Managing your customer centric initiatives

As organizations around the world confront new economic realities, many find organizing an effective response in this highly complex, highly uncertain environment to be uniquely challenging. Their sense of heightened uncertainty and risk reflects a business landscape. The rapid advance of communication technology and electronic commerce has eroded customer loyalty by creating more convenient access to product information, purchase options and services. In mature economies, market saturation has slowed growth in many categories. In emerging markets, greater consumer spending power has drawn the attention of providers searching for fresh growth, spurring further cross-border competition.

Judging by the size of these investments there is a risk of Customer centricity being just another passing fad (think reengineering, six sigma, and the myriad of other buzzword programs that were sent to an early grave) looms large.

What we are hinting about here is a lack of basic controls and check mechanism. The ratio of the types of measures and tracking systems necessary to efficiently manage and deliver on their Customer centric commitments is far less than the number of new Customer centric investments and initiatives that are announced everyday globally. The brighter side is that effective Customer centric governance is fairly easy and inexpensive to put in place, but it does require that you make it a focus and priority, and assign to it an importance commensurate with all its other critical activities.

Organizations that truly deliver for customers know how they must evolve to meet customers’ priorities. It starts with understanding the role of culture and its impact; secondly articulating Your Line of Sight; thirdly describing (holistically) what success looks like; Fourthly Integrating your goals with your program’s initiatives; Fifth how do you review and manage your “pipeline” of improvements. Lastly, how do we measure progress periodically both at the program and activity level?

1 Introduction

Organization and nations since historical times are in the eternal quest of the Holy Grail to get the competitive advantage and build capabilities to sustain profits and growth. Gold and silver discovered in Americas and building of marine supremacy was a logical step in the direction during the 15 & 16 century. The birth of industrial powers and the capabilities to maintain colonial power to sustain market for the mass produced goods was the next step in the direction for adaptability and sustenance of profits & growth.

In the recent times, the Blue Ocean Strategy created by Kim and Mauborgne (2005) introduced a new way of thinking, a new strategic mind-set that charts a bold new path to winning the future. Customer centricity is an initiative in creating the Blue Ocean strategy for an organization during the turbulent times. Being customer centric as championed by Fader (2012) means looking at customer’s lifetime value and focusing marketing efforts squarely on real world high time value. However to reduce it from being just a lexicon let’s see how do we align the intent and the process to make customer centricity a living organism thriving and evolving instead of becoming an extinct species. Listed below are some of the initiatives which are central to creating a corporate customer centric journey into a reality.
2 Role of the culture

Wal-Mart’s foray into China, Monsanto’s initial struggle in India and Huawei’s spectacular performance in Europe are examples of impact of culture so many times considered a softer issue till it becomes too late to make course correction. Putting customers at the center of your business would be initiated only through being aware of the impact of the culture.

2.1.1 Culture of collaboration

A customer-centric organization demands a new culture of collaboration. The product-oriented sales culture of old was, by definition, territorial with little sharing across organizational silos. Not so in the customer-centric organization. Tailoring solutions to customers’ ever-changing needs requires a level of cooperation across functions, across product and service lines, and across company boundaries that is unprecedented and not a little uncomfortable.

2.1.2 Align strategy with culture

Executives may underestimate how much a strategy’s effectiveness depends on cultural alignment. A company’s culture can begin with words, but those words need to represent a decision—something you actually stand for, a decision then expressed in the clearest, and ideally fewest, words. Find a central operating principle. Think of the Ritz-Carlton “We are Ladies and Gentlemen serving Ladies and Gentlemen,” or Mayo Clinic’s “The needs of the patient come first.” Mayo clinic promotes unusually high levels of collaboration and teamwork, reinforcing those traits through formal and informal mechanisms.

2.1.3 Maintaining a composite culture with massive growth: employee retention

At current rates of attrition, Indian Banking industry will need to hire over 400000 more people. Attrition leads to a direct wastage of time and resources invested in hiring and training the person who has left the organization. It has more debilitating second order consequences. High attrition environments find it difficult to maintain culture and value system. It also affects employee morale and hence engagement levels. A culture of engagement is a natural progression in sustaining customer centricity.

2.1.4 Impact of local/ national culture

The research results (2013) show that national culture have an impact on organizations’ activities, procedures, and management in change implementation. As Miroshnik (2002) concludes, there are elements such as values and social structures that emerge from national culture and directly influence organizations’ activities and procedures through their employees. In this case, the influence of national culture on the organization’s activities also became evident. Local people represent values of the national culture that also creates their philosophy of life in the workplace. This partly explains why the same activities are carried out differently depending on the country and national culture.

Huawei success story is a further proof to our testimony on the role of culture. Here are some interesting details. The Shenzhen-based firm also highlighted research from (2014) IPSOS a marketing research firm that ranked it in first place in brand awareness growth. Mark Skilton, professor of practice in the Information Systems & Management Group at Warwick Business School, said Huawei’s headway
was attributable to a “new way of thinking” at the vendor, which is banned from selling its networking equipment into the US and some other countries. “Samsung’s global mobile phone market share is 25 per cent, but that has been falling, while Apple has 11 per cent followed by Huawei at seven per cent in third, but it is catching up,” he said. “This has been due to a cultural shift made by the company towards what the CEO described last year in its European conference in Zurich as a new way of thinking. No longer is Huawei a telecoms network ‘pipe’, delivering in the main broadband. It sees itself as a digital business focused on customer service.

2.2 Line of sight

Line of Sight is initiated by defining the vision and awakening the organization to the challenges of current reality of profits, growth, competitiveness, etc. facing the ecosystem. Thereby creating strategic insights for Customer facing positions as well as operating managers. Detailed are some process which evolve the role of line of sight in customer centricity.

2.2.1 Define vision and implementation mechanism

Leaders need to create an explicit vision of the customer centricity & its relevance in the current scenario and then walk the talk, backing up their commitment with action and investment to propel the organization into a momentum. To enable the vision see the light of the day, management should install measures to ensure the vision guides employee mindset – for example, by implementing a code of behavior. Ideally, this code will be translated into a balanced scorecard and a go-to-market model. Since, employees want to know whether their company has—and their leaders collectively support—a vision and a strategy. An outstanding customer experience creates promoters, and promoters are more valuable to a company than other customers.

2.2.2 Create insights for customer facing positions

Those in customer facing position should have both a clear idea of their own responsibilities and the tools and authority to achieve them. The front line must learn how to take responsibility for the customer experience. Bonus payments should be tied to the level of customer loyalty. This ensures that the vision is not just a promise to the external world, but provides a framework for activities within the organization and gives employees a purpose they can identify with. Staff may even develop a sense of being proud to work for their employer. Such positive energy leads to better performance. When Bain surveyed marketing and sales executives on how their companies performed in 60 areas, the largest gap between high and low performers (as measured by Net Promoter Scores and market share growth) occurred in “a front line that understands and passionately executes the strategy.”

2.2.3 Have an “outside-in” outlook

The outside-in approach should not only look into the customer segmentation but the entire value chain. This involves clearly not only defining strategy and desired outcomes, but also knowing your ecosystem & the underlying culture, aligning stakeholders, defining accountabilities, and establishing internal commitments. Customers see that series of interactions from the outside in, colored by their expectations and their alternatives. Customer centric leaders embrace the customer, local culture and employee perspective, rising above internal complexity to see and manage the whole picture from the customer’s point of view. Becoming customer-centric means looking at an enterprise through the lens of the customer and his ecosystem rather than the producer or the organization. It’s about understanding what problems customers face in their lives and then providing mutually advantageous solutions. Silos must be bridged, not necessarily busted.
Delivering the differentiated experience includes a cultural shift from an inside out to outside in which translates into customer centricity from product centricity and finally the role of clear-cut vision. The illustration in Figure 1. Details the mindset shift from product centricity to customer centricity another instance of mind set evolution.

2.3 Defining (holistically) what success looks like

2.3.1 Evolving organizational aspiration by focusing on long-term relationship

Techies love their product, but it’s the user who needs to love it more to make your business venture successful. Few minutes per day on Customer experience review can take your venture long way. And it means focusing less on driving customer transactions for short-term gain, and more on fostering trust-based relationships over the long term. This customer-centric initiative can, and often does, lead to fewer service interactions, channel transfers, and process rework, however declaring & communicating these benefits to customer interfacing segments soon is vital. Define Customer centricity by articulating the differentiation/distinct value proposition and monitoring its actual delivery to customer. Clearly define your organizational goals as well as the customers you are prepared to serve now and those you would like to serve in the future. “In turbulent times, your strategy matters more than ever. The world’s greatest companies weather adversity and uncertainty much more adeptly by operating from their core strengths. A strategy built on these differentiating capabilities helps you outpace the competition, achieve faster growth, and earn the right to win” - (PwC).

2.3.2 Companies need to recognize, develop and manage more than one kind of customer loyalty

The new complexities of knowing and reaching customers ultimately impact the experience companies create for them. Customers tend to have distinct preferences regarding multiple factors that shape their perceptions of and satisfaction with the experience: product functionality, price and service terms, the variety and availability of service channels, to name a few. Understanding and addressing all these preferences is indeed challenging—particularly for companies that serve a large, demographically varied customer base, spanning geographic markets. Putting users at the center of the product universe – Apple. Apple Inc. is famed for the outstanding usability and customer-centric design of its products. The IT Corporation transports the feeling that it can intuit customers’ needs, promptly materializing them in new products. It is constantly evolving. But one anchor of Apple’s success is surprisingly low tech: its chain of bricks-and-mortar retail stores where they excite their customers with truly needs-based products and services. Apart from the unique but always recognizable (branded) look and feel of the stores, their checkout system is also innovative. Instead of having staff stand behind the counter, they move around the store talking to customers in an open concept. According to the statistics, the number of visitors to Apple stores over the last 10 years has exceeded the population of the US.

2.3.3 Leverage digital technology

Unlike branch banking, if banks want to integrate digital banking will require banks to forge new relationships by taking into consideration the entire ecosystem like telecom operators, merchants, etc. For example, they will need to develop mutually beneficial partnerships with telecom operators to fully leverage the potential of mobile banking. Banks could also look at signing up businesses and merchants (directly, or indirectly through intermediaries) to develop a robust bill-pay network for their customers. Another way for banks might be to tie up with numerous nimble non-banking organizations to bring innovative value propositions to customers. BCG survey of more than 40,000
banking employees in India in 2014 revealed that only about 50 percent of the respondents themselves use digital channels like mobile. Banks need to undertake massive internal training and sensitization programs to get their own staff on-boarded, with regard to digital channels. Only the employees who are using such platforms themselves can truly and confidently influence customers to embrace digital channels. Frontline employees’ key performance indicators should have explicit weightage and targets for on-boarding existing and new customers to digital channels.

2.4 Monitor and manage your “pipeline” of improvements - test, scale up, and iterate

2.4.1 Understand the needs and the cost to serve

One of the characteristics of a mature Customer centricity program is a healthy “pipeline” of small and well-focused initiatives delivering ongoing improvements to customer touch points and delivery channels. It’s initiated by understanding needs and economics of serving the needs. Tailoring solutions and testing out the prototypes from the users’ viewpoint. Modifying wherever necessary. Consider a list of some of the activities that banks do—data entry, filling ATMs with cash, maintaining self-service machines, delivering documents, maintaining servers, helping employees with basic computer-related issues, maintaining IT applications, securing premises, managing records, housekeeping, maintaining facilities, preparing payroll, etc. A large number of bank employees are engaged in carrying out these types of activities. Are these core activities of the bank? Should bank employees necessarily do these? Is doing this activity in-house the most productive use of relatively expensive banking talent? Would it dilute control or increase risk if some of these activities were outsourced?

Answers to these questions could vary slightly for different banks, given their starting points, cultures and organizational limitations. Banks will need to create a framework for outsourcing. To start with, they will have to develop robust capabilities for vendor relationship management in order to realize the full benefits of outsourcing. Also, banks need to choose a select number of vendors who are almost partners in the business, and are as interested in continuous improvement as the banks themselves are. One of the characteristics of a mature Customer centricity program is a healthy “pipeline” of small and well-focused initiatives delivering ongoing improvements to customer touch points and delivery channels is initiated by understanding needs and economics of serving the needs. Tailoring solutions and testing out the prototypes from the users’ viewpoint. Modifying wherever necessary.

2.4.2 Switch from an “innovation funnel” to an “innovation pipeline”

Another logical consequence of aiming high and supporting big is that companies won’t be able to support too many launches. This should encourage them to abandon the standard “innovation funnel” approach of generating and screening a flurry of ideas. That path inevitably leads to considerable yield loss and product proliferation. Instead, start by determining what new products can win with shoppers and how many can reasonably be implemented in the store—then working backward to develop those products. This puts the onus on consumer products companies to boost their shopper insights and customer management capabilities.

The example below illustrates the point. Tata Motors, which developed the Nano, the cheapest car ever produced, is now building on its strength in the Indian truck market to export more trucks to other emerging markets. In Russia, Tata sees tremendous market-growth potential and an opening to challenge local original-equipment manufacturers—if it can tailor its products and business model. Tata’s Super Ace small-chassis truck, for instance, will need more torque, a larger load box, and a roomier cabin—and, of course, heated mirrors. Tata is weighing other elements of the
business model as well—which brands to emphasize, whether to use company-owned service centres, and how to offer more vehicle financing. Figure 2 details the concept.

2.5 Map the connections and interplay between your goals and your program’s initiatives

2.5.1 Customer journey mapping

The principle is to remember that ‘journey mapping must involve the customer’ and should always be underpinned by facts and accurate data, not personal viewpoints or assumptions of the team. Where feasible, actual customers should be directly involved in mapping workshops. This will help paint a clearer and more unbiased picture of the customers’ actual experience and expectations. After all, how effective can a customer journey map be without real customer insight? Some companies have used technology to tailor their approach, Amazon.com perhaps most visibly, it uses a customer’s past purchases and browsing behavior, as well as the purchases of similar customers, to tailor recommendations to the customer’s distinct preferences.

2.5.2 Interlinkages of KPI

To develop the necessary esprit de corps, companies must build linkages across their organizations. Key financial and operating metrics will change. For most firms today, customer-centricity is a necessity for survival — the only sure way to ensure the organizational resilience that will keep a company out of the jaws of commodity hell. Instead, organizations need simpler KPIs that cut across organizational boundaries, rationalization of organizational structure to reduce boundaries, and lean processes to reduce hand-offs. Targets, objectives and role mandates of people will have to change; new dashboards and metrics will have to be created; cooperation mechanisms will have to be fostered. However, cooperation cannot be decreed. It is not a matter of structure, processes or systems alone. Cooperation happens only when the work context makes it individually useful for people to cooperate.

2.5.3 Design, deliver and DNA

Frame the process of customer centric-change (see Figure 4). Every company’s journey is different, because each one starts from a different place and has its own unique strengths and weaknesses. But the essential elements of each truly customer-centric company take a different, wide-angle view. In case of banking for instance it’s moving beyond event-oriented marketing, they have developed a holistic and continuous view of each customer’s evolving life-cycle needs as he or she moves through marriage, home ownership, parenthood, and other transforming life experiences. View the entire value chain to be consistent, e.g. Third-party channels and routes to market also affect customer loyalty—and can destroy unless they are managed effectively. Analysis and decisions concerning such factors as offers, sales incentives, pricing, service delivery—all dimensions of the customer experience—should include all the trading partners who contribute to the customer experience. In most retail banks, traditional channels (branches, ATMs, online banking, contact centers) are not yet fully integrated. Cutting costs indiscriminately, without understanding customer impact, can damage trust, leave customers more receptive to competing offers and make them harder to win back later. Involve distributors and, together, build stronger partnerships. Once say an FMCG company identified its highest-priority categories, cities, and outlets, it will be able to allocate resources more effectively and make decisions relating to distribution, sales-force effectiveness, and change management more easily. Executives will have window into how all those seemingly random initiatives translated into
things they were directly accountable for and cared deeply about, and had no problem investing accordingly. Customer Journey mapping will deliver its promise.

2.6 Periodic review/feedback on the progress

2.6.1 Review mechanism

Most of the work done in the above areas will go for naught unless one establishes some ongoing reporting of progress at both the program and activity levels. Since ROI for customer centricity can only be proven through such measurements. The number of reports, content and frequency of distribution will be unique to the needs of your program. The strongest Customer centric programs are those that make measuring processes a top priority. What’s important is that reporting against your goals and standards occur on a regular basis and with a high degree of transparency. Create an initial customer satisfaction scorecard and begin to define key customer key result areas (KRAS). They help you to evaluate your achievement in the process and the lead factors KPI-key performance areas. They help you to guide & influence achievement your process. Other mechanism include designing a basic (but formal) voice of the customer (VOC) program and pilot it in a business unit. Using actionable segmentation and analysis to know their customers deeply. This knowledge helps them understand changing behaviors, predict future needs and preferences and make more profitable decisions about offerings, pricing, channel strategies, campaigns and customer treatment. Use analytics to measure effectiveness of initiatives.

2.6.2 Simplicity of metrics

Over the longer term, organizations need metrics and benchmarks of the sort created for sporting events like football, basketball, so that everyone in the organization knows how they are doing & which levers to push to trigger outcome. Knowledge of Analytics could be leveraged for creating a dashboard. The user-centric approach will build ownership thus reduce escalations. This also ensures value for the business build on trust and responsiveness impacting ease for the employee to customer with organization rather than just a tool pushed down their throat. Analyze the existing barriers to effective retention and cross-selling efforts. Customer insights and intelligence invariably dwell where the customers are-on the front line—so customer interfacing channels should be armed with the skills and authority to tailor solutions at the point of contact. E.g. Ritz Carlton has taken the opposite approach, delegating authority and accountability for local decisions to the customer interface in their hotels. Front line employees have great latitude in addressing and anticipating guest needs. Hotel staff fully own customer complaints and have the authority-within broad corporate guidelines—to compensate guests on the spot for any problem or inconvenience.

2.6.3 Special function dedicated for customer centricity

It will also be a good idea to have a small people managing the function with accountability to the business. This will ensure ROI, innovation and customer journey mapping, audit and evolution of the initiative. This will also help to curtail monopolies and resources are made available wherever the tooth is.

2.6.4 Reward and recognition

To sustain momentum and commitment, organizations must have a recognition and reward system leveraging the metrics. This also builds trust in the system so very critical for sustainability. Ensure that the functions which do not cooperate to bear the cost.
Figure 1: Traditional vs. new model: organizational and customer centric
Source: pwc.com (2011)

Figure 2: Solutions advance the customer value proposition

Figure 3: Smart rules to enhance cooperation, leadership, engagement
Source: Morieux (2011)

Figure 4: Bain’s approach to customer experience transformation builds leadership
Source: Bain, In: Springer et al. (2011)
3 Summary

To summarize, Customer centricity is a vehicle for the organizations to differentiate themselves from the competition. For Customer centricity to achieve sustenance, agility & resilience, it’s essential to resolve the challenges of the ecosystem or the entire value chain. Hence an outside in reference frame leveraging the power of people, processes and technology is the way forward. This will align the intent with the process making sustainable growth, above-average profitability and ultimately a competitive advantage of knowing the customer, reaching them and ultimately delivering the experience. Since both the operating managers and the customer interfacing personnel’s have strategic insights. It’s also critical that the processes and oversight needed to execute with measurement and accountabilities with clearly defined roles & tools available. Periodic review and progress report is the order of the day. It would be great to have a small independent function accountable to the board or CEO. Mapping the customer journey periodically ensures that all of the components of your customer-centric framework are in place and being managed. This specialized function can also provide the oversight needed for customer centric initiatives, and will often work through the leadership team (via steering teams, councils, or other vehicles) to reinforce and oversee progress and manage the ROI of the program.

Literatúra/List of References


Klúčové slová/Key Words

customer loyalty, customer centric commitments, consumer centricity
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Résumé

Riadenie vašich zákaznícky orientovaných iniciatív

Ako organizácie po celom svete čelia čelia novej ekonomickej realite, mnoho z nich zistuje, že organizovať účinnú reakciu v tomto vysoko komplexnom, velmi neistom prostredí je velmi náročné. Ich zmysel pre percepciu zvýšenej neistoty a rizika odráža ich obchodné naladenie. Rýchly rozvoj komunikačných technológií a elektronického obchodovania narušil verność zákazníkov tým, že vytvára pohodlnýjší prístup k informáciám o produktoch, možnostiach nákupu a službách. Vo vyspelých ekonomikách nasýtením trhu došlo k spomaleniu rastu v mnohých kategóriách. Na rozvíjajúciach sa trcho vyššia spotrebičská kúpna síla pritiahla pozornosť poskytovateľov, ktorí hľadajú nové možnosti rastu a zároveň urýchľujú cezhraničnú hospodársku súťaž.

Súdiac podľa veľkosti týchto investícií existuje riziko, že starostlivosť o zákazníka je len ďalší výstrelok (ako napríklad reengineering, six sigma, a nespočetné množstvo ďalších programov, ktoré boli odoslané do predčasného hrobu).

Na čo upozorňujeme je nedostatok základných ovládácich prvkov a kontrolných mechanizmov. Pomer typov opatrení a sledovacích systémov nevyhnutný pre efektívnu správu a plnenie svojich zákaznícky orientovaných záväzkov je ovšem menší ako je počet nových zákaznícky orientovaných investícií a iniciatív, ktoré sú oznámené každý deň po celom svete. Jasnou výhodou je efektívna zákaznícky orientovaná správa, ktorá je pomerne jednoduchá a lacná, ale vyžaduje si jednoznačná zameranie a definovanie priorit, ktoré môžem načerpať úmernej význam aj pri prípadnom rastu iných kritických aktivít.

Organizácie, ktoré skutočne poskytujú zákazníkom to žiadané vedia, že sa musia vyvíjať, aby splnili priority zákazníkov. Začínajú pochopením úlohy kultúry a jej vplyvu; potom komunikujú svoj postoj; po tretie popisujú (holisticky) ako vyzerá úspech; za štvrté musia integrovať svoje ciele s iniciatívami programu a za piate akosi skontrolovať a spravovať na seba nadzvážujúce vylepšenia. A nakoniec, ako môžeme merať pokrok pravidelne a to na úrovni programu a rovnako aj činnosti?

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