Udo Klein-Bölting, Smaranda Munteanu

Customer centricity utopia – insights into the change of process and process of change

In times of uncertainty with volatile market conditions there is only one constant: the customer.

As early as the 1970s, there was a paradigm shift from a manufacturer market with an asset-oriented production philosophy to a customer-driven market. Whilst this theory is presented in most marketing books and acknowledged by virtually all companies, most market players still face difficulties becoming a truly customer-centric organization. Many companies understand the need to create a customer-focused business model, but lack the skills and capabilities to roll this out throughout the organization.

During the past few centuries many companies have struggled to adapt to steadily changing customer needs. Losing their edge meant for some of them not only giving up their leading market position, but even filing for bankruptcy. Kodak and Nokia are emblematic examples of companies that failed to embrace the change. What do these companies have in common? They lost touch with their customers during digital Darwinism.

Digitalization not only enabled companies to improve their technologies, but also led to increasing customer power. Customers have become increasingly conscious, connected and vocal. Empowered customers quickly learned to use the transparency created by digitalization to express their wishes and, more dangerously for companies, their opinions.

Through digitalization new channels, new types of communication with customers and new touchpoints emerged. A seamless multi-channel interaction is no longer hype; rather it represents the challenge companies are facing in their day-to-day business. Marketing scholars and experts tried to simplify the complexity by defining patterns of interaction – customer journeys. However, the individuality of customers makes it hard to fit them to stereotypes. Customers increasingly require a personal, individual experience in their interaction with companies.

Customers can be merciless when disappointed – more than 50 % of customers do business with a competitor after a poor customer experience, but they can also be very rewarding to companies that understand them and their needs and wishes. Our studies have shown that some 40 % of customers are willing to pay up to 20 % more for a better customer experience.

Improving customer experience has been shown to have a positive impact on revenue and to sustainably strengthen the bottom line. In our experience, companies that enhanced their customer centricity and as a consequence enabled better customer experiences have seen their customer satisfaction and retention rates soar. Satisfied customers tend to buy more, are more loyal and share their experiences, not only with family and friends, but also with the whole online world. Synergies created by increasing the share of wallet while focusing on customer retention and development lead to a sustainable cost reduction through internal efficiency. By creating a customer-centric operating model, companies also manage to succeed in improving their marketing spending effectiveness and decrease the risks and costs associated with new product development (see fig. 1).

Nevertheless, the correlation between customer centricity and increased profitability is no coincidence. In our experience, customer centricity and customer experience represent two sides of the same coin. Customer centricity embodies the adaptation and alignment of an organization with customer needs, while customer experience encompasses the external effect of customer centricity – defined by the sum of direct or indirect interactions with a company.

The speed at which a company embraces customer centricity depends on the urge to change. Such imperatives are usually triggered by disruptive market conditions, threatening the existence of a company.

Our project experience has shown that although most companies aim to become customer-centric organizations, more than 50 % fail to align their functions and departments in order to deliver a positive and consistent customer experience at all touchpoints. Many companies still work within rigid structures characterized by silo mentality. Lack of communication and alignment between departments leads to uncoordinated activities at various touchpoints. This not only leads to inconsistent
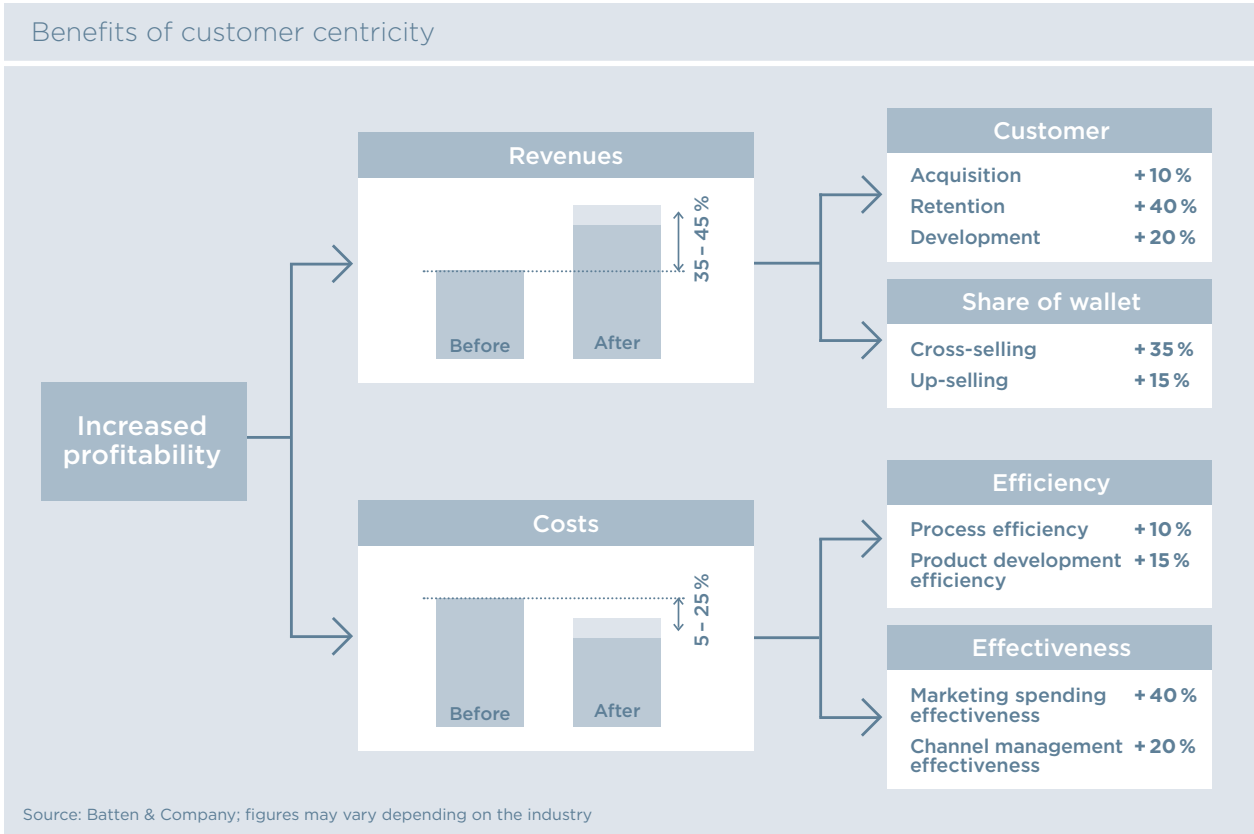
Benefits of customer centricity

Revenues				Customer	
				Acquisition	+10 %
				Retention	+40 %
				Development	+20 %

Figure 1: Benefits of customer centricity

Revenues (35 – 45 %) Before / After

Increased profitability

Costs (5 – 25 %) Before / After

Customer
Acquisition +10 %
Retention +40 %
Development +20 %

Share of wallet
Cross-selling +35 %
Up-selling +15 %

Efficiency
Process efficiency +10 %
Product development +15 %
efficiency

Effectiveness
Marketing spending +40 %
effectiveness
Channel management +20 %
effectiveness

Source: Batten & Company; figures may vary depending on the industry

Figure 1: Benefits of customer centricity

customer experiences and to a biased brand image, but it may also irritate, or in the worst case scenario annoy the customers. Moreover, one out of every three companies trying to embrace customer centricity claims to have an issue with creating a corporate culture which is aligned with customer needs, due to a lack of common understanding of customer centricity.

The Batten & Company approach to enabling customer centricity combines the change of process with the process of change. *Change of process* focuses on creating a customer-centric organization by breaking down the functional boundaries to allow an open flow of information and activities. *Process of change* requires embedding the customer-centric mindset into the organization throughout all hierarchical levels to become a meaningful part of the company's DNA.

Customer centricity is therefore not the sole responsibility of marketing departments, but rather a strategic organizational challenge deeply rooted in the business operating model of each firm.

Change of process

Organizations that are committed to customer-centricity "reverse" the value chain to deliver what customers truly value. Customers' needs, wants and priorities are the catalysts for developing products and services or selecting channels.

Aligning the various capabilities and linking product development, marketing and operations provides for coordinated decision-making regarding customer-oriented activities while taking into consideration not only the customers, but also

the interests and goals of all relevant internal stakeholders (see fig. 2).

1. Set up a customer insights & market intelligence capability

Understanding the customer is the essential prerequisite for enabling customer centricity. Many companies do indeed have a tremendous amount of information regarding the market and its customers but they usually fail to target the data and gather useful insights in a sustained and efficient way. The key is to understand the degree of customer centricity that customers expect and their value-drivers in order to optimize the outcomes within feasible given budget and schedule constraints.

2. Integrate insights into innovation and product development

The change process towards customer centricity also has a major impact on how companies develop their products or services from design to functionality through to pricing. Instead of focusing on existing assets, companies should consider customer needs and translate them into solutions. While this might sound trivial, it proves to be quite challenging to implement. It requires a change of perspective and new capabilities, especially for innovation and R&D experts. Listening to and truly understanding the customers might not always

give you the most engineered cutting edge solution, but there is no doubt that it pays off. In our experience, companies that integrate customer insights into their product development process have reduced their time to market, production costs and flop-rates. The higher the degree of customer involvement, the more successful the new product launch was.

3. Manage all touchpoints for a consistent cross-channel experience

Most companies are successful in managing individual touchpoints, such as sales reps, website or stores, all possibly delivering a series of positive experiences, but the true value of customer centricity means creating a consistent experience at all touchpoints throughout the customer lifecycle. Looking at the touchpoint landscape through the eyes of the customer helps companies to assess the role and importance of each touchpoint along the brand funnel.

4. Set in place a tracking and controlling system

Anchor the significance of customer centricity by linking it with measurable financial targets. Set quantitative and qualitative metrics that matter and enable companies to assess how good the perceived customer experience is, but also enable them to understand why.

Change of process

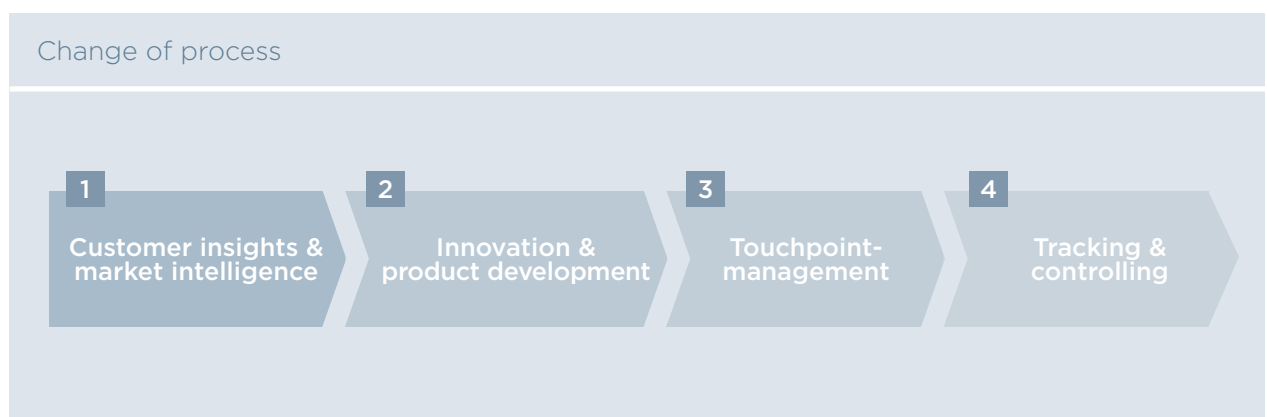| 1	2	3	4
Customer insights & market intelligence	Innovation & product development	Touchpoint-management	Tracking & controlling

Figure 2: Change of process

Process of change

Aligning the functions and reengineering the internal processes represents the foundation for becoming a customer-centric company. While the strategic concept behind that might be clear, there are many organizational and tactical questions to be answered regarding implementation. Although, from an objective point of view, the transformation journey towards becoming a customer-centric company embodies an evolution, it usually has the opposite effect on the organization, where people perceive it as a revolution. Both systems and people are reluctant to change and understanding this can make the difference between success or failure when implementing the new process. Our project experience has shown that most successful change programs have focused on people dynamic and their drivers to ensure prompt and enduring results.

In our experience, there are five success factors that enable organizational transformation and ensure lasting outcomes: Ownership, leadership, competencies (skills and training), as well as transparency and motivation.

1. Ownership

Developing and encouraging ownership for change initiatives ensures not only accountability, but also a sense of participation among people in the organization. While we strongly believe that it is essential to identify those employees in the right positions and with the appropriate mind-set to drive transformation, we also make a strong case for engaging all employees in order to create a common vision of change goals and ways to achieve them. People are more likely to support and adapt during the transformation process, if they are a part, rather than merely the consequence, of change.

2. Leadership

In a change management context, leaders have to be the constant during transformation, disseminating and embedding change in the organization. The decisive factor in acting as catalysts for organizational transformation depends on how leaders relate to change. In our experience, successful change leaders have two distinctive characteristics: leading by the power of example and understanding that change is an ongoing manageable process, not just a series of isolated events.

3. Competencies (skills and training)

By their very nature, change programmes require staff to have new or additional capabilities and skill sets. The decision as to how to secure the required know-how has a significant impact on the course of the change programme. Both developing in-house capabilities through targeted training or acquiring knowledge from external sources can be feasible methods, but it depends on the expected degree of change compared to the status quo, and whether the organization will accept and integrate it.

4. Transparency

As trivial as it might sound, transparency of actions and in communication is the decisive factor between whether or not people accept the change they are confronted with. Assessing and communicating the impact and consequences of organizational transformation in a transparent way increases the likelihood that people will accept or consider the adoption of change. However, a lack of transparency during the first stages of an organizational transition undermines the credibility of change leaders and minimizes the success rate of the initiative.

5. Motivation

From a psychological point of view, people are increasingly willing to embrace transformation, if this is correlated with a perceived and sustainable impact. The great art of motivating people is not to trigger a desired behaviour, but to make them desire that behaviour. In our experience, leaders that focused on intrinsic motivators, such as providing an environment that enables individual development to encourage the adoption of change have seen their actions bear fruit even after the change incentives have been diminished or removed.

Change management involves adapting processes and putting in place tools and mechanisms to make transformation possible, but true change requires people to adopt a new mind-set, work differently or develop new behaviours. By shifting focus from project plans and roadmaps to understanding what drives people to adopt the desired transformation, companies not only enable but also encourage change.

Conclusion

Market developments in recent years have massively impacted the way companies think of and interact with their customers. The urge to become a customer-centric organization has been amplified in recent years by the disruptive effect of digitalization, as it has been shown to have a direct link with financial performance. Many companies understand the need to improve the customer ex-

perience they deliver, but they struggle with implementation. The Batten & Company approach enables a sustainable transformation based on understanding what (change of process) and how (process of change) to change an organization to become customer-centric by breaking down the functional boundaries and redefining the organizational mind-set.