

Do you need customer-centricity?



Are there other ways of marketing?

A CULT-LIKE STATUS

The concept of **Customer-Centricity** has achieved an almost cult-like status. Many organisations include it in their corporate values and mission statements. Popular business journals and publications emphasise the need to ‘start with the customer in mind’. And the IT industry has seen a proliferation of offerings in the CRM space - urging organisations to measure the levels of customer satisfaction and customer value they achieve.

But what does “customer-centricity” really mean? Is it right for you and your organisation? And are there other ways that we might achieve marketing excellence and improve our standing with customers?

This article explores the requirements and benefits of Customer-Centricity and considers whether this is the best approach for your business.

WHY CUSTOMER-CENTRICITY?

The benefits of being customer-centric are well known, and include compelling evidence for:

- better customer retention and profitability
- identification of profitable growth opportunities
- more effective marketing spend, and
- better customer-informed innovation and new product development.

However, are we clear about the requirements for customer-centricity? Does it suit our business and its core purpose? And are there other ways (more suited to our business) that we can achieve these benefits?

In essence, the benefits above can be achieved by a **customer-focus** approach, somewhat different to **customer-centricity**. But, in order to demonstrate that, let's begin by making a distinction between a **customer-focused** organisation and a **customer-centric** organisation

CUSTOMER FOCUS VS CUSTOMER CENTRICITY

Are they similar?

Both customer-focused and customer-centric organisations understand that their business begins and ends with the customer. They recognise that their organisation will cease to exist if it is no longer relevant to the needs of customers.

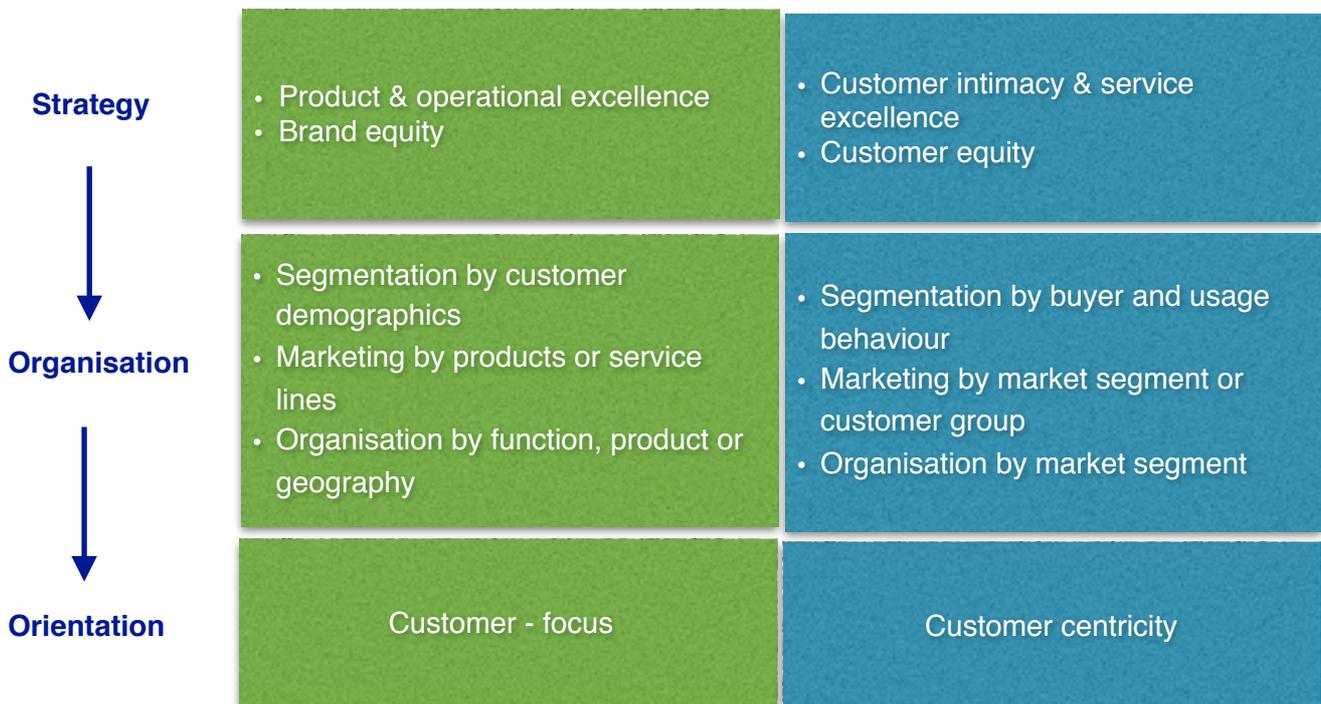
And so, both organisations have various processes to understand and respond to customer needs, and to monitor their performance in doing so. But, it is **the way that this is done** that defines the difference.

	Customer-focused organisation	Customer-centric organisation
Service experience	Good - easy to deal with	Memorable and unique
Marketing focus	Increase market share	Increase value-adding to customer
Profitability measure	Primarily by product and service line	Primarily by customer segment
Customer feedback	Feedback sought and used to improve products and the operations	Feedback used to generate deep 'insights' which drive proactive customer value-adding strategies
Market segmentation	Broad, geographical - by industry or customer size	By behavioural and cultural styles - to generate deep insights into buyer and user behaviour
Marketing management	Product managers 'own' and manage products / service lines	Market managers 'own' markets or market segments
Organisation design	Around function, function or geography	Around market segment or customer group

Why are the differences important?

Our decision to become customer-focused or customer-centric *impacts upon the execution of our whole business strategy*. And if this is not closely aligned to the business strategy - the strategy is likely to fail!

In essence, the relationship should look like this:



The implication is that your organisation (segmentation, marketing focus and structure) should be aligned to your business strategy. This, in turn, will determine whether you are customer-focused or customer centric.

Furthermore, we suggest that:

- *A strategy of product and operational excellence is best achieved via a functional or product structure. A key goal is to build brand equity.*
- *A strategy of customer intimacy and service excellence is best achieved via a market segment based structure. A key goal is to build customer equity.*

And in addition:

- *It is difficult to pursue product & operational excellence at the same time as customer intimacy & service excellence. The requirements with respect to organisation and structure are not compatible.*

WHAT DOES THIS MEAN FOR MY ORGANISATION?

The overall implication is that almost all organisations care about their customers and want to meet their needs in order to thrive in a competitive environment. But in strategy, as always, there are clear choices to be made. Four key issues need to be addressed to guide you to the best approach for meeting customers' needs:

1. Be clear and explicit about your core business strategy

Are you wanting to create excellence in your product and operations? Or are you focused on building deep customer relationships and tailoring solutions around them?

It's not all or nothing. You can combine these to some degree - but there should be a clear and explicit priority give to one of these options.

In most cases, the organisation's natural strengths and capabilities will point you in one of these directions. Then it's up to you to be explicit and start making some choices.

2. Segment your customers and market in line with the strategy

If you pursue product and operational excellence (as your priority), a demographic segmentation is likely to be appropriate. This means segmenting on the basis geography, industry sector or customer size. This will give you broad understanding of different customer needs and how they may be satisfied.

If, on the other hand, the strategy is customer intimacy and service excellence, you need a segmentation approach that affords deeper insights into buyer and usage behaviour. This suggests a behavioural or psychographic segmentation approach, where you understand the motives, cultural style and fundamental business strategy of your customer.

3. Develop your customer value propositions to match the segmentation

In the case of a demographic segmentation approach, your value propositions are likely to centre around the product capabilities in that segment and your overall operational efficiency. This is appropriate because your focus is on the benefits customers seek from your product.

Where you have used behavioural segmentation to uncover cultural styles and the core business strategy of the customer, your value proposition should address the experience you will deliver to the customer when they deal with you. The focus here is on building deep relationships where you create a unique experience for the customer.

4. Organise your business to support the strategy and value proposition

A functional or product approach will allow you to achieve product and operational excellence, since you are configuring the organisation to give emphasis to those factors at the heart of your strategy.

A market segment based organisation, on the other hand, will allow you to focus on developing deep customer insights and to deliver value propositions that directly address the appropriate customer experience you want to create.

THERE ARE SEVERAL WAYS TO MARKET

Customer-focus and customer-centricity are two quite different ways to meet the needs of customers in order to have a successful business. Both produce organisations that are relevant and valuable to their markets. But they require very different ways of designing and organising the business.

Perhaps customer-centricity is NOT for you. Your strategy may be better suited to simply being customer-focused. If so, make the choice explicitly. And follow up by ensuring that your segmentation strategy and organisation design is well aligned with your overall strategy.



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