that he doesn't delegate.

As a well-published CEO, Branson has helped the company become known for customer excellence. Virgin boasts of brand recognition in the 90th percentile in the UK, the U.S., France, Australia and other countries.<sup>100</sup>

There are at least three other good reasons for CEOs to become more visible in CX initiatives. One is that when the big boss is passionate about something, the rest of the organization tends to get passionate too. Another is that when that boss is a key contributor, it forces the executive with daily oversight (in this case, the head of CX) to raise her game. She needs to show that she knows more than the boss about CX.

Finally, it immeasurably helps any CX initiative to have a well-informed and influential tie-breaker on big decisions. And you should fully expect that a CX transformation will bring many of those decisions to the fore.

In these five ways, CEOs can play highly influential roles in their companies' CX transformations. As these initiatives increasingly play for higher stakes, more and more CEOs should consider whether they should be playing one or more of these roles.

<sup>100</sup> Virgin – About Us, accessed May 7, 2017, <https://www.virgin.com/virgingroup/content/about-us>

## About Perspectives

*Perspectives* is Tata Consultancy Services' management journal. We publish it for senior business and technology executives who lead major organizations worldwide. Since 2009, *Perspectives* has provided the best and most practical thinking of TCS experts—consultants who have helped many of world's most successful companies solve key business challenges. The journal also publishes interviews with leading authorities on business, management and economics, as well as case studies on companies at the leading edge.

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