

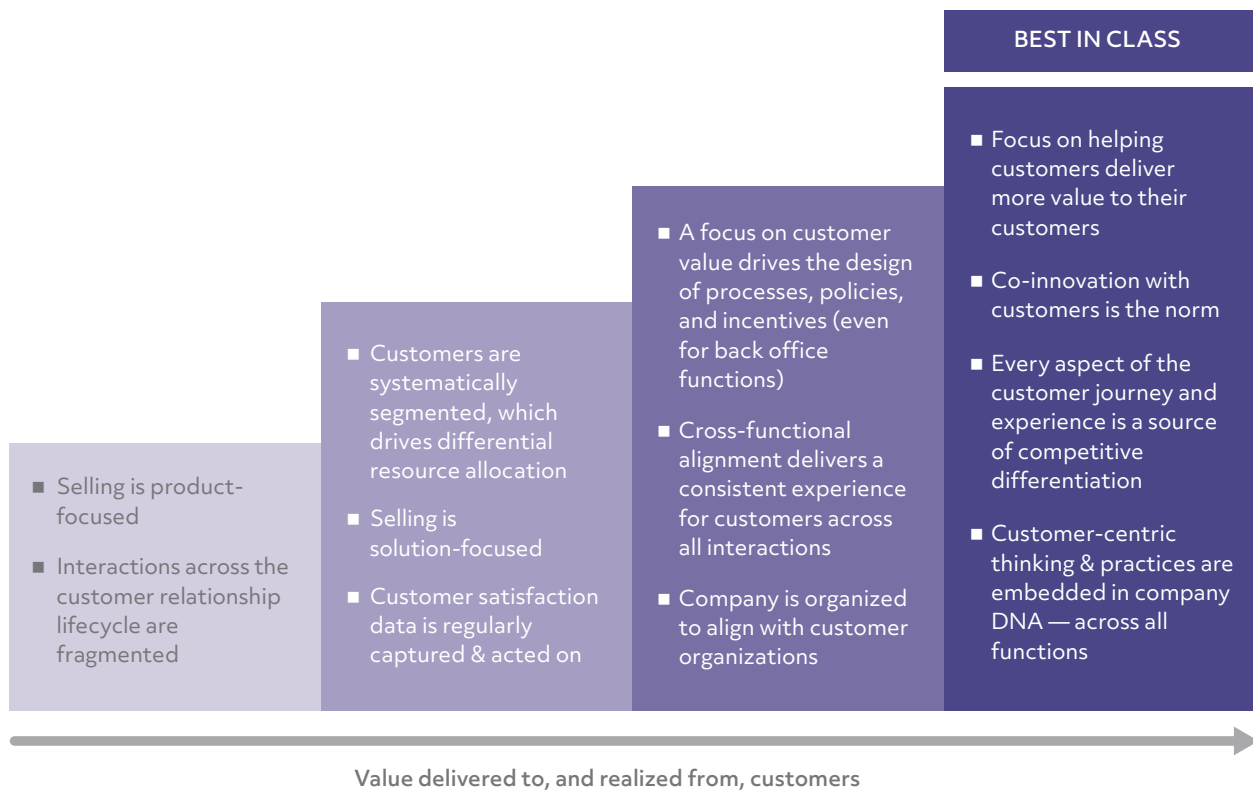
Customer-Centricity: What Separates the Best from the Rest?

By Jonathan Hughes, Isaac Block, and Saptak Ray

Over the past few years, customer-centricity has become a hot topic, and with good reason. According to research from Forrester, market leaders in customer experience enjoyed ~450% greater CAGR, compared to market laggards, during the period of 2010-2015.¹ Unfortunately, there is a great deal of confusion about what customer-centricity is and how to put its principles into practice. At too many companies, customer centricity is mostly hype — a rebranding of traditional marketing, sales, and customer service practices that involves no substantial change, and delivers little benefit.

To begin cutting through the hype, we have developed a model (Figure 1 below) that defines four distinct levels of customer centricity. Based on our research and work with clients, a majority of companies function at level two or three, with only a small fraction operating in a truly customer-centric manner.

Figure 1: Customer Centricity Maturity Model



Below we describe five practices that comprise world-class customer centricity, and how to implement them.

1. Focus on helping customers deliver more value to *their* customers (other businesses or consumers)

Traditional sales approaches focus on educating customers about the features and benefits of company products and explaining why they are better than competing offerings. More sophisticated sales strategies, by now commonly adopted (though with highly variable levels of effectiveness), focus *first* on uncovering and exploring customer needs, and then mapping a company's products and/or services to those needs. Such consultative sales approaches often involve custom configuration or design of bespoke solutions to meet customer needs. In any case, selling that starts with a genuine focus on customer needs is a key element of customer-centricity, though by no means a new concept.

Best-in-class customer-centric selling goes a step further, by engaging with customers to explore and address the key needs of *their* customers. Implementing this approach requires that sales teams (supported by marketing, product specialists, and others) focus substantial time and energy on the following questions:

- What different types of customer does *our* customer serve?
- What are the different business models of our customer's customers? What specific challenges and opportunities do *they* face?
- How can we help our customer better serve *their* customers, and thereby increase their own revenue and profits?

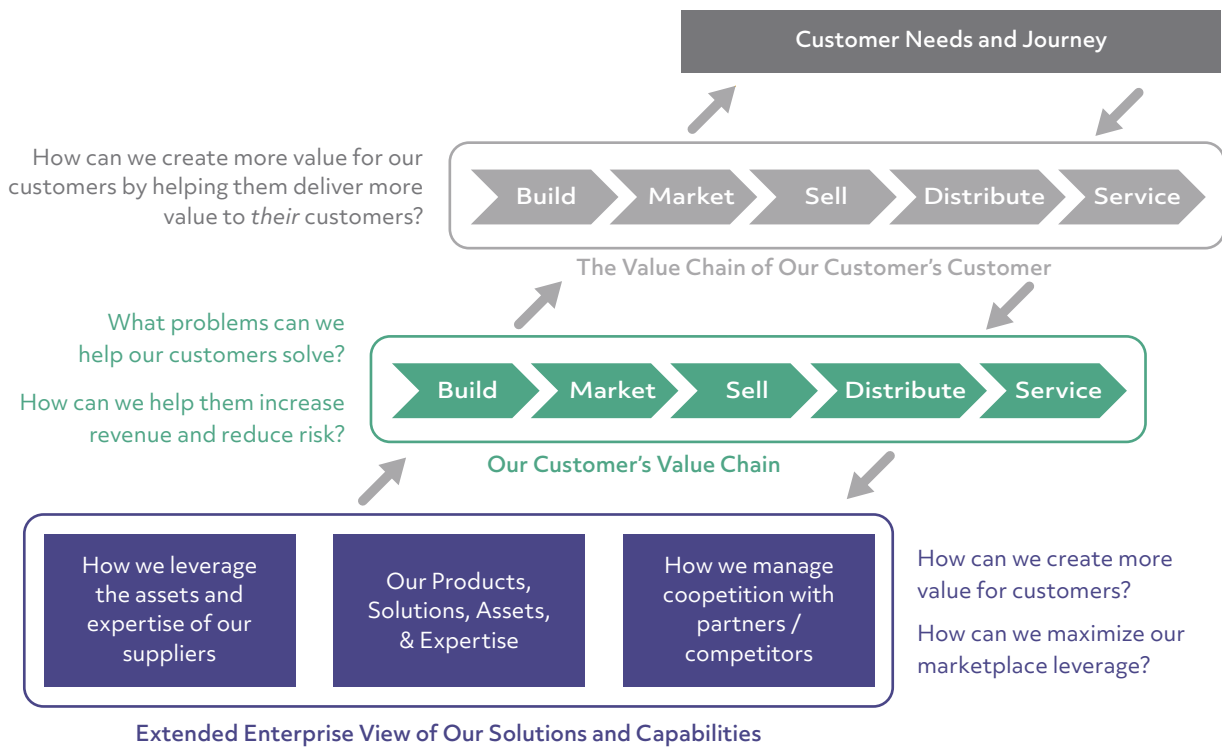
Maersk

Revitalized sales curriculum, methodology, and processes to focus on solution selling (instead of product-selling)²

350%

ROI in two years immediately following initiative launch in 2011

Figure 2: Extended Value Chain Solution Selling



2. Embed customer-centric thinking and practices in company DNA — across all functions

R&D organizations are staffed by bright, innovative people, but they are usually far removed from customers, and often more energized by new technology and solving technical problems than meeting customer needs. Product management teams are closer to customers, but their view of customers is aggregated by market segment, not individualized. They are measured and rewarded based on the sales and profitability of their products, and thus see customers primarily through the lens of those products. That's not necessarily inconsistent with a focus on customer value, but it is certainly not the same thing. As customer needs evolve and change, the incentives of the product management function often create inertia that impedes innovation and responsiveness to customers.

Of course, Sales and Marketing teams use voice of customer surveys and interviews, customer focus groups, customer journey analysis, and various market research techniques to seek out information about what customers want. At the same time, incentives based on sales growth and account profitability often compromise a truly customer-centric focus, when they are not balanced by a deep commitment to delivering value to customers and enabling *their* success.

All of this is natural and indeed inevitable. Wholesale change is neither realistic nor necessary, nor even desirable. Completely replacing sales quotas with incentives based solely on customer satisfaction or success is, in most cases, a good way to drive your company out of business. Attempting to turn researchers, developers, designers and engineers into salespeople or customer service professionals is likewise misguided.

Nonetheless, the silos that exist in most companies between functions need to be breached. Functions from R&D, to Product Management, to Marketing, to Sales, need to expand their traditional priorities and measures of success with unifying metrics focused on customer value and success. Product designers and managers should regularly join account teams in customer meetings. Sales leaders and managers should be actively involved in the earliest stages of R&D and new product development. In practice, this often leads to a significant amount of debate and argument. R&D teams often dismiss salespeople as technically ignorant; sales teams view R&D as overly theoretical and detached from marketplace realities. But customer-centric leadership can ensure that such clashes do not lead to dysfunctional conflict, but rather serve as a source of creative abrasion that drives practical innovation.

3. Externalize innovation

Research and development at most companies are inwardly focused, but market leaders realize that successful innovation requires deep customer empathy. Consider GE Healthcare IT, which made a point of visiting hospitals to understand how they (and their patients) experienced GE equipment. After noticing that children would often cry when they saw MRI machines, GE reps decided to visualize the rooms as children would, even kneeling to be at a child's height. They ended up helping hospitals transform MRI rooms into adventure experiences, such as a pirate ship — and patient satisfaction scores increased by 90 percent.^{3,4}

Intuit

Design for Delight initiative, launched in 2014, prioritizes deep customer empathy and rapid innovation with customers⁵

175% Increase in stock price since 2014

Joint innovation centers, where technical staff from a company collaborate closely with technical staff from top customers or suppliers, are also a powerful practice. Innovation labs, embraced by companies across industries (e.g., Amazon, Huawei, FICO), give customers the opportunity to work closely with dedicated cross-functional teams of technology and solution development experts.

Even if, as Steve Jobs famously noted, customers themselves don't yet realize they have a need, R&D teams should be trained in customer-centric thinking — they should embrace collaboration and co-innovation with customers and partners as a key component of solution development, and demonstrate how new products and features will meet real and pressing customer needs.

4. Seek competitive differentiation through every aspect of the customer journey and experience

By now, most companies have embraced the practice of mapping customer journeys. According to Salesforce, 56% of companies with 2500+ employees have adopted a “customer journey strategy” — but just 29% rate their strategies as “very effective” or “effective.”⁶

Market leaders distinguish themselves in two ways. First, unlike many companies that manage solution implementation, service delivery, and customer service as *cost centers*, leaders treat them as *value drivers*. Rather than focus primarily on the internal efficiency of these functions, they relentlessly search for ways to improve the customer experience across every touch point, and are willing to add internal costs where doing so will reduce complexity for customers, accelerate solution implementation and time to revenue, and increase customer retention and cross-selling opportunities. Customer Service teams probe for opportunities to deliver unexpected value — versus simply solving the immediate problem. (Note that this is quite different from the common, and often counter-productive, practice of mandating that customer-service reps engage in direct cross-selling or upselling.) Such an approach requires close partnership between Sales leaders, and leaders in Operations who are typically responsible for many of the systems and resources that shape a customer's experience.

Intel

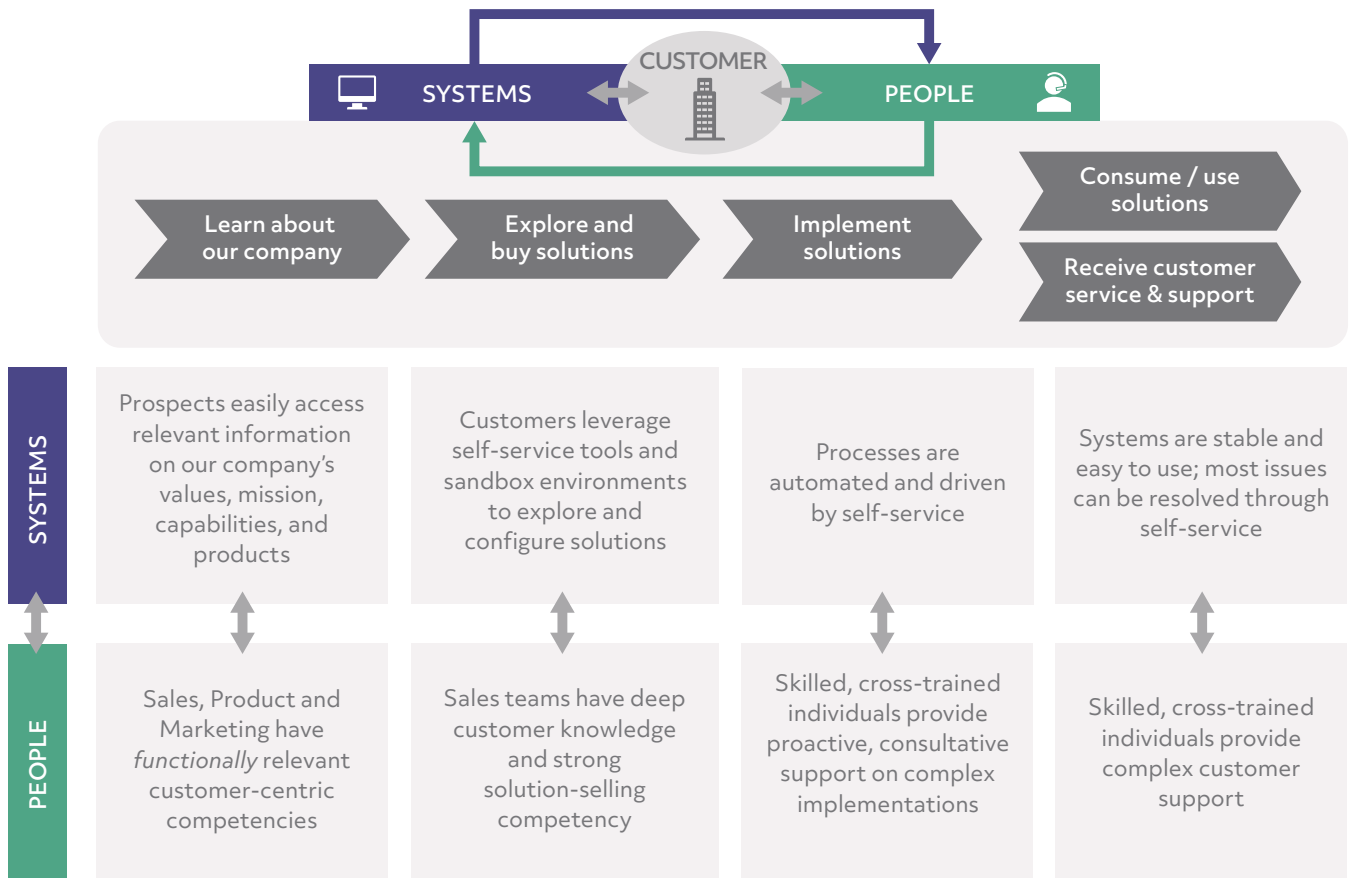
Leveraged integrated marketing & sales data to unify end-to-end B2B customer digital experience⁸

\$500M Estimated annual revenue lift since 2015

Second, market leaders balance investment in automation with continued focus on human interactions with customers. While customer journeys are becoming more automated, 75% of global consumers still want to interact with human counterparts.⁷ Why? Even as customers appreciate the ability to quickly select from a catalogue of online offerings, or self-configure a solution, when they have complex or unusual needs, customers prefer to deal with a knowledgeable, consultative sales team. Self-service tools are spreading as they become more powerful, but human judgment, ingenuity — and, when things go wrong, empathy — cannot be replaced.

Best-in-class companies understand the interdependence between systems and people, and optimize the customer experience by making complementary improvements to both, and ensuring their seamless integration.

Figure 3: Optimizing the customer journey



5. Marry customer centricity with employee engagement

As with many business disciplines, customer centricity is about more than systems and tools. At root, it's about cultural transformation, and successful execution ultimately depends on people. Moreover, the simple truth is that you can't expect employees to treat customers better than they themselves are treated.

Market leaders in customer centricity ensure the entire company keeps customers and their needs at the forefront of planning, decision-making, and day-to-day execution. Three key practices enable them to do so.

- **Inspire and engage employees.** Improving employee engagement creates a virtuous cycle: top talent seeks to work for companies which delight customers, and attracting and retaining the best talent leads to better customer outcomes. Thus, companies with best-in-class customer experience have 60% more employees that are highly engaged.¹⁰ One way to engage employees, and help embed customer-centric thinking and practices throughout an organization, is to invest in customer-focused training and development. Bank of America and Carilon Clinic, for example, have expanded training curriculums — traditionally focused on technical skills and know-how — to include customer empathy and difficult conversations.⁹

- **Empower employees with customer insights.** Arm *all* employees with relevant and actionable data about customers. Ensure information is shared freely across functions, versus confined to Marketing and Sales organizations. Encourage employees across functions to use such identify and act on opportunities to deliver more value to customers — and reward them for doing so.
- **Start with leadership.** Active, C-level sponsorship and support is essential to customer- centricity. A genuine commitment to serving customers will always exist in some tension with a company's obligations to shareholders, and the self-interest of its employees. Only enterprise-level leaders can provide the guidance for how to productively manage this tension.

Airbnb

Introduced Data University in 2017 — a program which scales role and team — to enable every employee at Airbnb to access data and make data-driven decisions ¹¹

50% Increase in usage of internal data platform

+55 NPS score for classes offered

Figure 4: Traditional vs. customer-centric thinking

	TRADITIONAL	CUSTOMER-CENTRIC
Product development	Apply new assets, technology, and ideas to create new products	Address customer needs in innovative ways by applying new technology and ideas
Marketing	Send messages to the marketplace about a company and its products	Deliver tailored messages to potential customers based on their business
Sales	Explain the features and benefits of products to customers	Explore and uncover customer needs; leverage products to deliver solutions
Implementation	Define back-office processes and policies to maximize cost-efficiency	Design all processes and policies to reduce friction and maximize value for customers
Customer service & support	Solve the specific problem the customer presents	Fully meet customers needs and expectations, and seek to deliver additional unexpected value

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