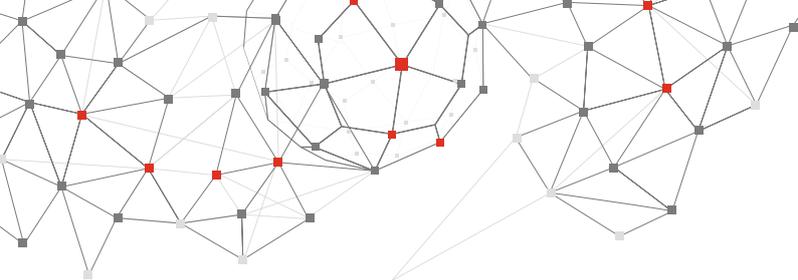


Securing customer relationships in the crisis



Good customer relationships are particularly important in times of uncertainty, such as the current coronavirus crisis. Therefore, we have put together six functional-strategic levers which can help to secure and deepen customer relationships both during and beyond the crisis.

The COVID-19 pandemic is having enormous social and economic impacts throughout the world. These impacts will permanently change society and companies just as much as they will change intergovernmental organisations and trade blocs. In order to contain the spread of the virus, drastic measures have been imposed by both governments and companies. These measures include nationwide lockdowns, production shutdowns, short-time working and widespread introduction of working from home. The full effects of these measures cannot be reliably predicted at present, but it seems certain that many companies will suffer significant to existential losses in sales, turnover and earnings.

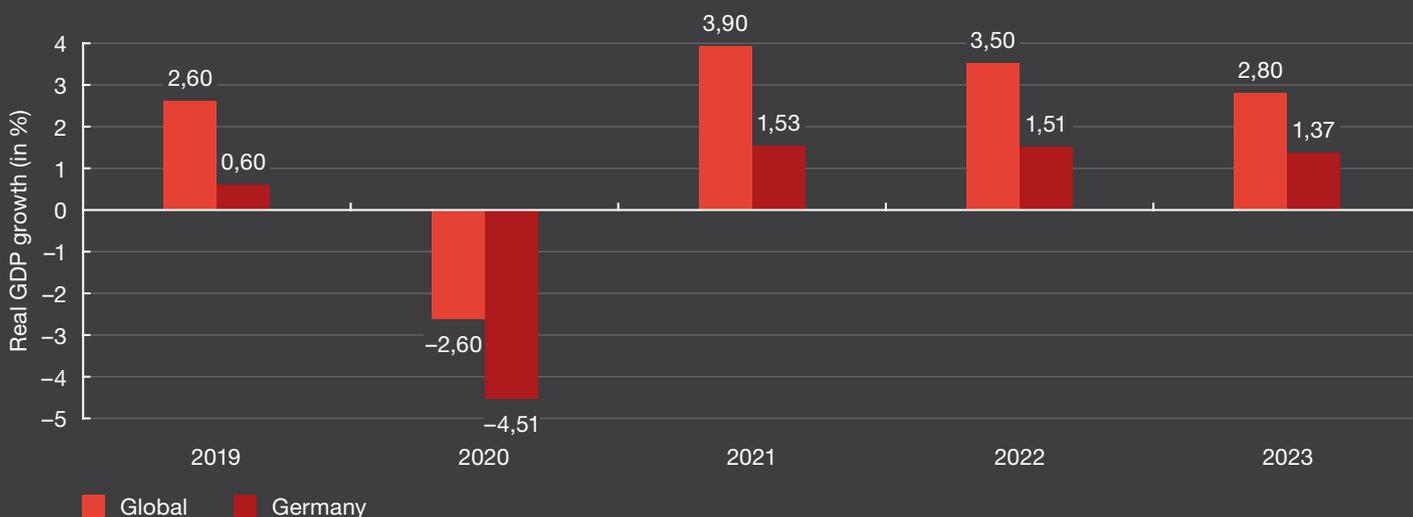
In macroeconomic terms, the pandemic is likely to lead to the German economy falling into recession. The extent of the recession will largely depend on how long the restrictions remain in place. Current forecasts predict a decline in economic output of 4.5% in Germany and 2.6% worldwide.¹ If the shutdown lasts longer than currently

expected, the risk of a much deeper recession will increase. Besides the direct effects of the shutdown, growth prospects are also being dampened by poor expectations for EU internal market growth, by the cost and time required to restart supply chains, and by reduced demand from important global trading partners such as China and the US for goods and services.

These negative impacts will be felt in almost every sector, although not all to the same extent. The pharmaceutical, food, and telecommunications industries might benefit slightly, while significant losses are to be expected in the non-food retail sector, the tourism industry, and in all other industries providing physical services that cannot be made up for after the crisis. The automotive sector, with its global supply chains, is being hit particularly hard. By contrast, trading platforms, marketplaces, and other companies using digital business models that don't require complex, international supply chains are in a good position to make gains in the crisis.

¹ Cf. Interim global economic forecast – 6 April 2020, Detailed Quarterly Forecast – Germany – 6 April 2020 | © IHS Markit. 2020.

Fig. 1 Current GDP growth forecast (worldwide and in Germany)¹



¹ Cf. Interim global economic forecast – 6 April 2020, Detailed Quarterly Forecast – Germany – 6 April 2020 | © IHS Markit. 2020.

Graph: PwC.



Many companies are trying to find a way out of this situation. The **PwC Pulse Survey** has shown that more than half of companies surveyed are already looking into cost-cutting measures. Around half are considering stopping or postponing planned investments, such as investments in digital transformation of production (e.g. Industry 4.0) or sales (e.g. new CRM or e-commerce platforms).

In this crisis, cost reduction measures can be an effective means of stabilising cash flows, or even entire companies. However, focusing solely on cost reduction – especially at the customer interface (i.e. in marketing, sales, customer service and pricing) – poses the risk of permanently damaging good customer relationships, which are particularly important in crises of uncertain duration. Focusing too much on cost reduction also means that revenue and margin potentials might not be exploited; like good customer relationships, these are urgently needed in times of crisis. Furthermore, customer relationships are shaped in unique ways during a crisis, and this offers an opportunity to lay the foundations for growth after the crisis.

A heightened awareness of customer needs, easily available and empathetic customer service, and personalised, positive customer communication, brand communication and price communication can be particularly effective at creating trust and strengthening customer relationships in times of crisis. Targeted pricing measures can be a useful addition. Measures that underline the idea of ‘shared suffering’ also can have a positive impact and help to create strong, long-term customer relationships. Besides this, crisis situations are a good time for finding out what customers really care about and what creates real customer value. Proper collection, systematic analysis and meaningful evaluation of this information is a key success factor for sales during and after the crisis.

The PwC Customer Practice has identified six levers that can help businesses both during and after the crisis to build trust, secure client relationships, and maintain revenues and margins. These are short- to medium-term measures, and they can also help enable profitable growth after the crisis, without the risk of growth initially faltering.

Six levers for securing customer relationships

1. Adapting the go-to-market strategy to changing market conditions and customer needs in order to secure future revenue potential



2. Targeted, contextualised and personalised customer communication and brand communication to secure customer relationships



3. Digitalising sales and distribution to secure and stabilise revenues and margins



4. Adapting customer service to improve customer experience and optimise costs



5. Open price communication with customers and employees to meet price targets



6. Overhaul of pricing and sales activities and making preparations for the post-crisis period





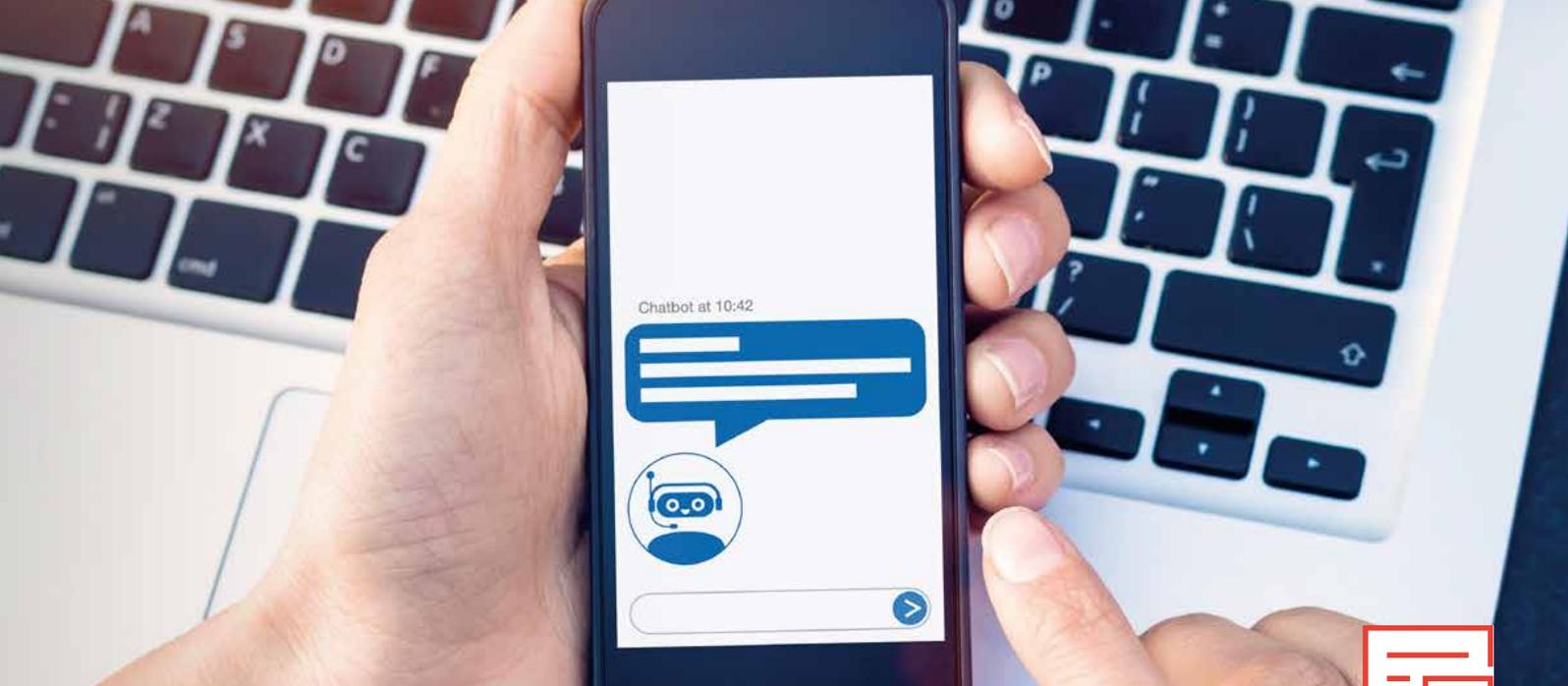
1. Adapting the go-to-market strategy to changing market conditions and customer needs in order to secure future revenue potential

The effects of the current crisis are just as great for customers as they are for companies themselves; this applies to both B2B and B2C business models. Market conditions, customer needs and consumer behaviour are undergoing dynamic change, as is customer demand: while demand for many products and services is declining significantly, other goods and services are currently in very high demand. Some of these changes will be temporary, such as the fall in demand directly caused by store closures. Other changes, such as the extensive virtualisation and digitalisation of customer interactions, will be permanent.

The current phase of the crisis is characterised by a high degree of volatility and uncertainty. As a result, flexibility in purchasing products and services has become more important for customers. Customers want to secure liquidity and change their behaviour – for example, avoiding physical contact to minimise the risk of infection. Restrictions – whether imposed by customers themselves or external authorities – can rapidly alter the competitive conditions, resulting in shifts in bargaining power and changes in price trends. If companies are to react properly, it is vital that they quickly gain a full understanding of these changes.

Various strategies can be adopted to stabilise revenues, such as adjusting customer segments or addressing new markets in order to react to short-term changes in demand. In view of changing customer needs, it's a good idea to review customer segmentation and the respective go-to-market strategies; companies should then adjust their products or product bundles, connected services, and contract models as appropriate. Restaurants and cafés switching to contactless delivery or takeaway food is a simple and prominent example of this kind of adaptation. This not only secures short-term revenue potential but also helps to strengthen customer relationships during and after the crisis.

However, company profitability should not be neglected. The changed circumstances of the COVID-19 crisis mean that profitability of products or customer segments can easily change as well, so it is very important for companies to prioritise their segments and products.



2. Targeted, contextualised and personalised customer communication and brand communication to secure customer relationships

In times of crisis, a personalised approach to customer communication is a strategic success factor for strengthening existing customer relationships. Personalised dialogue with customers should be conducted using the customer's preferred means of contact, whether by email, telephone, social media or instant messaging. In the latter case, push notifications created specifically for the current situation could be the method of choice. Targeted measures should be used to compensate for lack of information and interaction due to physical and social distancing. Customer communication should also refer to the brand values of the company or product. Brands and companies that demonstrate empathy and compassion in a crisis – i.e. in a situation that causes stress for customers – promote the creation of trust and good customer orientation.

Directly approaching customers is crucial in both B2C and B2B businesses. While a really personalised approach is difficult in the B2C world due to the large size of customer segments and a lack of data (this, in turn, is due to purchases being made without registration, or payments and transactions being conducted via aggregators and marketplaces), the availability of customer data makes this approach easier in the B2B world. Contacting customers

in a personalised and contextualised way, increased frequency of communication, giving more details, and providing status information can all have a positive impact. Using these strategies also emphasises your company's professionalism and customer-centric nature. Companies which have appropriate crisis communication plans and the skills and resources required to implement them will be able to benefit the most from crisis situations. This particularly applies in the current pandemic, where quarantine, physical distancing and isolation are medically necessary.

If a company fails to communicate appropriately during the crisis, additional funds will have to be spent on expensive recovery campaigns after the crisis; it may even be necessary to reposition the brand, regain trust in the brand, or simply compensate for loss of prestige. Against this background, we recommend that companies – especially those that benefit from a strong umbrella brand or strong product brands – should analyse how they can implement personalised and contextualised customer interaction, preferably using digital communication channels. Accessibility and performance of customer services should be an integral part of this communication strategy.



3. Digitalising sales and distribution to secure and stabilise revenues and margins

Even before the crisis, both consumers and B2B businesses were increasingly carrying out research and making purchases online. One of the reasons behind this is that technologies are now available that allow increasingly complex products and services to be offered, configured and sold online.

This change is now being further accelerated by the COVID-19 pandemic. The continuing contact restrictions mean that sales by field sales staff and at trade fairs are impossible, so important sales channels are currently blocked. Manufacturers and service providers must therefore increasingly shift their sales and distribution to digital channels in order to secure and stabilise sales and margins. These channels have particular advantages in the current situation. Websites, online shops and customer portals are available 24/7. Companies can provide up-to-date and detailed product information at all times, as well as offering personalised pricing and giving customers the opportunity to manage orders and contracts for themselves. This flexibility is proving to be a significant advantage, especially with the current high level of uncertainty in planning.

Companies should also make use of the advisory skills and expertise of their sales and customer service staff in these digital sales channels. For example, customers can still be advised by the field sales force, but in a virtual way and with support by online configuration systems, a stand-alone app or a customer portal. This enables personalised offers to be drawn up and purchases concluded even though in-person meetings are currently impossible.

To effectively integrate digital channels into their sales models in the medium and long term, companies should develop a comprehensive omnichannel strategy as part of their overall go-to-market concept. This strategy must define how online and offline channels in sales, marketing and customer service will be linked to create a consistent, seamless purchasing process – regardless of which channels the customer chooses.

The COVID-19 crisis is acting as an additional driver of digital transformation in all customer-oriented business units: it is driving both the maturity of digital channels and the change in the role of sales employees, who increasingly move from working primarily as salespeople towards becoming advisors and experts for the customer. Consistent focus on further development of digital customer interaction and on transforming sales organisations will be strategic levers both in the current crisis and beyond.



4. Adapting customer service to improve customer experience and optimise costs

Excellent customer service is a success factor for an outstanding customer experience. This was true prior to the coronavirus crisis, but it is even more true during the crisis: availability of customer services and rapid, efficient support are essential for customer retention. Customer service therefore has a strategic role to play in securing customer relationships. After the crisis, people will remember companies and brands that have managed to build trust and personal connections with their customers and throughout their broader social environment. As a result, investments in customer service will soon pay off.

Good customer service starts with the customer service staff, who are currently under exceptional pressure – particularly if they are working in contact centres. The service volume is extremely high, and many customer service agents are having to work from home. As a result, motivating employees and providing the right incentives are top priorities at present. Digital customer service and customer self-service should also be used to relieve as much of the pressure on customer service agents as possible. Companies which have already invested in digital communication channels such as online chat, customer self-service, voice recognition and high-performance routing are easy for customers to contact during the crisis, and can keep their customers informed via multiple channels without overloading their employees. A further challenge is providing sufficient home office equipment, mobile devices, and other remote workstations for customer service agents.

If these challenges can be overcome quickly, high availability and performance of customer service can be maintained, even in the crisis. Companies which fail to do this, risk scoring poorly in reviews and losing customers. As a result, the COVID-19 crisis is more than just a catalyst for digital service provision: it will also starkly reveal which companies excel in customer service, and which do not.

In order to improve their preparation for future crises, companies should implement measures to automate their customer service operating model and make it more flexible. These include getting the right sourcing mix for customer service agents (dynamic shoring), digitalising customer service production as much as possible, and implementing adaptive organisational models, flexible working time models, and mobile working. Gain share models may be suitable for making contracts crisis-proof. Besides increasing customer satisfaction and loyalty, prompt implementation of measures to optimise customer service will also enable cost reductions. Our project experience shows that increased use of customer self-service and digital service production can reduce both the service volume (by about 30%) and the costs of customer service (by up to 20%). The funds released by these savings can then be used to actively secure customer relationships.



5. Open price communication with customers and employees to meet price targets

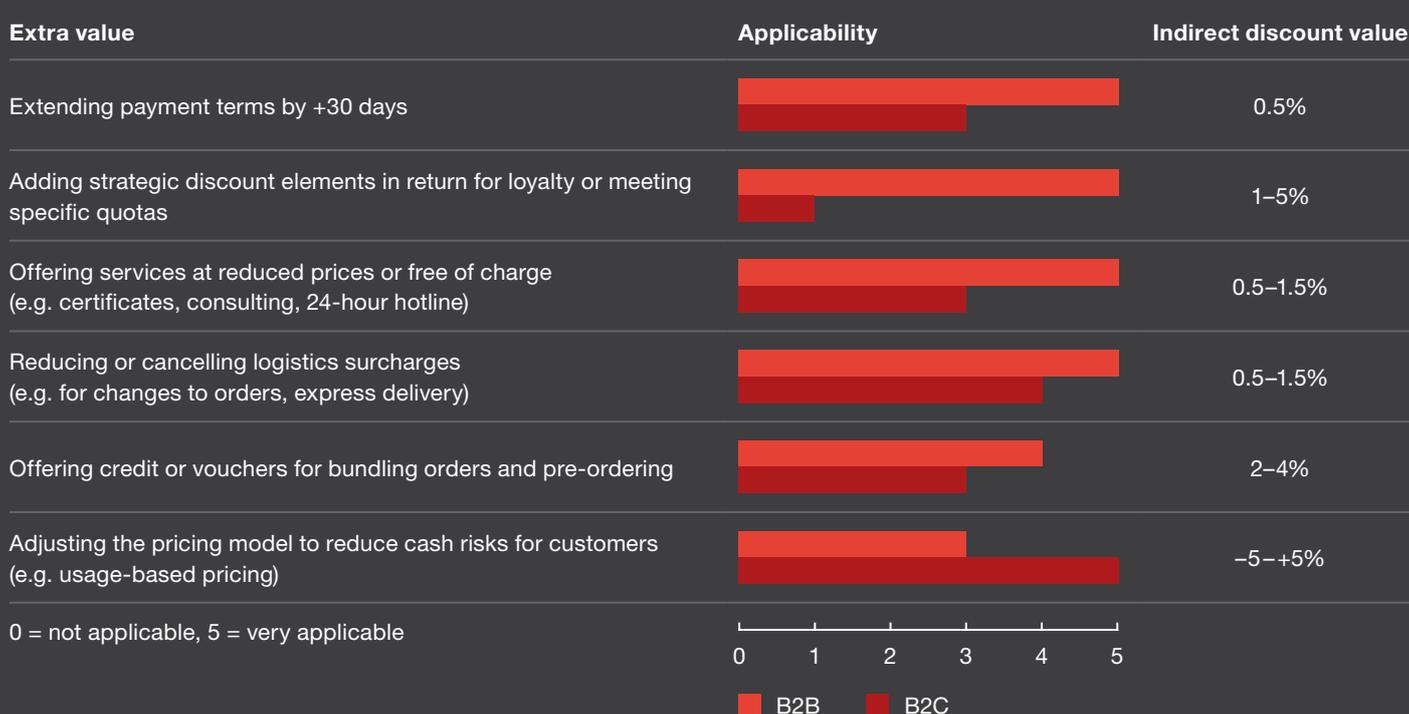
At present, customer interactions are on ice, many warehouses are full, and neither production lines nor broader operational functions are being utilised to the full. For many companies, price concessions seem like the most obvious response. The aim of this is to secure sales quotas and market shares, while at the same time signalling that the company will stick with its customers in times of crisis. However, caution in applying pricing measures is especially important at this point in time if the risk of long-term damage to margins is to be avoided.

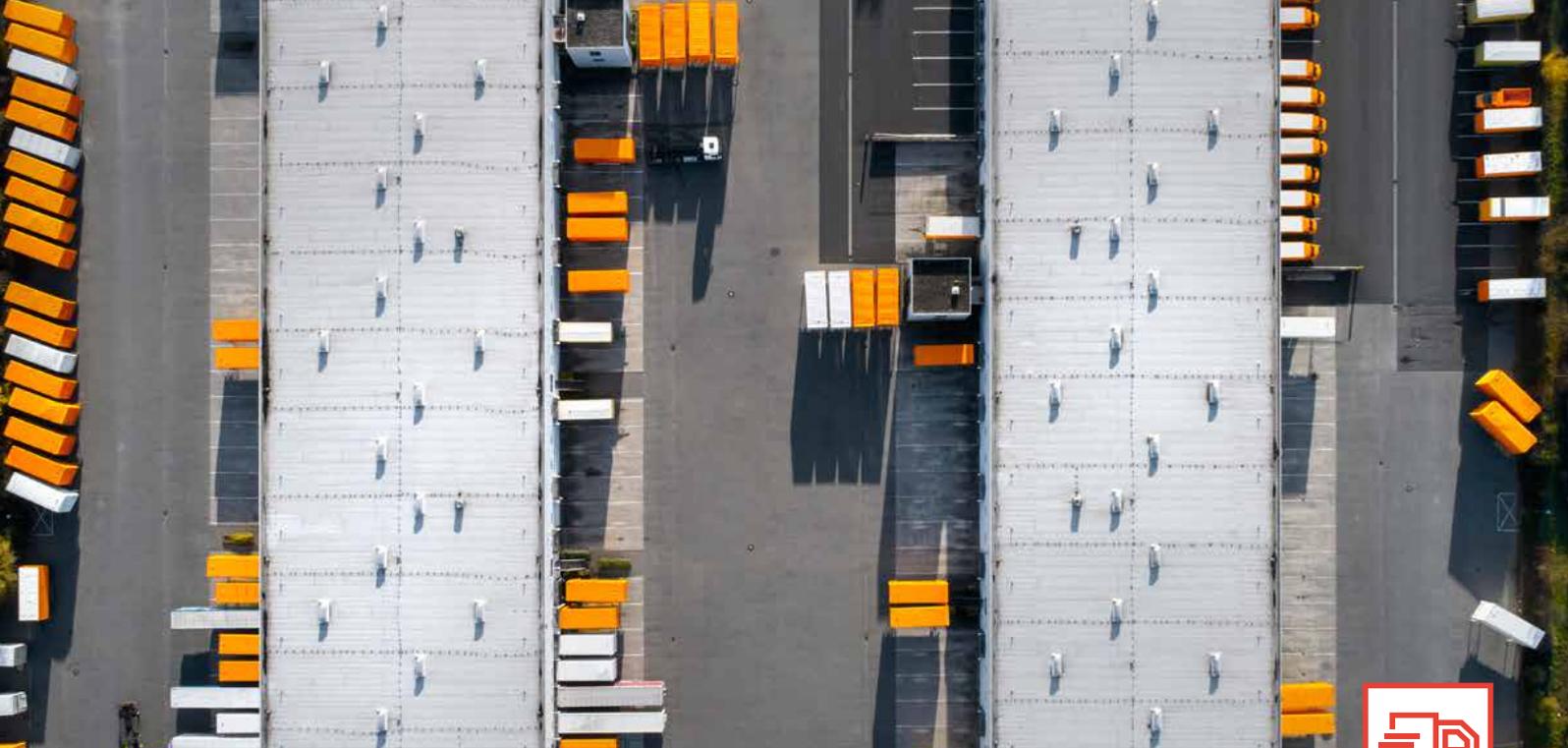
Instead, companies must explain to customers that they want to invest in good customer relationships rather than enter into price wars. Since customers quickly get used to lower prices and sales staff can find it difficult to raise prices again afterwards, special offers should be for a limited time only and their conditions should be set out in a contract. However, it can be also offered to customers

the opportunity to review these conditions after an agreed period, reassess the situation, and – if necessary – agree to extend these pricing measures for a limited time. In such situations, it is also important to ensure that the discount or value increase granted is clearly and transparently stated (in euros) in customer correspondence and on the invoice. For example, a cancelled surcharge or a free additional service should be invoiced and then have a 100% discount applied. This ensures that the value of the measure is clearly communicated. It also allows the concessions granted during the crisis to be quantified and then used to your company's benefit in subsequent customer correspondence.

Besides price reductions or additional discounts, there are other ways of offering extra value for customers. The following table shows the most important measures and their effects:

Fig. 2 Discount value and applicability of key pricing measures





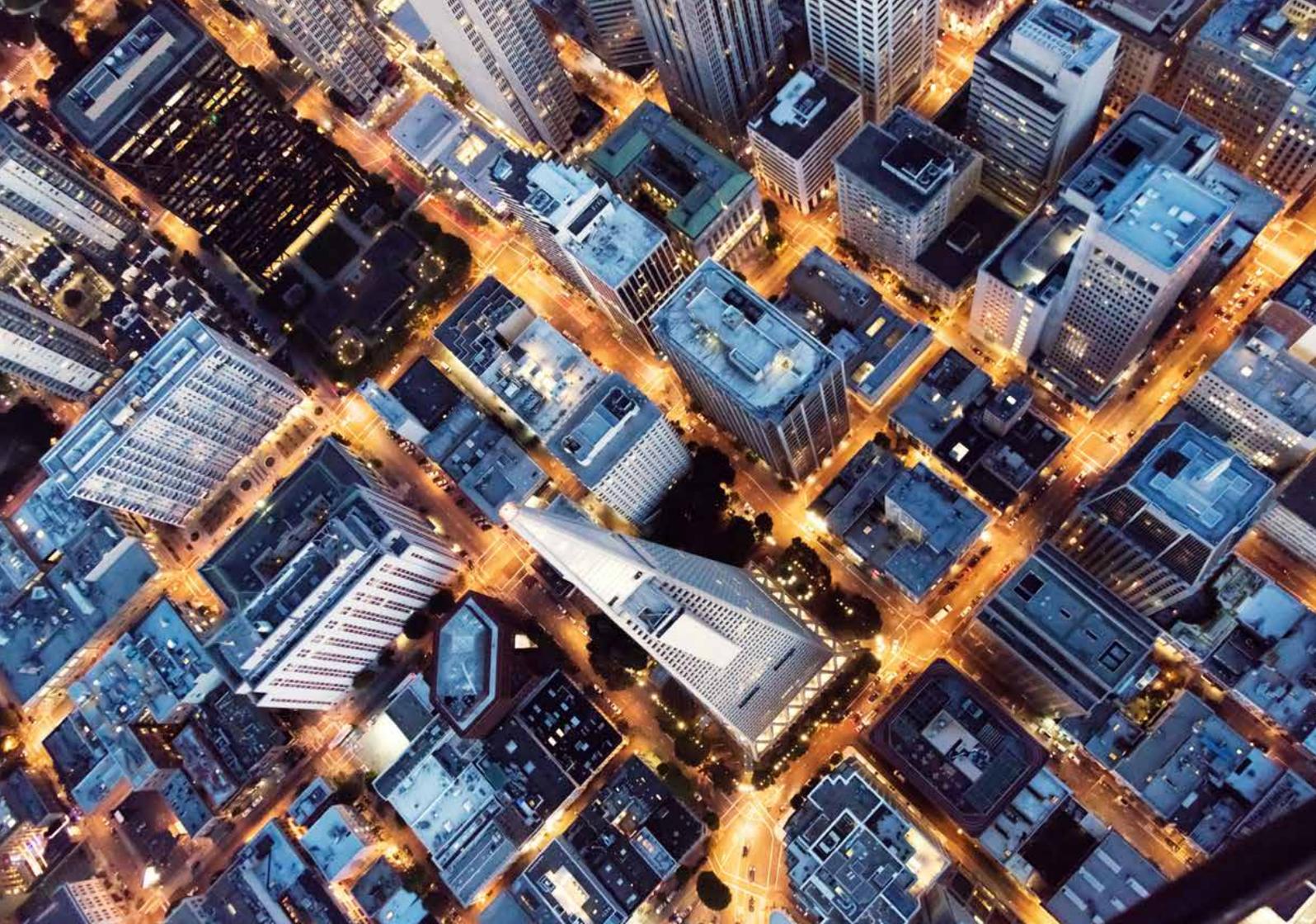
6. Overhaul of pricing and sales activities and making preparations for the post-crisis period

According to a recent PwC price study, companies don't attach much importance to professional price management. Only one in three companies has established its own pricing team or an independent pricing organisation, and only 20% of the companies surveyed use pricing logic and rules for calculating prices. This is surprising, as most managers now understand that pricing is the most effective profit lever.

The current crisis also represents an opportunity to actively address the issues of pricing strategy, price management, price control and price governance. Now is the time for companies to 'repair and prepare' – to reconsider their pricing strategies, including both an overhaul of their existing pricing strategy and preparation of the next one. New pricing models, metrics, and product bundles can now be tested – combining this with lever 5 would be ideal. This approach helps to identify and leverage margin potential, and to implement a professional pricing strategy that works both during and after the crisis.

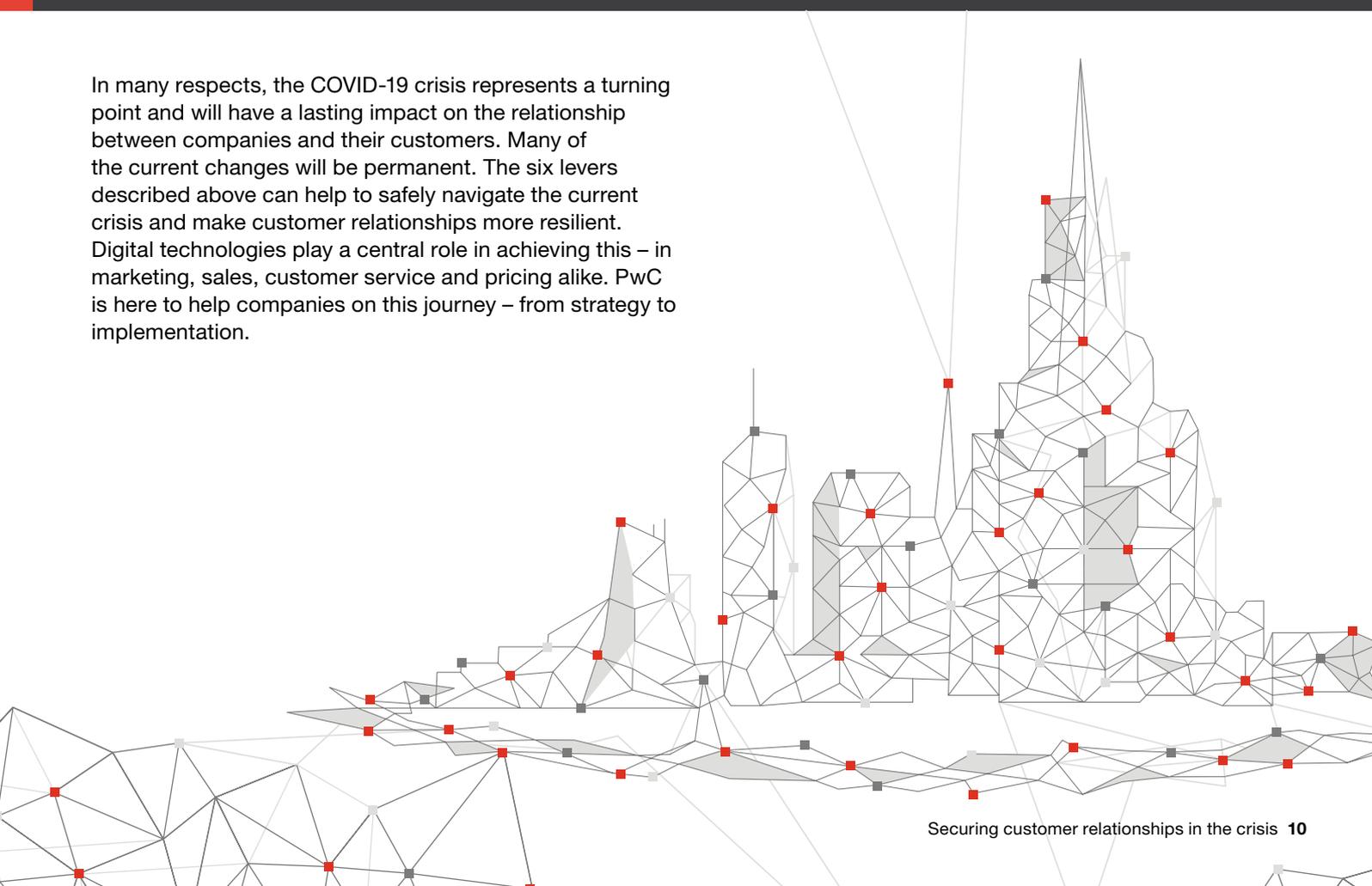
Among other mechanisms, flexible or dynamic pricing models play a key role. The right pricing model can help to reduce risk for the customer in a crisis. As soon as the market picks up again, sellers will also start to benefit from this dynamism. For example, a machine company could switch to a usage-based pricing model instead of charging fixed prices. This reduces the investment risk for the customer, who now only has to pay for what is actually needed. As soon as the market recovers and machine usage increases, the manufacturer's revenues will increase as well. Ideally, the model should be designed so that total usage-based sales will exceed sales from the old fixed-price model in the long term.

Companies should also focus on price control and create additional transparency. This is not a complicated task, as price erosion can be detected early on (if the right key pricing indicators are available) and appropriate countermeasures can be taken. In the short term, standard reports can be set up in a traditional business intelligence tool. In the medium term, however, it is a good idea to consider introducing pricing software. There is a wide range of pricing software solutions available, and finding the right one is crucial.



Conclusion

In many respects, the COVID-19 crisis represents a turning point and will have a lasting impact on the relationship between companies and their customers. Many of the current changes will be permanent. The six levers described above can help to safely navigate the current crisis and make customer relationships more resilient. Digital technologies play a central role in achieving this – in marketing, sales, customer service and pricing alike. PwC is here to help companies on this journey – from strategy to implementation.





About us

Our clients face diverse challenges, strive to put new ideas into practice and seek expert advice. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether for a global player, a family business or a public institution, we leverage all of our assets: experience, industry knowledge, high standards of quality, commitment to innovation and the resources of our expert network in 157 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients' needs, the more effectively we can support them.

PwC. Nearly 12,000 dedicated people at 21 locations. €2.3 billion in turnover. The leading auditing and consulting firm in Germany.

More information on customer-centric transformation is available at
www.pwc.de/de/im-fokus/customer-centric-transformation.html

Matthias Riveiro
matthias.riveiro@pwc.com

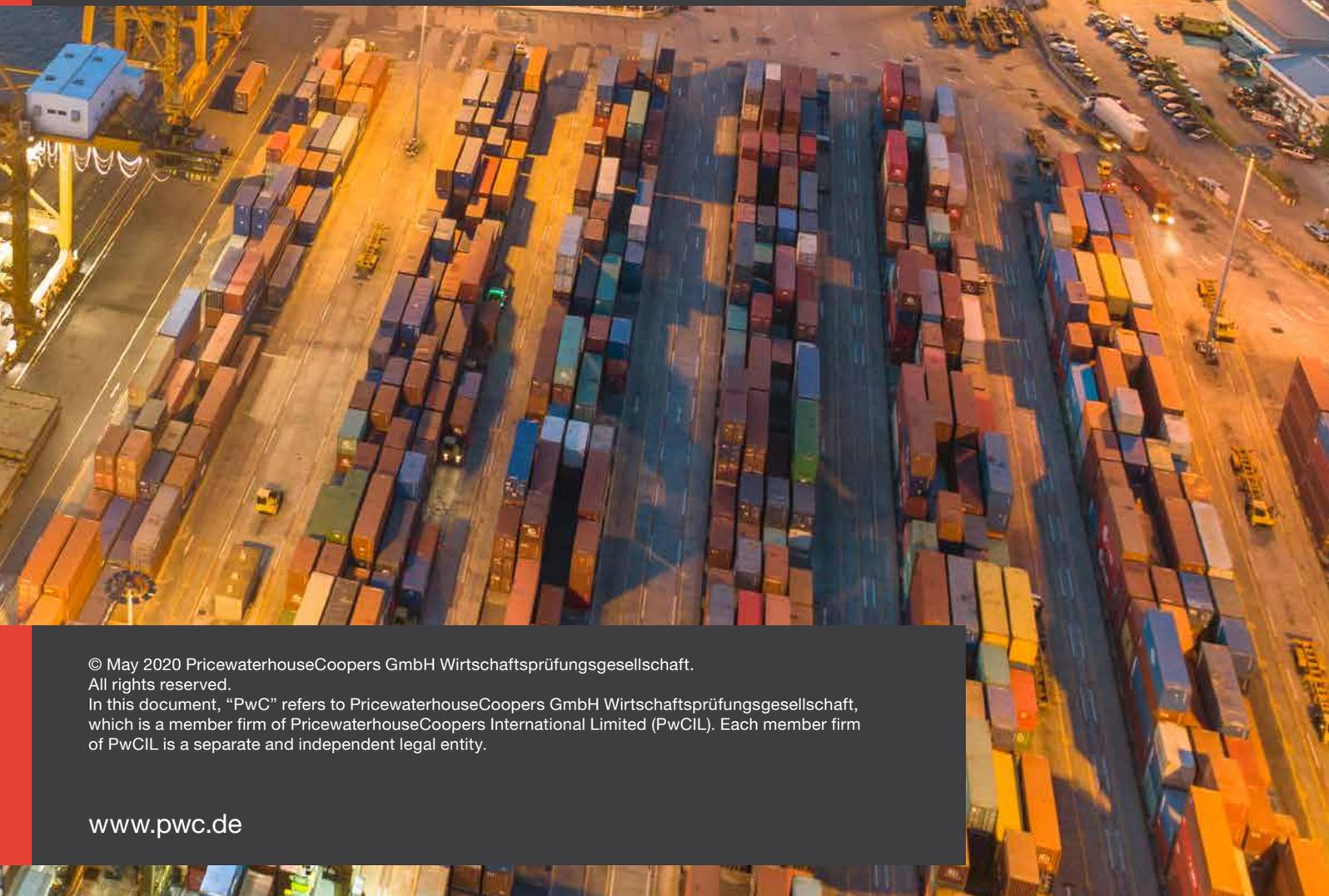
Fabian Schneck
fabian.schneck@pwc.com

Raphael Heiner
raphael.heiner@pwc.com

Tobias Staudt
tobias.staudt@pwc.com

Patric Kirchner
patric.kirchner@pwc.com

Daniel Sannig
daniel.sannig@pwc.com



© May 2020 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.
All rights reserved.

In this document, "PwC" refers to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, which is a member firm of PricewaterhouseCoopers International Limited (PwCIL). Each member firm of PwCIL is a separate and independent legal entity.

www.pwc.de