

Chartered Marketer CPD Workshop Building a Customer-Centric Organisation

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1. OVERVIEW

The customer-centric story begins....

An organisation makes it through the starter blocks that holds 90% of its peers back at the gates.



Perhaps because they acknowledge that.....

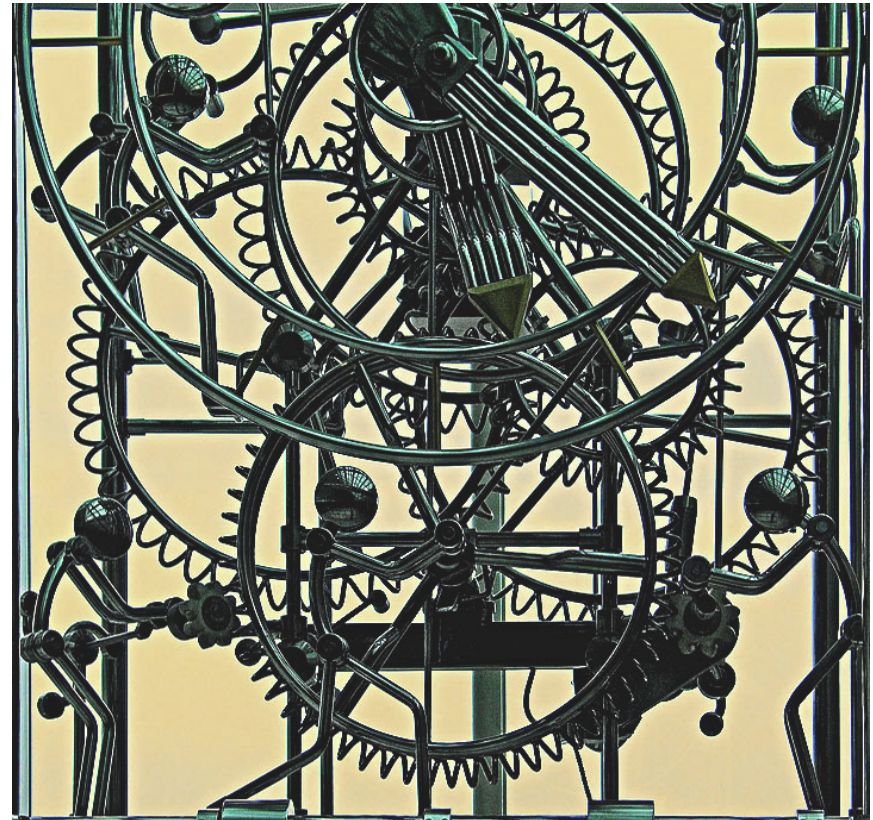
It's the customer who determines what a business is. For it is the customer, and he alone, who through being willing to pay for a good or service, converts economic resources into wealth, things into goods

Peter Drucker – sometime in the 1960's



Life gets more complex.....

- Increased competition
- Deregulation
- Changes in the industry value chain
- Customer fragmentation
- Technological innovation
- Product proliferation
- Expectant shareholders



Resulting in..

- Information overload
- Silos
- Frequent restructures and project launches
- Cultural dilution
- Short term focus on the bottom line



The employee response?

Those of us working inside the organisation have learned that success can be achieved most easily through compartmentalising our work and focusing on specific standards.

These separate standards inhibit executive leadership's ability to comprehend and manage their company's total situation with customers, as they are served up only a slice of how the company performs, silo by silo.

What does it mean for the customer?

The customer becomes the grand guinea pig experiencing each variation of an organisation's ability or inability to work together

Bliss 2006



Customer confusion manifests.
And so the rallying cry is made:

“We must become more
customer-centric!”

If we can muddle up who, coffee and rice, perhaps we need to ask...

- What is customer centricity?
(and what is it not?)
- Why does it matter for us?

The buzz words abound..

- **Market-driven companies** develop appropriate products and the desired image for their target segments based on market research
- **Customer-driven companies** target “segments of one” and conduct “relationship marketing” to deliver customised value configurations
- **Market-driving companies** create new markets and revolutionise existing industries through radical business innovation

And then there's Market Orientation:

The organization culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and thus continuous superior performance for the business (Narver and Slater 1990)

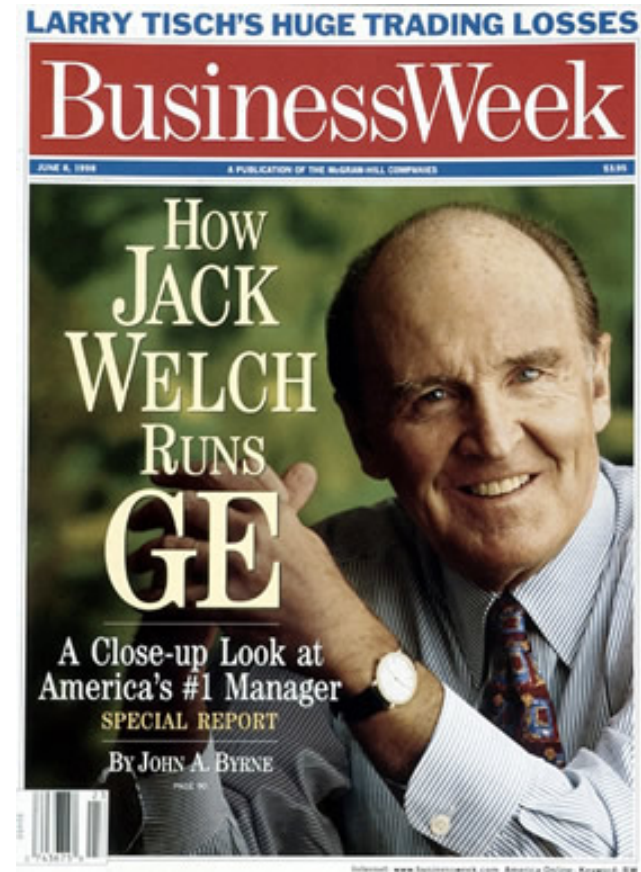
The organisation-wide generation, dissemination and responsiveness to marketing intelligence (Kohli and Jaworski 1990)

The capabilities required for true customer-centricity go far beyond just placing the customer prominently on the company radar screen.

(Galbraith 2005)

We've been inside-out for over a hundred years. Forcing everything around the outside-in view will change the game.

Jack Welch Ex-Ceo GE



What's involved?

- Profound customer intimacy, which informs
- Customer-focused strategy which informs
- System alignment to deliver, measure and evolve

The journey today...

- Setting the scene
- Customer intimacy
- Customer strategy
- Organisational alignment

2. CUSTOMER INTIMACY

Being in touch with customer needs is important.
But perhaps even more important when needs
are changing.

Michael Dell

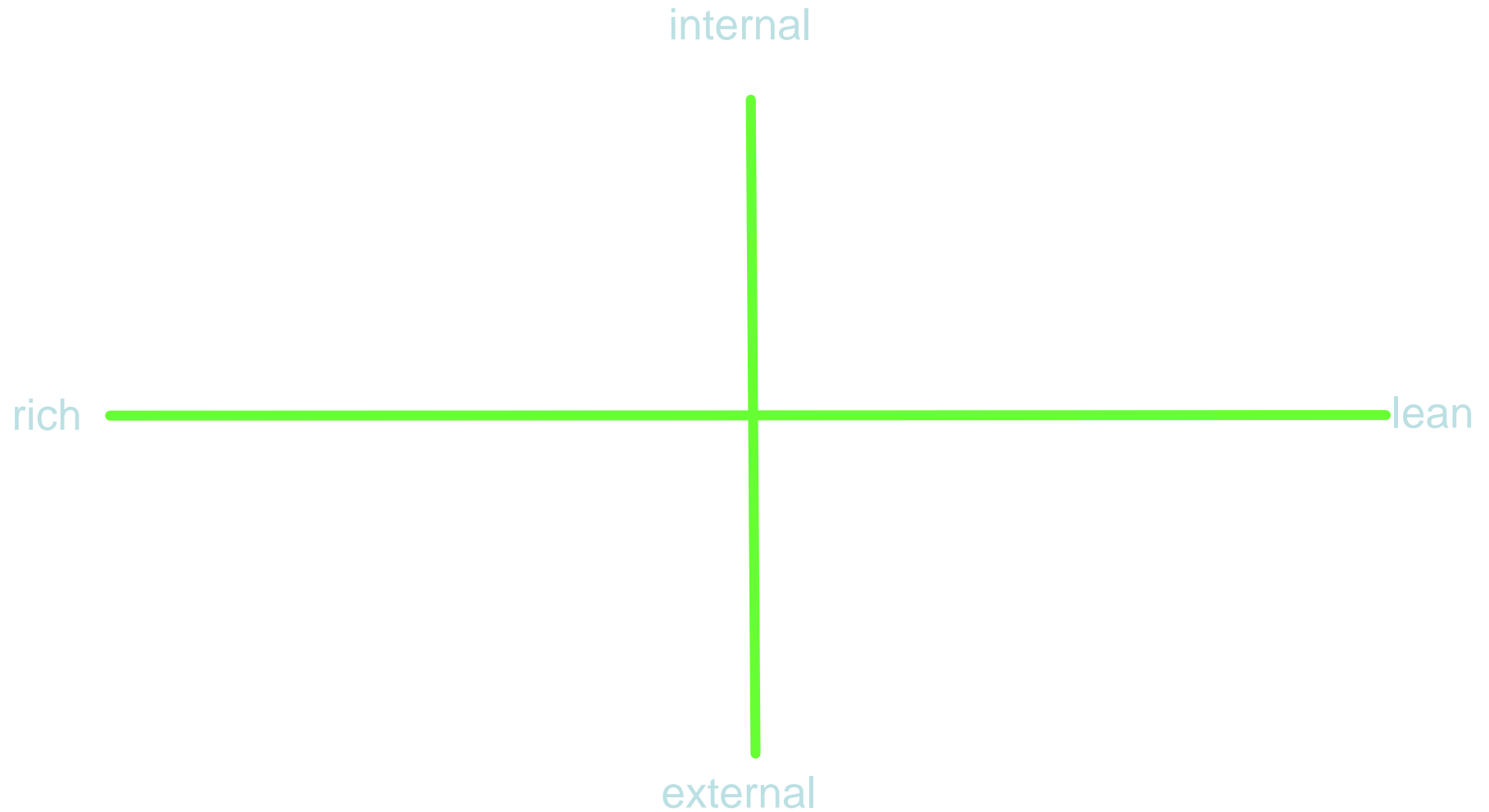
The greatest competitive advantage in the
information technology industry is no longer
technology. The winning edge comes from how
you help customers use technology

Lou Gerstner

Customer-focused companies... know that they can become customer-focused only if they learn about their customers at the most granular level, creating a comprehensive picture of each customer's needs – past, present and future.

Gulati and Oldroyd – HBR 2005

How do we learn about customers?



Personally, I would much rather talk with three homemakers for two hours each on their feelings about, say, washing machines than conduct a 1000 person survey on the same topic. I get much better insight and perspective on what customers are really looking for.

Source: Kenichi Ohmae

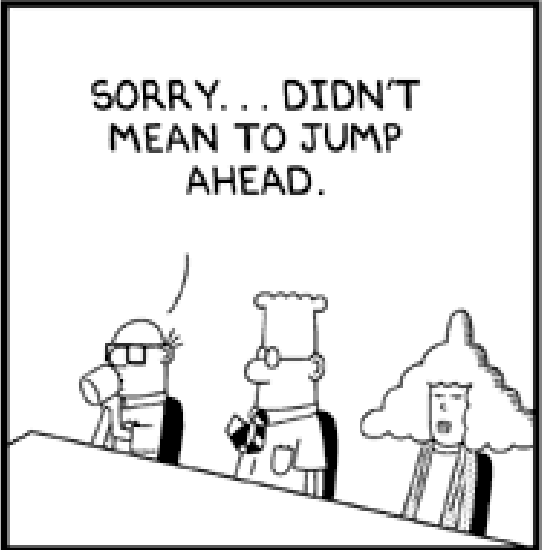
3. CUSTOMER FOCUSED STRATEGY



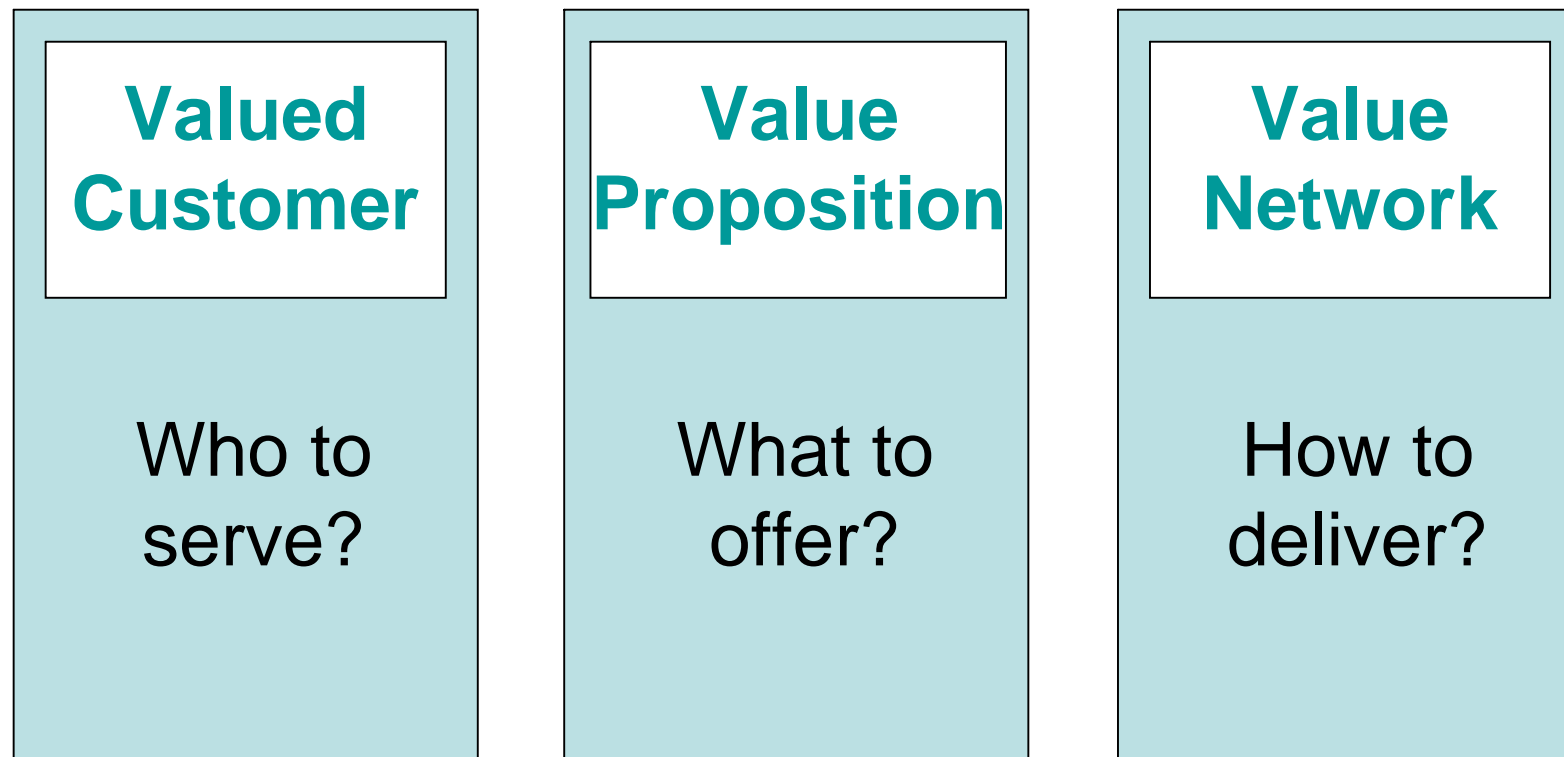
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Comprises 3 key components:



**Valued
Customer**

Who to
serve?

Valued customers must be...

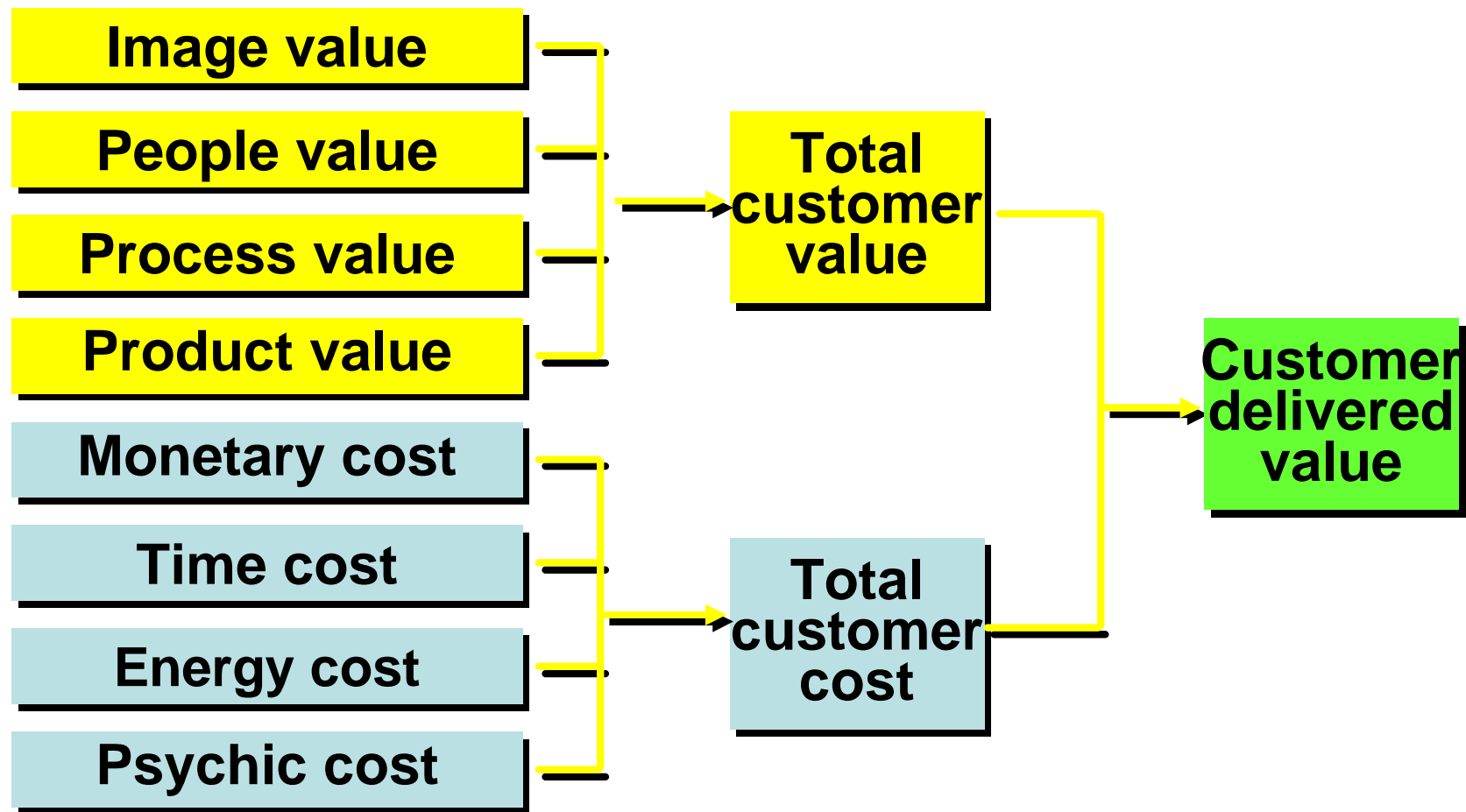
- ✓ **Defined** in terms of **who** they are, what **benefits** they seek, **how they buy** and what **their value** is to us
- ✓ **Understood** across the organisation (either as segments of 1 or as members of groups)



**Value
Proposition**

What to
offer?

Conceptualising Value



Adapted from Kotler and Keller 2006

VALUE PROPOSITION:	ALL BENEFITS	FAVORABLE POINTS OF DIFFERENCE	RESONATING FOCUS
Consists of:	All benefits customers receive from a market offering	All favorable points of difference a market offering has relative to the next best alternative	The one or two points of difference (and, perhaps, a point of parity) whose improvement will deliver the greatest value to the customer for the foreseeable future
Answers the customer question:	"Why should our firm purchase your offering?"	"Why should our firm purchase your offering instead of your competitor's?"	"What is <i>most</i> worthwhile for our firm to keep in mind about your offering?"
Requires:	Knowledge of own market offering	Knowledge of own market offering and next best alternative	Knowledge of how own market offering delivers superior value to customers, compared with next best alternative

What prevents customers from deriving value?

Over the years the organisational model has been cast as pushing widgets out the door. What goes out is defined by the traditional silos created to drive competency vertically.

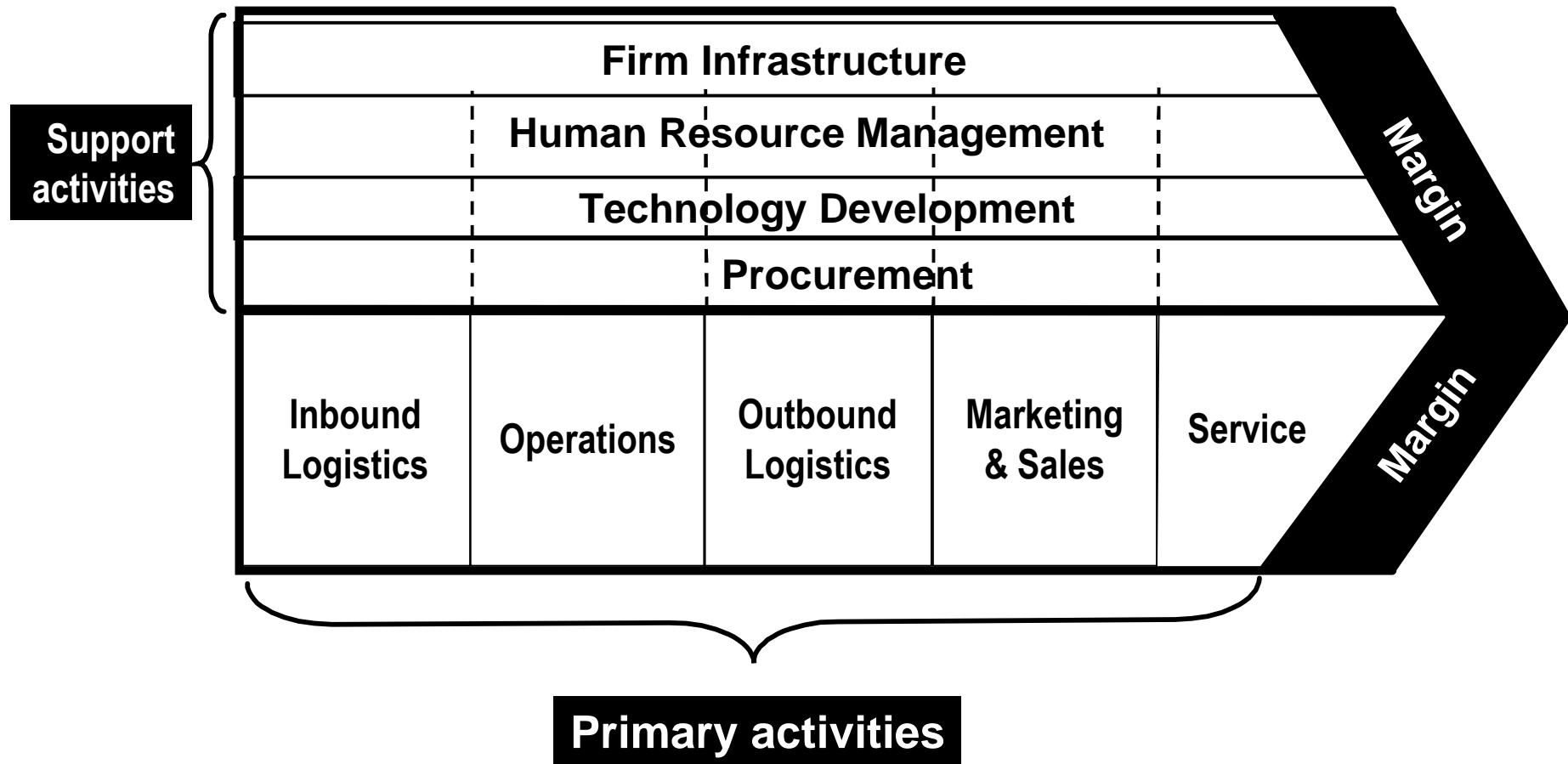
The customer experiences the company horizontally across silos. The typical silo structure bumps the customer disjointedly along to deliver the outcome of the experience.

The bottom line – the organisations we've built, the ways we've compensated and motivated people, and the accountability we've demanded have created a neat and ordered world for us to run our businesses. But for the most part, we've let down our customers.

Source: Bliss 2006

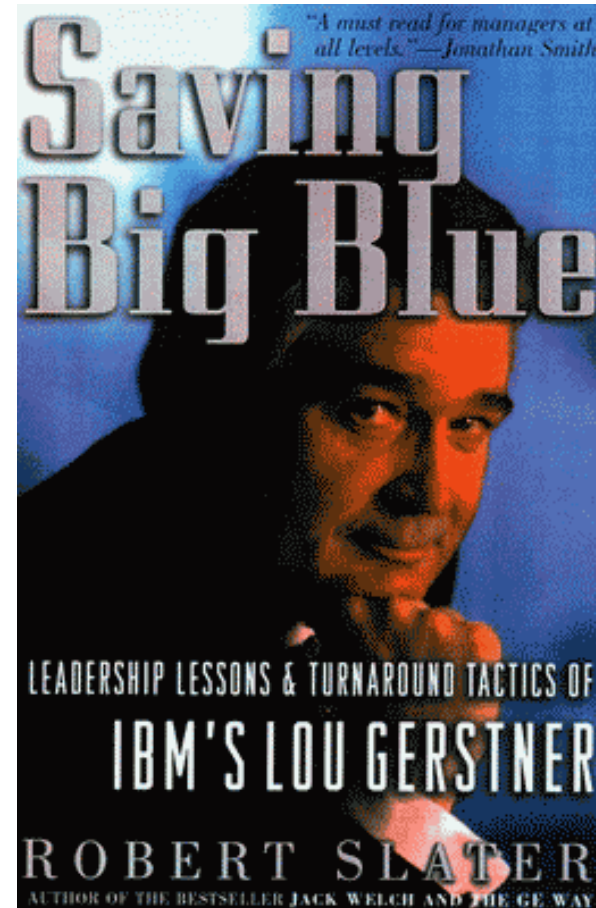
4. ORGANISATIONAL ALIGNMENT

The Generic Value Chain

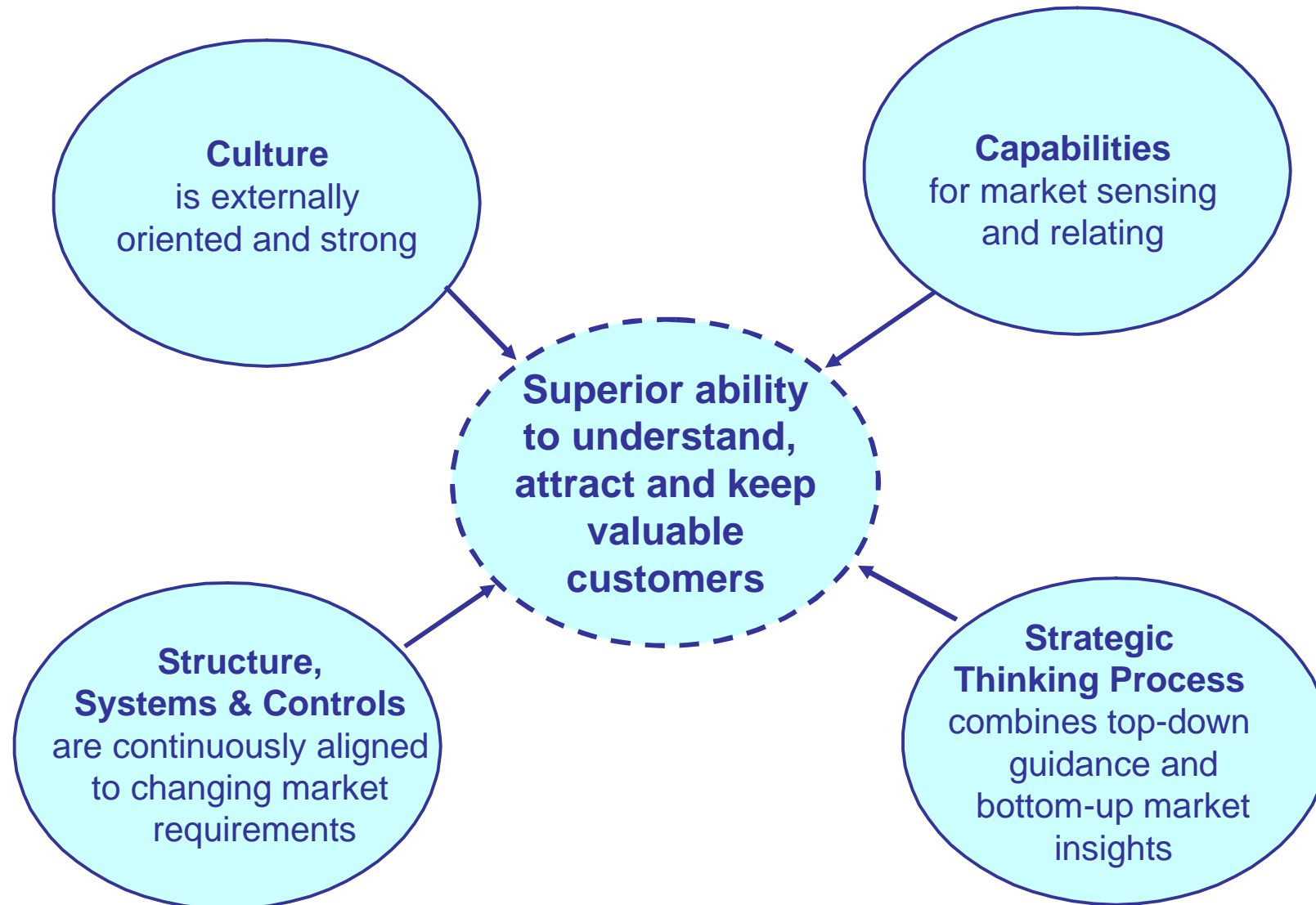


I came here with a view that you start the day with customers, that you start thinking about a company around its customers, and you organize around customers

Lou Gerstner - IBM



Drivers of Customer-Centricity



Conceptualising the customer-centric company...

Strategy	Product-centric	Customer-centric
Goal	Product leadership	Best solution
Main offering	Product	Package of product, service, support, education and consulting
Core competence	Product expertise	Customer understanding and customisation
Most important customers	Largest product revenue providers	Most profitable, loyal customers
Priority setting basis	By product portfolio	By customer portfolio
Pricing	Cost plus	Value based

Adapted from Galbraith 2005 and Shah et al. 2006

Conceptualising the customer-centric company...(contd.)

	Product-centric	Customer-centric
Structure	Product profit-centres, reviews and teams	Customer segments, teams and P & L's
Process emphasis	New product development	Customer experience management
Metrics and rewards	No. of & revenue from new products, market share	Customer share, satisfaction, lifetime value, retention
Hire people to	Develop new product ideas Manage a product life cycle	Add value to the customer's life Search for customer needs to satisfy

Adapted from Galbraith 2005 and Shah et al. 2006

It's an organisation-wide initiative

Function	Role
CEO	Support to build a customer focused organisation
CFO	Funding for customer-centric initiatives
COO	Planning around a customer-centric experience
HR	Recruitment, development and reward systems that make all employees customer-oriented
CIO	Information systems that give an integrated customer picture and are easy to use
R & D	New products and processes that provide customer value, differentiated features and speed to market

So what for marketing?

“The solution isn’t to redraw boxes and lines on the organisational chart, but rather to enhance the connections among the various actors needed to generate and act on cell-level insight”

Forsyth, Galante and Guild,
McKinsey Quarterly 2006, 3

