Denon & Marantz (D+M): Generating Growth the Customer-Adaptive Way

A systematic approach to business transformation
Summary

Catalyst

In 2002, the audio equipment and home theater manufacturers Denon and Marantz merged to create D+M Holdings. This brought together two companies with a long history in audio equipment for professionals and consumers stretching back to 1910 (Denon) and 1953 (Marantz). In 2008, the company was acquired by Bain Capital, and in 2010 Bain brought in a new CEO and turnaround specialist, Jim Caudill, who had been instrumental at Black & Decker (B&D). Caudill hired a team of largely former B&D executives to get the much-needed transformation under way with the aim to grow the company profitably.

Ovum view

Ovum argues that to thrive in an age of rapid and accelerating change and in a global economic environment where growth is hard to come by, firms must develop the ability to sense, respond to, and adapt to change, particularly that which impacts customers and their buying behaviors, expectations, wants, and needs. As cycle times for adaptation continue to shorten, it puts enormous stress on enterprises often held back by legacy systems, processes, and departmental silos, as well as industrial age management thinking. These companies will fail to adapt at the right speed, which is why the life expectancy of firms has collapsed from around 60 years in the 1950s to around 12–13 years. Based on an analysis of S&P 500 data since 1950, McKinsey extrapolated that by 2030 more than 75% of companies would be out of business, if the trend for losing customer relevance continues.

Ovum identified eight attributes that create the right conditions for rapid adaptation to ensure persistent customer relevance. Enterprises that succeed we term "customer adaptive." What is remarkable about the D+M transformation is that the key changes that the leadership team has brought about map very closely to the eight attributes of the customer-adaptive enterprise. The transformation has taken root and the results have been very positive, not just in terms of profitable growth but also the morale of the entire workforce, which is now wedded to a singular purpose: to create and deliver innovative value to the company’s customers.

In this case study, we examine the eight attributes and then reveal how D+M has been transformed over the last five years and the role played by each attribute.

Key messages

- Eight attributes must be orchestrated to deliver persistent customer relevance and growth.
- The D+M transformation story.
- D+M Group exhibits the eight attributes of the customer-adaptive enterprise.
Denon & Marantz (D+M): Generating Growth the Customer-Adaptive Way

Recommendations for every industry

Recommendations for enterprises

Irrespective of industry, the need for continuous adaptation is an essential survival mechanism. This case study of a major business transformation highlights the need to work on several attributes simultaneously, and the vital role that a leadership team must play to achieve the desired outcome.

The eight attributes model (Figure 1) and the maturity model (Figure 4) provide a view of key attributes that must be coordinated and developed to achieve transformational success. Most firms today are a long way short of the capabilities they need if they are to be persistently relevant to their customers. This case study can be used to stimulate discussion on how best to achieve a major transformation, focused on the cultural orientation and supporting technology. The cultural orientation toward the customer must be addressed if the organization is to benefit from technology. This is the approach that D+M took.

Recommendations for vendors

In Ovum’s State of Customer Experience research in 2016, only 27% of enterprises thought that the vendors they worked with really understood the magnitude of the challenge being faced. As increasing numbers of enterprises embark on their own business and digital transformations, the need for advice and guidance has never been greater. Many vendors sell through systems integrators and resellers, which may have some of the skills and know-how to help enterprises assess their current capabilities and develop roadmaps for transformation, but vendors must also play a part in advising and guiding on the best use of their technology to meet the transformational goals of their customers or clients.

Eight attributes must be orchestrated to deliver persistent customer relevance and growth

The core question behind Ovum’s customer-adaptive enterprise research over the last four years has been to determine what it takes for any enterprise to remain persistently relevant to its customers. The term “customer relevance” was barely mentioned four years ago, but the message that customer relevance must be at the heart of any growth strategy is finally beginning to cut through management thinking.

Customer experience management has stolen the headlines in recent years as a source of competitive differentiation and therefore a potential growth driver. However, our research has shown that flying a business on one engine can be fatal. What happened to Nokia and BlackBerry when Apple entered and dramatically changed the smartphone industry, followed rapidly by Samsung, should provide a salutary lesson.

Other business leaders have focused attention on shareholder value, but to paraphrase Jack Welch, former CEO of GE, that is one of the dumbest ideas, as shareholder value is an effect, not a cause, of growth. To thrive and maintain customer relevance, any firm must not only deliver a positive customer experience at every opportunity but also create, deliver, and refresh value as perceived by customers on a continuous basis. This demands the ability to understand customers deeply and innovate on a continuous basis. The twin engines of growth – customer experience and continuous innovation – are
not departmental challenges, as they have implications for the entire enterprise, its ecosystem of partners, suppliers, and most of all its customers. It's the CEO's job to create the conditions where both engines are firing on all cylinders, something that Caudill, aided by his leadership team, has managed to do.

Following is a brief description of what each attribute entails and how those attributes must be orchestrated and combined to deliver the level of organizational coherence required for success. we will then show how D+M Group exhibits many of the criteria as a result of its transformation journey.

**Visionary leadership – centers the enterprise on the customer**

A successful transformation from a 20th century industrial age organization to a customer-adaptive enterprise starts and ends with the leadership of the company. There are eight critical roles that the CEO and leadership team must perform, and the most important is to place the customer at the heart of everything the firm does. The other seven are key enablers:

- Build a leadership team equipped to support continuous adaptation.
Focus on values and culture. These provide the guidance system for employees to act in the interests of customers and long-term relationship building versus transactional perspective.

Empower employees. With millions of daily decisions, front-line employees need the authority to act without having to refer decisions to a supervisor. The values help employees determine the limits of their authority. As Dee Hock, founder of Visa, explained, "Simple, clear purpose and principles give rise to complex, intelligent behavior, whereas complex rules and regulations give rise to simple, stupid behavior."

Set the priorities and challenges that collectively must be addressed if the firm is to be successful. This is especially important for customer experience and innovation initiatives.

Move to adaptive planning and resource allocation versus the annual planning and negotiation process typical of industrial age companies. Adaptive planning is continuous and allows for rapid reallocation of resources to fleeting opportunities as well as to overcome unforeseen threats.

Create an environment for continuous innovation. Make innovation a priority and seek support and participation from a broad spectrum of employees, as well as co-innovation with customers and partners/suppliers.

KPIs should be mapped to customer outcomes, and which underpin the core values of the firm.

Engaged workforce

The second attribute, which follows on from the first, is an engaged workforce that buys in to the central purpose of the enterprise and is empowered to commit to the customer. The workforce must be enabled to deliver desired business results on the back of customers’ desired outcomes. Employees must be encouraged to collaborate and participate in continuous innovation and be recognized for their contributions.

Collaborative

Being able to tap in to the collective expertise, insights, and wisdom of employees is a critical capability, especially as customers increasingly expect to be able to access the required expertise when they have more complex enquiries. Collaboration also feeds directly into the quality of the customer experience and the innovation processes and so is vital to both engines of growth.

There are two key aspects to collaboration. The first is cultural, in which employees feel that collaborating with colleagues across the enterprise is perfectly normal and expected. The second is to have the means to collaborate, which in larger firms usually involves some form of enterprise social networking platform, preferably embedded in their day-to-day tasks so that relevant expertise can be identified and support requested at the moment of need.

External portals and community and business networks may also provide a mechanism for collaboration with external partners and customers.

Acute sensing capabilities

The ability to sense and make sense out of external as well as internal signals is an essential attribute that drives insight and foresight. The most advanced enterprises marry customer data, process, and live customer interaction to derive insight into what the customer is trying to achieve through that
interaction. They also monitor activity throughout the value chain and are able to provide real-time information in support of commitments to customers on, for example, the status of orders and deliveries. These organizations also typically use voice of the customer and voice of the employee to gain insight into how customers felt about any interaction as well as employee morale and engagement levels. Insights derived from these programs drive continuous improvement.

Looking ahead, these firms also continuously scan the external environment to help them anticipate and prepare for change, positive or otherwise. Collectively, these methods – including use of predictive, prescriptive analytics and machine learning – enhance the firm’s sensitivity to change and, supported by the other attributes, adapt at the right pace to remain relevant in the long term as well as in the interaction moment. The Internet of Things (IoT) plays an important role as another real-time feedback loop to drive deeper insight into how products and services are actually being used and which features or functions to expose to enrich the customer experience. IoT also plays an important role in preventive maintenance or in support of a product as a service business model.

Rewarding omnichannel customer experience

Customers expect to get answers quickly and easily, and many assume that behind the scenes in this digital age all systems and processes will be seamlessly connected. They also expect to access information via their device of choice and may hop channels in the course of their particular customer journey. The reality is that in the majority of cases, these expectations are not being met. Far too many firms are stuck in the planning phase for omnichannel or have simply bolted on new channels in the vain hope that it will do.

Customer-adaptive enterprises provide customers with a smooth journey across any channels, digital or otherwise, they may use. Customer journeys will have been mapped for each customer segment and for the majority of journey types, but these advanced firms recognize that this provides only a proxy for reality. Ultimately, customers will try to interact in ways that make the most sense to them. The omnichannel capabilities that customer-adaptive firms have are dynamic, not hardwired. Aided by acute sensing capabilities, customer-adaptive enterprises can intelligently orchestrate content and expertise to provide relevant information at the point of need throughout the customer journey. The omnichannel-delivered experience is therefore customer adaptive.

Continuous innovation

The ability to innovate continuously is essential for continued relevance. Most firms struggle with this or rely on incremental adaptations to extend the life of their products and services. To a great extent it comes back to the visionary leadership attribute, to encourage experimentation and enable continuous innovation. It is also fed by insight and customer observation, so by understanding deeply the outcomes customers desire, implicit or explicit, and by using practices such as design thinking, customer-adaptive firms are able to create new forms of value that offer a significant breakthrough in achieving desired outcomes.

The leadership also plays a vital part in creating a coherent innovation strategy, determining where to innovate and which customers to retain, develop, and attract. Such firms also have a balanced portfolio of incremental and disruptive innovations, typically supported by a formal innovation management process, a dedicated innovation team, and a well-developed ecosystem of co-innovation partners and customers and incubation for entrepreneurial startups to drive completely new forms of value.
Innovation is a highly collaborative discipline, so the collaboration attribute reinforces the continuous innovation attribute, as do acute sensing and visionary leadership. Conversely, innovation can also support the rewarding omnichannel customer experience attribute by architecting more emotionally rewarding experiences or by massively simplifying the experience for each customer and at a very personalized level.

Throughout the innovation cycle, an agile approach is adopted so that a steady stream of well-resourced innovations is developed each year.

Adaptive and simplified processes that span the value chain

The omnichannel customer experience cannot be delivered without the entire value chain being connected through processes and supporting technology. Designed from the customer back, customer-adaptive firms provide a clear line of sight from the customer all the way back along the value chain. They flip their thinking from a traditional industrial age supply chain to a digital age demand chain or, more accurately, demand network. The underlying processes imbued with acute sensing capabilities including machine learning to ensure that processes adapt to keep pace with changing customer behaviors as well as emergent opportunities uncovered through continuous innovation.

Adaptive enterprise architecture

To create an environment that allows a firm to adapt at the right pace to remain persistently relevant, the entire business must be supported by an architecture that is itself adaptive by design. Too many long-established businesses were designed for the industrial age, which valued predictability and consistency over adaptability. Processes and systems were often designed to support discrete departments, which led to silos and fragmentation of customer data and a sclerotic operating model.

Adaptive enterprise architecture takes a holistic view of the entire enterprise and is aimed at supporting the strategic business and customer outcomes. It is tied very much to the value-creating purpose espoused by the visionary leadership. It is also not a static document hidden away in some enterprise architect's drawer, but a living system, rooted in the contextual purpose of the business and supported by multiple feedback loops and Agile development principles, to provide a sense, respond, and adapt capability.

Figure 2 provides an overview of the Gill Framework 3.0, which illustrates the holistic and living nature of an adaptive enterprise architecture. Founded on systems and agile thinking, the focus is to create a business architecture that will underpin a continuous stream of value and that supports a customer-centric and highly adaptive enterprise. A stream of feedback – both external from customers and the competitive environment as well as internal from projects, systems and processes, and employees – allows the firm to continuously refresh, enhance, and adapt its capabilities to capture emerging opportunities or counter competitive threats.

Another characteristic of an adaptive enterprise architecture is the ability to harness modern cloud-based technology, which provides increased agility in adapting, particularly customer-facing and omnichannel customer engagement systems. This does not imply that all on-premise legacy systems should be retired and replaced. Many ERP and payroll systems, for example, may remain fairly static or require only minor modifications rather than wholesale replacement. The time to replace them is
when there are clear signs that such systems are a barrier to rapid adaptation or that significant savings can be made by newer systems, many of which are likely to be cloud based.

### Figure 2: The Gill Framework 3.0

![Gill Framework 3.0 Diagram](source)

Source: Dr. Asif Gill, University of Technology Sydney, 2016

---

### The D+M transformation story

#### History

Denon, headquartered in Tokyo, was established in 1910 as part of Nippon Chikuonki Shokai, creating the single-sided disk and gramophone. Marantz was founded in 1953 by Saul Marantz from his home in New York. Both companies gained a reputation for quality in their respective audio products. In 2002, the companies merged and came under the umbrella of D+M Holdings.

In 2008, Bain Capital acquired the company, which operates in 70 countries through dealerships managed by regional offices in Japan and the Netherlands and employs around 1,100 people. The head office was moved to New Jersey.
**D+M brands**

Having sold off its former professional audio equipment manufacturing business, D+M is now focused exclusively on the high-end consumer audio and home cinema segment. Its current brands are Denon, Marantz, Boston Acoustics, and HEOS.

**A period of uncertainty and poor profitability – 2008 to 2011**

For the first three years, the company underperformed on revenue, profitability, and innovation. Before the new management team took control in 2011, morale was low and the company lacked global coherence as an organization, each region and country continuing to operate locally and using a diverse range of systems that were not integrated and were expensive to maintain.

**The turnaround started in 2011 under new leadership**

Bain Capital turned to Jim Caudill, a trusted turnaround specialist who had success with Black & Decker, which, after a merger in 2010, became Stanley Black & Decker and gained a growing reputation for being a customer-oriented and -centered company. Caudill revamped D+M’s leadership team by bringing in several former colleagues whom he knew would help him transform the company from a highly fragmented and siloed organization into a coherent, purposeful customer-oriented company that would be able to create and deliver value to its customers.

**Build the leadership team with trusted strategic specialists**

Caudill recognized that to bring about a successful transformation, he had to build an effective leadership team of trusted specialists in strategic areas, including in 2011:

- SVP of global operations for D+M Group Trevor Deighton, responsible for supply chain, manufacturing, and procurement and formerly VP of global operations for consumer and industrial products at Black & Decker.
- VP of global marketing and training Don Freeman, to develop and implement marketing strategies across each region and to increase brand awareness and increase market share.
- Global CIO for D+M Group Scott Strickland, to partner with the business to deliver innovative web solutions, stable applications, and a robust cloud infrastructure to underpin the transformation. Strickland was director of customer-facing systems and strategy at Nissan/Infiniti Americas and, prior to joining D+M, CIO at Black & Decker's hardware and home improvement group.
- VP and GM of Americas sales Kevin Zarow, a consumer electronics veteran of 23 years, to oversee sales and operations in the Americas for the Denon, Marantz, and Boston Acoustics brands.
- President of Europe, China, and rest of Asia Terry O'Connell, to perform a similar role to Zarow for these regions. O'Connell served as managing director, UK, for Marantz for 13 years and from 2009 as managing director for Marantz Europe, where he achieved success in turning the company around to profitability following several successful restructuring initiatives.
- SVP of global human resources Bob Zierk, to develop and implement an HR strategy to support the transformational business strategy. Zierk was president of HR for the hardware and home improvements division of Black & Decker.
- General counsel David Meisels, who oversees all of the company's legal and intellectual property matters, including patents, trademarks, and litigation. He has led D+M's in-house legal team for 15 years.

The leadership team has also expanded to increase the speed of innovation and improve its finances:

- In 2012, Brendon Stead was appointed SVP of global product development to lead the worldwide product and engineering teams across all product categories. He was president of Altec Lansing, where he played an instrumental role in the sale of its HEOS technology.
- In 2012, Peter Celinski was named VP and CTO of the D+M Group to provide transformational technology leadership. He co-founded Avega Systems based in Sydney, Australia, which was focused on networked media streaming and was acquired by Altec Lansing in 2010.
- Jorge Garcia was promoted to CFO in November 2015 with responsibility for regional finance organizations worldwide and corporate controllership, FP&A, treasury, and tax.

The transformational journey started with culture

Caudill knew that no major business transformation could succeed until the focus and culture of the organization were aligned around a common purpose and guided by a set of core values to foster the right kind of behaviors as well as to empower employees to act in the right way. The team wanted to place the customer at the center of everything the organization does and provide a strong sense of common purpose:

*D+M Group is a global company dedicated to enhancing life through inspired sound solutions delivered anytime, anywhere. With a strong belief that "Performance is everything," we are focused on innovation to meet the needs of customers in an increasingly digital world. Our 1,000 employees worldwide deliver best in class product and service to more than 45 countries.*

The executive team invested time in visiting all the main regional offices and held town hall meetings to inspire employees. To improve morale, the team acknowledged that the company had been losing money but that the opportunity for winning in the marketplace would come about by a shared vision, a positive sense of purpose that places the customer at the heart of the business, and a set of what Caudill referred to as "winning culture values." These values are outlined in Figure 3.

**Figure 3: D+M winning cultural values**

<table>
<thead>
<tr>
<th>D+M VALUES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTEGRITY</strong></td>
</tr>
<tr>
<td><em>We address issues honestly and directly and keep our promises.</em></td>
</tr>
<tr>
<td><strong>INNOVATION</strong></td>
</tr>
<tr>
<td><em>We support creativity and encourage the development of new ideas, products, and processes.</em></td>
</tr>
<tr>
<td><strong>TEAMWORK</strong></td>
</tr>
<tr>
<td><em>We place the success of the company above the individual.</em></td>
</tr>
<tr>
<td><strong>EXCELLENCE</strong></td>
</tr>
<tr>
<td><em>We value our people, encourage their development, and recognize and reward their achievements.</em></td>
</tr>
</tbody>
</table>

Source: D+M Group 2016

These values of integrity, innovation, teamwork, and excellence were essential as a guidance mechanism as well as a means to drive high performance across the global enterprise.
HR introduced an annual appraisal system to monitor adherence to these values and which forms part of every employee's annual appraisal. If salespeople exceed their revenue performance targets but fall short on any of these values, they will not receive a bonus. The leadership team socialized these values with regular town hall meetings across the company every quarter in the first year of the transformation. Posters and billboards were placed in every office, factory, and warehouse as a permanent reminder of these values. These values are displayed very clearly on the D+M Group website's front page so that customers also know what to expect from D+M and its brands. One additional value that is not specifically covered above is that customers are trusted. This is reflected in a no-quibble returns policy.

From disparate systems to global standards, a bold start to gain support

CIO Scott Strickland found a highly fragmented IT landscape across each region and within each country. Customer service in particular was reactive, and customer data was transactional in nature and fragmented across multiple systems. Sales processes were inconsistent and supported by a variety of local CRM systems, which meant that opportunities were missed or not followed up effectively or in a timely manner.

The advent of social and peer-to-peer networks had multiplied sources and volumes of customer data, but the firm's marketing systems and marketing organization, which itself was fragmented, could not make use of this data to deliver personalized and relevant marketing campaigns or take advantage of word-of-mouth recommendations. This was a serious flaw in a company focused on consumers.

The suboptimal IT landscape built on a foundation of disparate and often disconnected back-office, production, and customer-facing enterprise applications also came at a high cost to maintain.

Focus on the customer, collaborate, and standardize at lower cost

Strickland recognized that to create a coherent and modern IT landscape, many of the systems, particularly those impacting customers, would have to be replaced and modern applications aligned around a common enterprise architecture that would support the growth and customer satisfaction objectives of the business. Fundamental to the success of his plan to reform the IT environment was gaining the support of business leaders across all regions. Many of the existing systems had been heavily customized, which made them expensive to maintain and unsuitable for an environment of rapid change.

To gain the support of his business colleagues, Strickland explained the need for modernization, greater process consistency, and standardization of systems to support the firm's growth strategies. That would include global standardization of systems to support sales, marketing, social interaction, insight, and service to support organizational effectiveness and provide a single view of the customer and related data. To foster a desire for his recommended IT transformation, Strickland promised to reduce ongoing IT costs by 50% and to replace the highly customized systems with modern applications, which would provide an 80% fit but would harmonize the environment and drive consistency and real-time insight. Financially, this was attractive, and fundamentally, it would enable marketing, sales, and service to collaborate more effectively in the interests of the customer and customer growth. This promise overcame local objections and fostered support from the enterprise business community.
A two-axis collaboration – geography and function

To reinforce geographical and cross-functional collaboration, one of the winning cultural values described above, the enterprise needed common platforms across all geographies as well as major improvements in cross-functional collaboration, especially among marketing, sales, and service. Prior to the transformation, these functions often worked in isolation, whereas to be effective they needed to work more like a relay team with a common goal. To properly support this new way of working, these teams would need an integrated set of processes mapped to customer journeys, unified customer data, and a customer engagement platform, as opposed to discrete and unintegrated siloed applications. The goal was to provide an insight-based approach that would drive relevant activities to engage with customers and prospects and generate growth and customer loyalty as a result.

The adoption of classic CRM systems, which typically record transactional activity but shed little actionable or contextual insight, would not support proactive customer engagement. What D+M needed was a customer engagement platform that would not only record transactional information about customers but also take into account each customer’s context and implied intent throughout the customer journey to trigger the most relevant response. That would also include a self-service capability where customers could get answers quickly and simply or, if they needed more advice, connect easily with a service agent. In addition, the contact center must also support cross-channel interactions and all D+M brands with a common knowledgebase.

Oracle CX Cloud Suite provides the customer engagement platform

D+M selected Oracle CX Cloud Suite as the foundation for its customer engagement platform. Applications included Oracle Customer Data Management Cloud, Sales Cloud, Social Cloud, Marketing Cloud, and Service Cloud, to provide an integrated environment to support teamwork across each functional area and meet all the criteria necessary to create a unified foundation for a more modern and customer-oriented cross-channel engagement capability. Oracle’s analytics also drives next best action to improve the relevance of information and content for each customer interaction as well as provide real-time reporting for the leadership team and those whose role demands it.

Build momentum through partial launch to create advocates

Before rolling out across all brands and geographies, Strickland tested it in the North American region with the Denon and Marantz brands. He partnered with his business sponsors – Jim Flatt and Allen Wellhoff – not only to prove the technology but to redesign the call center processes.

Innovation is reinforced through innovation leadership, deeper customer insights, and the artful use of data and IoT

In 2014, one of the first fruits of the reinvigorated focus on innovation under the guidance of Brendon Stead, SVP of global product development, who leads the R&D and engineering teams, was the development and launch of a range of wireless music system (WMS) for the home user and audiophile. Peter Celinski joined the company in 2012 as VP and CTO of the D+M Group and was
also deeply involved in the development and launch of the HEOS range. Celinski co-founded Avega Systems in 2004, a software technology company in Australia with a focus on networked media streaming, a critical element of the new HEOS range.

The HEOS WMS range is designed for the modern consumer who wants to play music from multiple sources, including online music services or libraries, Apple Music, Pandora, Amazon, and Spotify. The multiroom capability allows customers to place speakers throughout their homes and even outside. State-of-the-art sound quality was developed in partnership with Waves Audio to provide the discerning audiophile with a better sound experience. The entire system can be controlled from an Android or iOS smartphone, which makes it very easy and intuitive to control, without the need for any additional control device.

Beyond the technical specifications, considerable attention was paid to ensuring easy setup and use. The physical design of the speakers also ensures that they are an attractive addition to the home.

**HEOS was a disruptive and sticky innovation**

Although D+M brands had a good reputation among audiophiles for sound quality and performance, what made HEOS different was that it addressed the desire of the digitally connected consumer to be able to combine music from multiple online sources and also to be able to enjoy music throughout the home and even in the garden. Part of the setup process includes a software activation where the customer registers a purchase and then is entitled to regular software updates. That means D+M has direct contact with an identifiable customer.

Embedded sensors provide insight into which features and functions are most used or not used at all, so that D+M can proactively send personalized suggestions for getting the most out of HEOS. IoT feedback also provides useful insights for product improvements. Customers can name each speaker after the room in which it is being used, which makes it easy to remember and control. One segment of customers named a speaker "the bathroom." This alerted the development team of the need to ensure that speakers would function properly in a damp environment. HEOS now provides speakers that are better suited to the bathroom and was able to run a campaign directed at that customer segment.

**Engaged employees play a vital part in the successful launch of HEOS**

Service agents were encouraged to try out the HEOS system at home in advance of the launch. That gave them a visceral understanding of the setup process so that when customers sought help or advice, they could answer queries based on their own experience rather than rely on the knowledgebase or transfer the call to someone with deeper knowledge. That helped foster a more positive experience for the customer as well as the agent handling the query.

**Regular monthly meetings focus attention on performance and rapid issue resolution**

Every month, the leadership team – consisting of the CEO, CMO, CIO, COO, regional general managers, customer service directors, and regional heads (who also report in to the COO) – comes together to discuss the business and to highlight any issues or barriers to performance that must be dealt with urgently. The continuous stream of customer, sales, and product data enables the team to focus on what matters most to customers and also provides insight into business performance and opportunities for further improvement or growth.
NPS and product quality are key focus areas

Like many enterprises, D+M monitors customer satisfaction and Net Promoter Scores to provide an essential feedback loop between the company and its customers. Results are reviewed at the monthly leadership meetings. Any product issues are identified and carefully monitored until a resolution is achieved.

Now able to monitor customer journey behaviors through a variety of means

The HEOS brand has the added advantage of sending information to the cloud so that, in addition to monitoring usage patterns generally, individual usage can be understood (subject to privacy agreement from customers). Analytics within the integrated customer engagement platform provides insights into the paths traveled by customers, from initial search or response to a campaign through to purchase, delivery, registration, activation, and usage. The underlying search-to-buy path has already revealed that 40% of customers buy differently than anticipated. Journey mapping provided a proxy for how customers go from search through purchase, but the analytics revealed a significant variance. By gaining this real-time feedback right down to the individual buyer or household, the cross-channel journeys can be fine-tuned or developed for customer micro-segments displaying similar behavioral patterns. This rich insight also serves to improve the effectiveness of marketing campaigns. Activation requires customers to provide an email address, which means D+M can act proactively to support customers, perhaps notifying them of a potential component defect that might impact a particular batch of products or to encourage additional purchases based on current purchases and the potential to add speakers given the address of the customer and the number of rooms in the house.

KPIs for HEOS

A range of KPIs is monitored and discussed at the monthly leadership team meetings. These include:

- the number of registrations and home activations
- point-of-sale sell-through rates, down to the individual retailer or specialist store
- quality performance
  - failure rates for product activations and any open issues yet to be resolved
  - customer reviews from 0–5 stars and number of reviews
  - CSAT and NPS
- sell-in rates to retailers – the discounted price prior to sale by the retailer to the customer

Marketing impact is also monitored to improve effectiveness

With the advent of the Oracle CX platform, campaign effectiveness is monitored through A/B testing so that the optimum approach can be determined prior to full campaign launch. Through the deeper understanding of customer journeys, D+M has also improved marketing attribution, the cause and effect of particular strategies, and the impact on different customer or prospect segments or micro-segments.

Impact on service costs and issue-resolution times are monitored

The customer self-service capability has generated cost savings of between $90,000 and $180,000 per calendar month. Agent effectiveness has improved by 10%, with the percentage of long calls reduced from around 26% to 15% through better access to relevant information about the customer and also from the knowledgebase.
D+M Group exhibits the eight attributes of the customer-adaptive enterprise

What this case study reveals is that, with the right leadership, it is possible to turn a company around and make it far more responsive and relevant to its customers, and as a result deliver growth and profits.

The upshot of D+M’s cultural and business transformation has been a return to growth and profitability. The entire enterprise has played its part, which is why the annual Chairman’s Award has recognized individuals who have lived the winning cultural values and achieved excellence in performance. Winners have included factory workers and services people. The firm also continues to innovate with HEOS WMS capabilities extending to the other brands. Customer experience continues to be an area of deep cross-functional focus, and feedback from customers provides a clear indication that the customer experience throughout their buying and ownership journeys is rated highly.

Critical to success has been to create a coherent and purposeful organization (visionary leadership) that inspires employees to play their part fully (engaged workforce), working together and across former departmental boundaries (collaborative), using customer insights (acute sensing) to deliver a positive customer experience throughout each customer journey (rewarding omnichannel CX), creating new and highly differentiated value (continuous innovation), supported by processes that span the value chain and are fit for purpose (adaptive simplified processes) and underpinned by an enterprise architecture that allows for rapid adaptation and supports the strategic direction and purpose of the enterprise (adaptive enterprise architecture).

D+M is on the customer-adaptive trajectory

Based on the maturity model in Figure 4, D+M is advancing rapidly to a customer-adaptive state.
Prior to the new leadership team, D+M Group exhibited characteristics that are typical of many enterprises in what we term a "departmental" state, plagued by internal silos and lacking the means to deliver a consistently positive customer experience. Shortly after Caudill appointed his leadership team, the foundations were put in place to reorient the company around customers – operationally connected. Once customer journeys had been mapped and supported by a more integrated and adaptive customer engagement platform with a unified view of customer data, the firm advanced quickly to the customer connected level, with integrated channels and real-time intelligence to drive insight and next best action. With the advent of HEOS and use of IoT data, the firm has in part moved to the most advanced customer-adaptive level. Once these IoT-sensing capabilities become pervasive throughout all the firm’s brands, D+M will be in a position to sense, respond, and adapt at the right frequency to achieve persistent customer relevance, building on the twin engines of growth: a superior and highly differentiated omnichannel-delivered customer experience and continuous innovation.

Figure 5 outlines the journey D+M has taken to becoming a customer-adaptive enterprise.
Appendix

Methodology

Ovum Enterprise Case Studies leverage in-depth interviews with key enterprise stakeholders as well as a review of any available documentation such as strategic planning, RFP, implementation, and program evaluation documents.

Further reading

"If you are not customer-adaptive your survival is at risk," IT0020-000178 (February 2016)

The Customer-Adaptive Imperative, IT0020-000091 (March 2015)


How to Develop an Omnichannel Customer Engagement Capability, IT0020-000108 (April 2015)

The State of Customer Experience, IT0020-000225 (September 2016)

Author

Jeremy Cox, Principal Analyst, Customer Engagement Practice
jeremy.cox@ovum.com

Ovum Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum’s consulting team may be able to help you. For more information about Ovum’s consulting capabilities, please contact us directly at consulting@ovum.com.

Copyright notice and disclaimer

The contents of this product are protected by international copyright laws, database rights and other intellectual property rights. The owner of these rights is Informa Telecoms and Media Limited, our affiliates or other third party licensors. All product and company names and logos contained within or appearing on this product are the trademarks, service marks or trading names of their respective owners, including Informa Telecoms and Media Limited. This product may not be copied, reproduced, distributed or transmitted in any form or by any means without the prior permission of Informa Telecoms and Media Limited.

Whilst reasonable efforts have been made to ensure that the information and content of this product was correct as at the date of first publication, neither Informa Telecoms and Media Limited nor any person engaged or employed by Informa Telecoms and Media Limited accepts any liability for any errors, omissions or other inaccuracies. Readers should independently verify any facts and figures as no liability can be accepted in this regard – readers assume full responsibility and risk accordingly for their use of such information and content.

Any views and/or opinions expressed in this product by individual authors or contributors are their personal views and/or opinions and do not necessarily reflect the views and/or opinions of Informa Telecoms and Media Limited.
CONTACT US

www.ovum.com
analystsupport@ovum.com

INTERNATIONAL OFFICES
Beijing
Dubai
Hong Kong
Hyderabad
Johannesburg
London
Melbourne
New York
San Francisco
Sao Paulo
Tokyo