

Living Customer Focus from the Top Down

A conversation with Geert Van Kuyck, CMO, Royal Philips Electronics N.V.

Gerard Kleisterlee is the President and CEO of Royal Philips Electronics. Not so long ago, he reached a bold conclusion: His business had to change.

To create the change they sought, Philips needed various types of support. For this they combined the skills of Bain & Company with those of Management Centre Europe.

How it all started

Philips would start looking outside its laboratory walls. Focus on more than technology or invention. It would collect business and consumer insights. Become a market-driven company. This was the only viable path to long-term profit and growth.

The Challenge

In 2005, Mr. Van Kuyck joined the team at Philips that was charged with exactly this mission. They quickly saw that things were easier said than done. "There are many wonderful marketing theories on how to become more market-driven. The real world problem is making sure that a business actually acts upon them. And usually, large corporations don't," said Mr. van Kuyck.

So right from the start he challenged the people around him. "Do we care enough about our customers to actually make this work?" Mr. Van Kuyck asked them. "Do our managers, our business leaders, care enough about our clients and consumers? Or do they only care about the short term P&L? Are they prepared to do whatever it takes to hit profit targets, regardless of the impact this has on our customer relationship?"

The answer was quite sobering. Philips did make investments in R&D and marketing so it would better understand the market and its needs. But many decisions still disregarded this knowledge.



Geert Van Kuyck, Chief Marketing Officer,
Royal Philips Electronics N.V.

"While we were starting to think outside-in, we weren't acting outside-in. This was a major problem. After all, it's easy to design a number of strategies and principles at a head office. Making sure that they are implemented everywhere the organisation touches a customer is something quite different," Mr. Van Kuyck said. "This wasn't just a gentle case of 'let's change our culture'. We needed to impact specific actions, behaviours and ways decisions were made throughout the business."

This meant going to the heart of the problem. The people at Philips needed to "believe" that a strong customer relationship was the key to future growth and profitability.

Not that they disagreed. In fact, when asked, most immediately volunteered suggestions for improvement. There was a strong awareness that this was a big opportunity for the company. It was just that very little was done about it.

About Geert Van Kuyck

Geert van Kuyck joined Philips as Senior Vice President of Global Marketing Management in fall 2005. As of 1 January 2008 he was appointed as Chief Marketing Officer. Previously, he was Vice President of Marketing for EMEA at Starbucks Coffee Company, where he helped to build the Starbucks retail business across Europe and the Middle East and was responsible for product category performance as well as marketing, communications and sustainability.

Before Starbucks, Mr. Van Kuyck spent almost 14 years with Procter & Gamble, holding various positions in Belgium, Germany, Switzerland and the USA, with a combination of local, European and global responsibilities across a diverse range of consumer businesses.

He is a Belgian national, graduated from the University of Leuven, Belgium and is based in Amsterdam, The Netherlands with his wife, son and daughter.

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**Bosphorus Bridge lit with LEDs**

Linking the continents of Asia and Europe, the Bosphorus Bridge in Istanbul now has a new decorative illumination with state-of-the-art LED systems from Philips. © PHILIPS

“Everyone knew it. Everyone saw it. But it was so difficult for people to actually MAKE a difference,” he said. “People had the feeling that things simply just couldn’t be changed. Some literally told me: ‘This will never work, this will never be approved, it does not matter enough to anybody’.”

Bigger than we thought

Mr. Van Kuyck’s years at Starbucks and Proctor & Gamble (P&G) had shown him the business impact of a strong customer relationship. This belief now needed to come to life in the Philips organisation. Businesses believe in facts and measurement. This pointed Mr. Van Kuyck to the Net Promoter™ Score (NPS). This metric measures the degree to which customers are willing to recommend a business to their friends or colleagues.

“Do our managers, our business leaders, care enough about our clients and consumers?”

“While it’s not the only measurement around, I thought it was strong because it is much more actionable than any of the traditional

customer satisfaction measures,” Mr. Van Kuyck said. “After discussing its application with Bain & Company, I came to the conclusion that it was a perfect way to make leaders at Philips accountable for client relationships in a quantitative and non-disputed manner.”

A series of pilot cases confirmed this. Not only was the NPS¹ measurement solid, it was also possible to connect the degree to which customers were willing to recommend Philips, to the growth of the business.

But then the complexities began.

“As we started rolling out the NPS we noticed that – to really make a difference – we would have to fundamentally intervene in the company’s incentive system, in the management cycles, the KPIs and the way we ran the business as a whole,” he recalled. This meant the project needed to evolve. From “nice research to check what customers thought”, it had to become a full-scale change management programme. And once the support and commitment of the senior management and the Philips board were obtained... it did.

Moving forward

To create the change they sought, Philips needed various types of support. For this they combined the skills of Bain & Company with those of Management Centre Europe (MCE). On the one hand, this allowed implementing an analytically sound business review and strategy process. On the other, Philips could address the capabilities

of its executive teams. Ensure they “moved to action” through a series of workshops. Traditional training, however, was avoided.

“We weren’t too interested in giving our people a generic training on the topic of NPS. With an e-learning module, 30 minutes and a few clicks you knew everything you needed,” said Mr. Van Kuyck. “Our goal was that people wanted to apply this knowledge in their business. We wanted to change their mindset. As such, we decided that traditional training modules would be completely useless.”

Instead, Philips and MCE developed a series of executive workshops. These were completely built around the various lines of business. They also fully integrated the NPS analysis which was done by Bain. Here, senior teams discussed their business results and formulated action plans. These plans were then picked up by the rest of the organisation. All while coming to grips with NPS and the financial impact of a strong customer relationship.

“What was really important is that nothing that we did was generic,” said Mr. Van Kuyck. “Everything was framed in the context of the business. In fact, every workshop was different. We started by reviewing the NPS principles and the specific business situation. Then we rolled up our sleeves to look at the ways in which we could address it. In other words, we were building capabilities while solving business issues at the same time. Teams from every function in the business saw how they could work together. Next time, they could do it on their own.”

Even so, it is not an easy process said Mr. Van Kuyck. “This was not simple to run. Because every situation was different, a standardised cookie-cutter approach wouldn’t work. But I think that both Bain and MCE, each in its own way, have fundamentally contributed to making this work.”

NPS today

Today, Philips is half-way through its journey. Initially, there was disbelief. But now the various business teams have truly embraced the market-driven direction. Also, the first results are showing. In the UK lighting business, minor changes were made in ordering, delivery and logistics. These have made a fundamental difference in the way customers perceive Philips. In the dental business, the latest innovations have doubled the NPS and country-by-country scores. Customer perceptions change as initiatives are implemented.

¹ Net Promoter is a registered trademark of Satmetrix, Bain & Company and Fred Reichheld. For more information about the Net Promoter™ Score, MCE recommend the book, *The Ultimate Question*, by Fred Reichheld, available at Amazon.com.



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“This is especially important in smaller markets” said Mr. Van Kuyck, “because they are the ones where word-of-mouth moves fastest. For instance, cardiologists world-wide are a relatively small group with very clear opinion leaders. If the word is that we are very good, you will immediately get a multiplier effect which grows the business.”

In fact, Philips has even pushed NPS thinking beyond its original box. NPS is now one of the five KPIs which the CEO and the senior management use to steer the business. They use it to decide which projects get funding and which don't. Which initiatives get prioritised? Even in acquisitions, NPS is part of the evaluation process. This way Philips makes sure it doesn't buy an “empty box”.

The journey ahead will now bring consistency in execution. Every time a customer gets “touched” by the Philips business, the relationship needs to strengthen. This will then lead to the sustainable growth acceleration this programme is all about.

Customized solutions for customer focus

The theory of customer focus is easy. First you figure out what your customer really wants. Then, you make sure your business gives it to him. But anyone who's tried to get his business to focus on the customer knows different.

There is no “one path” to customer focus. Every business needs to find its own path. That means that we at MCE cannot provide a magic formula to success. We can offer you a number of lessons we have learned from working with people just like yourself.

It's more than just research

Philips has learned these lessons well. It is a € 26 billion giant with operations in every part of the world. What if you are the country manager of a chemical company? Or the head of sales & marketing of an engineering firm? How should you proceed? Here Mr. Van Kuyck offers a few pieces of advice.

“The first thing to do is to realise that you are dealing with people. Your customers are people. The relationship you have with these people is fundamental to your business,” he advised. “As a business you have to believe that. If this common belief does not exist, you have to provide hard proof and convince the people that it does matter. After all, most businesses still instinctively optimise for themselves and not for the customer. Accurately addressing needs for both creates superior value for both in the long run.”

But belief is not enough. You need measurements and accountability.

“On the one side you need a system that holds your management accountable for the client relationship. On the other hand you need to make sure that the [NPS] analysis does not remain a piece of research,” said Mr. Van Kuyck. “It needs to get operationalized. If you can achieve this then you have a chance to start changing behaviour. If not, you'll get stuck in nice market research and boring presentations with lots of talk yet little action.”

And above all, you need to ensure that the senior leadership of the business supports the direction. If they do not truly “commit”, all structural efforts to build strong customer relationships will fail. This one really starts at the top.

A positive result

“I think that MCE has been very flexible to really think with us to truly tailor, and occasionally challenge back with different opinions. And this has led to a series of workshops which was very focused on the needs of the business. I have really appreciated this flexibility and thinking in this way.”

- Geert Van Kuyck

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