

Customer-Centricity Maturity – A Spectrum

Globalisation and technology have unleashed forces of change that demand more agile organisational responses to this shifting competitive landscape. While Forrester Research and others proclaim the Age of the Customer is here, the type of response and the degree of challenge in transforming organisations to develop and strengthen customer-culture will differ.

Simple Centricity Yardstick

To illustrate the point, consider the table below: **Organisation Focus: Product –Centricity v. Customer-Centricity** as a simple yardstick. If we utilise the McKinsey 7-S Framework which focuses on key elements that influence an organisation's capacity to adapt and change in pursuit of organisational effectiveness, we can observe significant differences between a product centric and a customer centric organisation.

Strategic Dominance

Historically, the emergence of customer-focus strategies roughly parallels the major ages of strategic dominance, reflecting differing sources of strategic competitive advantage. In the first half of the last century companies achieved economies of scale in mass manufacturing of products. This gave way to distribution and marketing advantages. In the new millennium digital technologies have underpinned competitive advantages of leaders in the information economy. The accelerated development of data gathering techniques and analytics have enabled detailed tracking of customer interactions to improve all aspects of the customer experience. This has been an important pre-cursor to development of customer-focus strategies.

Customer-Centricity Maturity

Today, customer-centricity *maturity* ranges from narrow or limited customer focus in product centric organisations, to increasing focus on customer experience. In the extreme, customer-obsessed organisations subscribe to immersive, laser focused, customer centricity, enacted through the activities, skills, processes, systems, structures and culture of an organisation, aligned with its business strategy. The customer is at the core of everything companies like Google, Amazon and Virgin do.

X-Centricity

If Product-Centricity and Customer-Centricity are at opposite ends of a continuum, reflecting levels of customer-centricity maturity, using the table below, what characteristics are evident in your organisation? Where does your company currently sit on this spectrum? Are you at the product-centric end, at the pointy end of customer-centricity, or is there a mix of observable characteristics with a foot both camps?

Now more specifically, consider elements of marketing, sales, service delivery, and the performance measures that drive behaviour and reward performance. What are you doing well? What needs to change? What's the ONE thing you could do right now to protect your most important asset? (Hint – without them you don't have a business!)

The significance of these sorts of questions is at least two-fold:

Are You Paying Attention?

If you are not paying attention to your customers and listening intently to them they may not be your customers near, or long-term. The most recent US research suggests that in global B2B companies the full value of the relationship is being tapped in only 29% of customers. The other 71% are either indifferent toward your company or actively disengaged.

How many millions of dollars' worth of business are you leaving on the table because you are not close enough to your customers, and don't fully understand their business and extent of the mutual opportunities afoot?

Cuisine Cruncher

Secondly, companies that do not get good at customer growth strategies (acquisition, retention and advocacy) will become vulnerable to external forces of change, and risk dis-intermediation from customers, takeover or even extinction. Don't believe me? Then look at the world-wide trend. According to Forrester Research, the number of companies on listed stock exchanges has almost halved in the last 20 years. Globalisation, digital disruption and takeovers are making a corporate meal of it all. If, as Peter Drucker says, "Culture eats strategy for breakfast," what's for lunch? Make sure it's customer culture and customer-centricity, not product strategy left-overs!

Food for Thought

If you could find a way to increase your customer-focus by strengthening your organisation's customer culture, and for every 10% improvement in customer-centricity it delivered a 4% improvement in your company profitability, why wouldn't that be worth having a conversation about right now?

To learn more about strategies to increase customer engagement, improve relationship quality, and strengthen your customer culture, download our **CustomerWise Whitepaper on "Customer Focus: How to drive superior performance and profit growth through customer-centricity."** Or perhaps let's just have that conversation.

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Organisation Focus: Product Centricity v. Customer Centricity

Business Focus		Product-Centric	Customer-Centric
McKinsey 7-S Framework	Strategy	<ul style="list-style-type: none"> • Create the best product • Product – making, marketing, selling, delivering, satisfying customers 	<ul style="list-style-type: none"> • Create the best solution for the customer • Customer – acquiring, keeping, collaborating, serving, delighting
	Structure	<ul style="list-style-type: none"> • Product divisions with P&L • Rigid organisational boundaries • Organisational silos control resources • Limited trust across organisational boundaries 	<ul style="list-style-type: none"> • Customer segments with P&L • Cross-functional teams • Shared organisational resources • High degree of organisational trust
	Systems/ Processes	<ul style="list-style-type: none"> • New product development • Product management • “One size fits all” processes • Customisation adds complexity (and cost) 	<ul style="list-style-type: none"> • New solution development • Customer experience management • Tailored/customised business streams • Balance between customisation and complexity
	Style (Leadership)	<ul style="list-style-type: none"> • Product-centric culture (company first) • Internally focused • Individualistic, top down • Centrally driven, decision-making power limited in the field, based on hierarchical lines of authority 	<ul style="list-style-type: none"> • Customer-centric culture (customer first) • Externally focused • Organisation/team with customer at centre • Decentralised decision-making; innovation and authority at the frontline with the customer (empowered employees)
	Staff, Skills & Shared Values (Culture)	<ul style="list-style-type: none"> • Left brain, X-type people • Incentives and performance rewards based on product economics (product sales) and individual and business unit performance • Rewards new product development • Competition 	<ul style="list-style-type: none"> • Right brain, Y-type people • Incentives and performance rewards based on customer and segment economics (relationship quality) and team performance • Rewards people with deep insight into customers • Collaboration
Marketing, Sales, Service Delivery, KPIs	Marketing Strategy & Planning	<ul style="list-style-type: none"> • Competitive obsession • Planning and consistency 	<ul style="list-style-type: none"> • Customer obsession • Agility and responsiveness
	Market Focus	<ul style="list-style-type: none"> • New customers, existing products • Treat customers equally 	<ul style="list-style-type: none"> • Existing customers, new products • Treat customers differently
	Value Proposition	<ul style="list-style-type: none"> • Narrow defined • Best product • Add value through features • Wide range of products • Product management • Technological innovation • Managing product portfolio 	<ul style="list-style-type: none"> • Broadly defined • Best relationship • Add value through service • Personalise solutions • Relationship management • Market innovation/co-creation • Managing customer portfolio
	Pricing Proposition	<ul style="list-style-type: none"> • Margin driven • Financial value of the customer 	<ul style="list-style-type: none"> • Value driven • Customer value created
	Distribution	<ul style="list-style-type: none"> • Selling and delivering • Customers come to us • Connect with channel intermediaries 	<ul style="list-style-type: none"> • Collaborative and enabling • We go to customers • Connect with end users
	Sales	<ul style="list-style-type: none"> • Perceived as outsider selling in • Selling and delivering • Sales driven, push 	<ul style="list-style-type: none"> • Working as an insider, co-creation • Collaborating and enabling • Buyer driven, pull
	Promotion	<ul style="list-style-type: none"> • Broadcast campaigns • Mass media, event marketing • Awareness and attraction • Product features & benefits 	<ul style="list-style-type: none"> • Personal conversations • Experiential, personalised • Engagement and retention • Customer advocacy
	Customer Relationships	<ul style="list-style-type: none"> • Short term transactions • Fixing problems 	<ul style="list-style-type: none"> • Long term relationships • Ongoing feedback to improve
	Customer Orientation	<ul style="list-style-type: none"> • Product driven • Separate transactions at a point in time • Product life-cycle focused 	<ul style="list-style-type: none"> • Solution driven • Build customer insight at each interaction • Customer life-cycle focused
	Service Delivery	<ul style="list-style-type: none"> • Efficiency • Problem management 	<ul style="list-style-type: none"> • Experience • Personalised/customised
	KPI & Profit Measures	<ul style="list-style-type: none"> • Product profit centres • Revenue and volume • % market share • % new products • % satisfaction 	<ul style="list-style-type: none"> • Customer profit centres • Profit and value (eg.Customer Lifetime Value) • % best customers • % wallet share • % advocacy

Source: Adapted from “Customer Genius: Becoming a Customer-Centric Business”, P. Fisk, 2009; “The Customer Centric Organisation”, Booz & Co 2004; “The Customer Culture Imperative”, Dr L Brown and C Brown, 2014; McKinsey 7-S Framework.