

Henley Centre for Customer Management



How Customer-Centric Are You?

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1. Introduction

In recent times, there has been a significant shift in what organisations do to sustain competitiveness and continue to be relevant in today's business world. Organisations that have previously been fully focused on external influences affecting their industries - such as new market entrants, alternative products and services brand equity, and customers' negotiating power - are now focusing these efforts on being more customer-centric; not just by gaining a deeper understanding of customers, and providing a better experience through tailoring products and services, but also by spending time creating a culture around the customer and satisfying their needs.

This paper focuses on customer-centricity; and whilst it provides an insight into what being customer-centric potentially means, it also goes some way to help organisations observe customer-centricity from their own perspective, by exploring areas of good practice and how such practice can have a positive impact on the future of their business. It draws on evidence from both communities in the last few years to help provide a greater understanding of customer-centricity and to move towards theory that is currently lacking.

2. The Growing Relevance of Customer-Centricity

Customer-centricity has been paid attention by both academics and practitioners alike, yet the extent to which there is an understanding and knowledge about how to implement customer-centricity is very limited and has been somewhat challenging. Yet, the importance and relevance of being customer-centric continues to grow and has proven to impact on how successfully a company is likely to perform. For example, research by *Deloitte & Touche* (2014) found that customer-centric companies are 60 per cent more profitable than those who are not focused on the customer.

From a scholarly perspective, the number of articles referencing 'customer-centric' or customer-centricity within its title has grown slightly from 2011 to 2014 (see Figure 1 below) but with a slight dip in 2015. It would seem that the scholarly literature surrounding customer-centricity is still in its infancy, certainly compared to other well-trodden themes, such as 'customer satisfaction', 'customer service' and 'customer relationship management'.

The relatively low number of scholarly references of customer-centricity could also be down to an absence of an apparent theory to underpin it. There are, however, an abundant number of references to the term 'customer-centricity' available on web pages through consultancy, training and marketing organisations that refer to research reports and discussions via forums/blogs.

Figure 1: Customer-Centric/Centricity - 'Number of Hits'

Search term	2011	2012	2013	2014	2015	2016	TOTAL
Customer satisfaction	904	1060	1270	1210	1330	629	6403
Customer service	480	523	616	528	628	341	3116
Customer relationship management	378	466	462	439	444	211	2400
Customer value	255	275	312	277	318	171	1608
Customer experience	119	134	129	159	187	124	852
Customer-centric / Customer centricity	37	56	58	61	57	30	299

Source: Google Scholar (August 2016)

3. Defining Customer-Centricity

The customer-centric paradigm begins by recognising that the customer is an active and central participant in the value creation process (Shah et al., 2006). Based on the literature reviewed, it is clear that companies have evolved from a product-centred strategy to a customer-centric strategy, yet there appears to be no agreed definition of customer-centricity that is adopted by different authors. Below (see Figure 2) are some of the definitions highlighted by academics and practitioners; Galbraith (2002), for example, defines customer-centricity as a strategy, while the online business dictionary poses that customer-centricity is an organisational approach.

Figure 2: Defining Customer-Centricity

	Definition	Author/Source
1	Delivery of the organisation’s products and services in a way that meets current and future needs of the customers in order to increase the financial value of the firm in the long-term	Fader (2012)
2	A strategy that brings together and integrates products, services and experiences from within and beyond the firm to provide solutions to the complex and multi-faceted needs of its customers	Galbraith (2002)
3	Putting the customer central in your long-term company vision as well as your daily processes (such as the products/services you offer, the way you communicate, the channels you use) in order to strengthen the relationship with your customer	Kruiniger (2012)
4	Customer-centricity is not just about offering great customer service, it means offering a great experience from the awareness stage, through the purchasing process and finally through the post-purchase process. It is a strategy that is based on putting your customer first, and at the core of your business	MacDonald (2016)
5	The true essence of customer-centricity lies not in how to sell products but rather on creating value for the customer and, in the process, creating value for the organisation	Shah et al. (2006)
6	Creating a positive consumer experience at the point-of-sale and post-sale. A customer-centric approach can add value to a company by enabling it to differentiate itself from competitors who do not offer the same experience.	Online business dictionary

At the Henley Centre for Customer Management (HCCM) we define customer-centricity as follows:

“A holistic approach to customer-centricity is about putting the customer at the heart of the business and that attitude should permeate every decision that is made within the organisation. It is about aligning organisational resources in order to integrate continuous customer insight, with creating and delivering maximum value for the

customer in order to achieve long-term mutually trusting and satisfying relationships with customers and sustainable competitive advantage for the company.”

When it comes to customer-centricity, there is no such thing as an ‘average’ customer where most of these customers end up not being very profitable. Building a business around them does not make sense when you could be focusing on your best customers. In Figure 3 below, we highlight both what customer-centricity is and what it is not.

Figure 3: What is Customer-Centricity?

Customer-centricity is not	Customer-centricity is
<ul style="list-style-type: none"> • Focusing on a single sale or on the ‘average’ customer • Focusing on poor quality customers • Focusing on product features and benefits • About short term wins • Little emphasis on customer service • Limited customer commitment • Little or too much customer contact 	<ul style="list-style-type: none"> • Focusing on customer retention – using data to gain customer insight and to segment customers based on customer attractiveness and best fit to your organisation • Identifying and targeting your best quality customers • Focusing on developing products and services for your best quality customers • Focusing on customer benefits • Focusing on the long term • High customer service emphasis • High customer commitment • Appropriate customer contact for the chosen segments

In a recent delegate discussion, 25 corporate members of the HCCM were asked what they understood to be the key ingredients of a customer-centric culture. The following list, in no particular order, provides a summary of their perspectives:

- Gaining customer insight (i.e. looking at everything through the eyes of the customer and walking in the customer’s shoes)
- Capturing and reacting to customer feedback (continuous improvement)
- Being trusted by your customers (trusted brand)
- Customer-centricity needs to come from the top of the organisation
- Having the right customer-focused people in the company who value customers and service and who have the right attitude
- Making customer-centricity part of the culture, the DNA of the company
- Putting the customer at the centre of every business decision – “what would the customer say?”
- Looking after your staff so that they can look after the customers, i.e. happy staff equals happy customers
- Recognising the need to change and ensuring a clear vision within the organisation that is customer focused.

This list highlights the multi-faceted nature of being customer-centric and is not necessarily a straightforward process as it can have implications for organisations in different ways. To become truly customer-centric, you need to:

- Throw conventional marketing wisdom out of the window – It made sense in a transactional/product-centric world to distinguish between profitable customers and not-so-profitable customers but times have changed
- Use data to your advantage – A profitable customer-centric strategy is about how, where, and when you acquire real-time actionable learnings about your customers
- Build your business around your best customers – Come up with products and services to make your best customers even better customers

4. Conceptualising Customer-Centricity

The conceptualisations of customer-centricity in the literature generally endorse the idea of customer-centricity as the opposite of product-centricity (e.g. Galbraith, 2005; Shah et al., 2006). The rise of ‘Big Data’, customer analytics and social media have led to a radical shift from product-centric to customer-centric strategies (Fader, 2012; Kumar, 2008a, 2008b; Shah et al., 2006; Sheth et al., 2000). In the figure below, the main differences are outlined between the two approaches (Figure 4).

Figure 4: The Product vs. Customer-Centric Approach

Approach	Product-centric	Customer-centric
Basic philosophy	Sell products	Serve customers
Business orientation	Transaction oriented	Relationship oriented
Product positioning and selling approach	Highlight product features and advantages	Highlight product’s benefits in terms of meeting individual customer needs
Organisational focus	Internally focused. New product development, new account development, market share growth, and customer relationships are issues for the marketing department	Externally focused. Customer relationship development, profitability through customer loyalty. Employees are customer advocates
Selling approach	How many customers can we sell this product to?	How many products/services can we sell to this customer?

Adapted from Kumar, 2008a, Ramani & Kumar, 2008, Shah et al., 2006

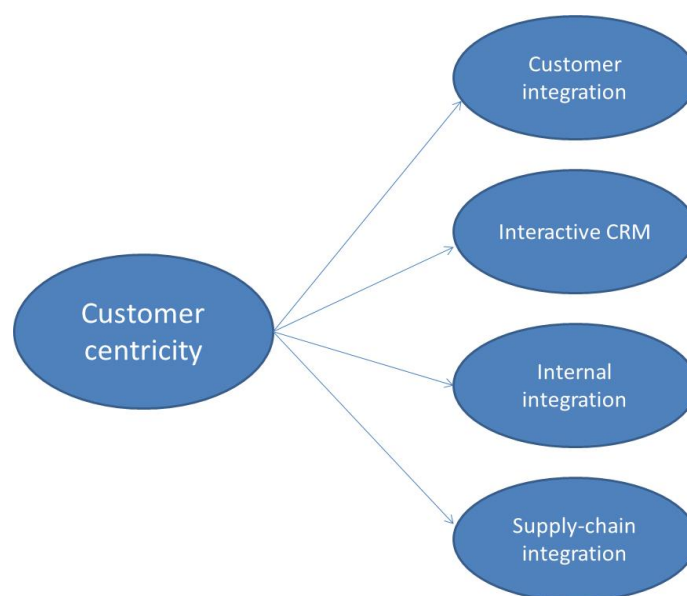
To gain a greater understanding of the concept of customer-centricity and the shift away from a product-centric culture, Lamberti (2013) undertook a field study, which consisted of in-depth interviews with 43 key informants operating in seven countries (Australia, China, Germany, Italy, Spain, UK, and USA). Due to ‘ampleness’ of the customer-centricity concept and the desire to understand its boundaries, Lamberti (2013) thought it was important to deal with a wide range of experiences and perspectives during the data collection process.

The meaning of customer-centricity surfaced in the interviews providing a more operational view of its constituting elements, suggesting that customer-centric firms manifest:

- A continuous interaction with customers aimed at generating intelligence and understanding customers' explicit and hidden needs (interactive customer relationship management);
- A systematic involvement of customers in marketing and new product development decision making (customer integration);
- Strongly coordinated organisational structures, gathering and sharing information about the customer and responsively managing the interface along all touch-points (internal integration) and;
- The presence of a supply-chain coordinated with the firm and able to face the customisation required by customers (supply-chain integration).

The nature of the field study, aimed at asking executives how customer-centric firms behave, depicts a direction of causality from customer-centricity to the manifestations (customer integration; interactive CRM; internal integration; supply-chain integration). Hence, following Jarvis and colleagues' arguments (2003), customer-centricity can be hypothesised as a reflective construct with four dimensions of manifestation (see Figure 5 below).

Figure 5: The Customer-Centric Construct



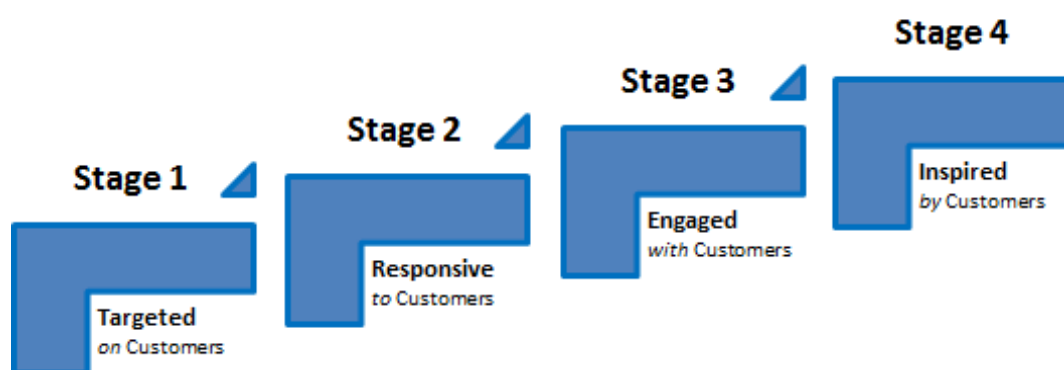
Thus, a customer-centric firm is a firm where these four dimensions are operationally manifest. Accepting the reflective nature of the construct implies hypothesising that the four dimensions should be highly correlated (Coltman et al., 2008).

5. The Customer-Centric Journey

In his guide for organisations committed to being customer-centric, Bob Thompson (CEO of CustomerThink) emphasises that customer-centricity is a journey, not a destination. He highlights that to progress organisations generally evolve through four stages of development under the effective leadership of the CEO (see Figure 6):

- **Stage 1** – Targeted on Customers: to sell more products and services to the ‘best’ customers
- **Stage 2** – Responsive to Customers: to make improvements by acting on customer feedback
- **Stage 3** – Engaged with Customers: creating an emotional bond that drives advocacy behaviour
- **Stage 4** – Inspired by Customers: developing new solutions to solve problems before customers ask.

Figure 6: The Customer-Centric Journey



Source: Thompson (2014)

Thompson (2014) describes each stage of the customer-centric journey in detail using examples and data to help identify and better understand what best-practice organisations do and the resulting impact. He indicates that the vast majority (around 70 per cent) of companies are either in Stage 1 or Stage 2 of the customer-centric journey. He also emphasises that whilst most companies start at Stage 1 and progress to Stage 4 over time - whereby most of those companies in Stage 4 are highly profitable - it does not necessarily mean that you cannot make a profit whilst in any of the other stages.

Ernst & Young (2013) view the journey in terms of maturity and argue that assessing an organisation against a customer-centric maturity model may potentially provide a better understanding of the relative maturity of key capabilities, such as segmentation or lifetime value management. Through their work with clients, they have developed a clear view of what constitutes different stages of maturity, from undeveloped to leading practice, and have identified these in five stages: undeveloped; emerging; developing; advancing; and leading..

Figure 7 compares the differences between ‘undeveloped’ and ‘leading’ and Ernst & Young (2013) indicate that not all organisations will be able to get to Stage 5 and, for those that do, it could take a long time.

Figure 7: Customer-Centric Maturity Model

	Stage1: Undeveloped	Stage 5: Leading
Process	Product-push approach; little or no customer segmentation; products developed ad hoc; “One size fits all” service footprint	Tailored product offering based on discrete customer segments; real-time customer insight supports personalized interactions; predictive analytics employed to adjust offers and service actions accordingly; multi-channel approach based on behaviours and buying preferences
People	No ownership of the customer within the organisation; compensation drives inconsistent behaviours; customer-facing employees not supported by back office functions; lack of authority to resolve customer issues at point of contact	Customer-centric culture pervasive at all levels of the organisation; customer insight is a key component of the company’s strategic agenda; employees take clear ownership for customer problems and manage issues through to resolution
Technology	Technology strategy not aligned with customer-centric culture; legacy systems limit ability to meet customer requirements; customer data trapped in organisational silos; lack of enterprise-wide data strategy hampers integration	Unified visions for data management across both enterprise and business partners; master data is managed as a corporate asset; proactive measures are in place or ongoing data quality improvements; the organisation embraces customer-facing technologies as integral to channel effectiveness
Brands’ market positioning	Low brand equity among target customers — known but not valued	High brand recognition and strong positive associations among target customers, based on real evidence and reputation for customer focus
Customer segmentation	Broad, undifferentiated offering, not specific to any distinct customer segments	Clearly defined target segments based on robust understanding of current and potential customer lifetime value
Distributor management	Distributor relationships driven by volume, little or no provider involvement in sale or post-sale customer activity	Highly selective approach to distributors driven by customer and distributor profitability; partnership approach with selected distributors with joined up customers engagement model
Propositions	Broad range of traditional life products; complex, inflexible, opaque, capital-intensive with provider-financed commission	Focused product range based on insight into needs of profitable customer segments; flexible design with transparent pricing, supporting fee-based advice and/or customer self-service
Service delivery	Transactional and admin-driven, reactive to customer and distributor requests; low-touch approach with no proactive contact or value added interaction	Relevant and value-adding customer contact through variety of media including phone and online self-service tools and information

Customer lifetime value management	No attempt to manage customer lifetime value beyond standard service model	Explicit understanding of customer lifetime value with value-adding interventions at key stages including lapse, life-stage changes, maturity, retirement, etc., tailored to needs and value of specific customer segments
Culture	New business volume and market share are key metrics; enforce those customers not actively managed or measured	Customer lifetime value management is key metric: clear focus on meeting needs of profitable customer segments across their whole life cycle

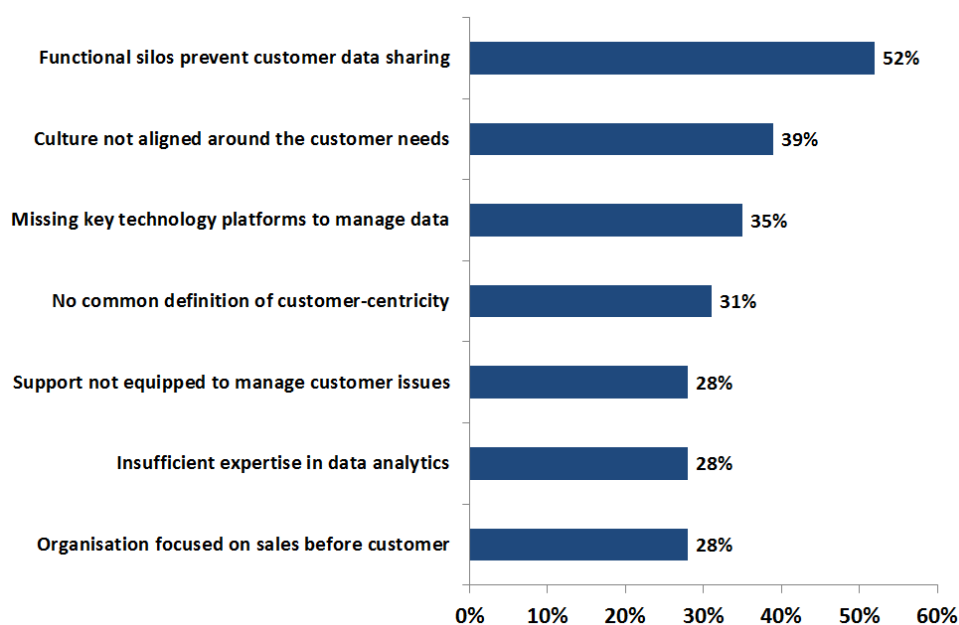
Source: Ernst & Young: 'The Journey to greater customer-centricity', 2013

6. Challenges to Becoming a Truly Customer-Centric Organisation

Largely as a consequence of the economic downturn within the last decade, customers have become more selective as to which brand(s) they choose to buy; tending to purchase ones that they are more likely to identify with and associating these with great customer service and experience. At the same time, there has been a significant increase in the development and use of social media, which has become a major part of the customer journey - customers can now compare brands in real-time across multiple devices and tools available to them. This has presented an enormous challenge for many organisations.

Recent research by the Chief Marketing Officer (CMO) Council (2013) found that becoming a truly customer-centric organisation in itself presents a number of different challenges. They found that the biggest challenge affecting over half of organisations (52 per cent) is a silo mentality and not being easily able to share customer data across different functions/departments. The second biggest challenge, identified by nearly 2 in 5 organisations (39 per cent) is not having a culture that is aligned around the customer needs. These challenges, summarised in Figure 8 below, would suggest that most companies are still a long way off from being truly customer-centric. One challenge that scores relatively high is that almost a third of organisations (31 per cent) are faced with no common definition of what is actually meant and understood by the term customer-centricity; a problem also common amongst academics.

Figure 8: Challenges Faced in Achieving a Truly Customer-Centric Organisation



Source: CMO Council (2013)

To address these challenges, there needs to be a greater focus on customer-centric operating models, advanced segmentation and data analytics, as well as harnessing digital solutions to better engage with customers at a lower cost.

A customer-centric organisation is said to build an operating model around a deep understanding of its customers, what they value and the contribution each makes to the profitability of the company. This requires:

- Designing business processes that recognise different customer segment needs
- Delivering a positive and seamless customer experience at every touch point across the customer life cycle
- Maintaining an active dialogue with customers (and acting on feedback)
- Fostering a culture that places the customer at the heart of the decision-making process.

At the HCCM, we have also explored other key components, such as the role of leadership, with specific reference to the CEO, creating the right strategy, and providing insight into what is required to achieve a customer-centric culture.

7. The Role of Leadership in Customer-Centricity

For organisations to make the customer a top investment priority in the future requires change. Change starts from within and here the CEO plays a key role. Leadership creates the conditions for change and is crucial in making customer-centricity happen, and if this requires making changes at the top, then so be it.

In 2015 John Lewis recognised that to lead the retailing market, it needed to develop its omnichannel strategy to reflect changing shopper habits. The way that John Lewis is aiming to achieve this is by gaining a fresh perspective in their leadership team. Former Managing Director, Andy Street, said, *“These important changes place the customer at the heart of our decision-making. The new board composition will ensure we continue to lead omnichannel retailing in the UK.”*

Leadership not only provides a vision and a clear sense of purpose for the entire organisation, it also instils an established set of core values to help engage and guide the workforce in their day-to-day activities and with their interactions with customers. Customer-centric organisations build trust with their customers and this comes from the values demonstrated by such interactions.

- In the Ovum report “Framework: Customer-Adaptive Enterprise Maturity Model” (2014), eight attributes are identified – which leadership can facilitate – that need to work in harmony to maintain relevance to customers. These eight attributes are:
 - Visionary leadership to provide the purpose, values, and vision to focus on customers
 - An engaged workforce that buys in to the purpose and embraces the values
 - Collaboration across and with external stakeholders (i.e. customers, partners, and suppliers) to create and deliver meaningful experiences for customers
 - Acute sensing capabilities to generate insight and foresight and to trigger adaptations
 - Great customer experience across all channels, whether digital or human
 - Continuous innovation to refresh the value for customers and to remain relevant
 - Connected and lean end-to-end processes that span the value chain/network to enable flawless and consistent execution
 - An adaptive, future-proof enterprise architecture that makes clear how the organisation meets its customer-centric vision.

If the organisation falls short on these attributes, then it is down to its leadership to recognise this and create the conditions necessary for change; whilst at the same time motivating and holding teams accountable.

8. Creating the Right Customer-Centric Strategy for Your Business

In today's constantly evolving business environment, innovating at pace, along with efficiency and with quality, are key requirements for success. Those organisations that will perform better than the rest will be those that have the relationship with the customer at their heart.

The literature sees customer-centric strategies as a solution to adapt to the new competitive environment characterised by rapid changes in technology, market forces and regulation (Gaurav & Shainesh, 2017). In particular, Shah et al. (2006) and Fader (2012) emphasise that customer-centricity is an essential requirement for 21st-century firms that need to address key strategic issues, such as (Kumar & Rajan, 2012):

- How many products can we sell to the customer?
- How can we develop profitable relationships?
- How can we identify profitable customer segments?

Despite the beneficial effects of a customer-centric approach being widely recognised, the marketing literature is limited to highlighting the organisational steps and barriers that are critical to initiate and sustain activities to foster customer-centricity (Shah et al., 2006). There is, therefore, a current dearth of academic studies that document the necessary steps to ensure an effective implementation of a customer-centric strategy.

How do you go about defining your focus and implementing the right strategy, especially if you are trying to transform from a product-centric strategy to a customer-centric one? Traditionally, the product-centric strategy focuses on the organisation's capabilities and processes to sell products and services to its customers – where using the latest technology to implement CRM, e-commerce or a call centre does not fundamentally change how the organisation works. On the other hand, a customer-centric organisation is said to 'orbit' its customers and even if it does not utilise the latest technology, customers will come back again and again.

Being product-centric for competitive advantage may have worked well in the past but, in moving forward, it is about how companies can effectively balance the product-centric focus with a customer-centric focus; it is difficult to reconcile both philosophies so that customers are a central part of the decision-making process rather than being seen as an afterthought. The customer-centric approach should be deeply assimilated into a company's strategy, its processes and its culture; so that meeting the expectations of customers' experiences is as important as enhancing the product competitiveness.

Product-centric organisations can become more customer-centric but the culture of the organisation is a critical success factor to make this happen.

9. Promoting a Customer-Centric Culture

Whilst the leadership team can have a strong influence on corporate culture and its development, there can also be very strong drivers, or possibly drag factors, at different levels or interfaces within the organisation. These may have formed and developed over a long period of time and effectively influence the ways things are done.

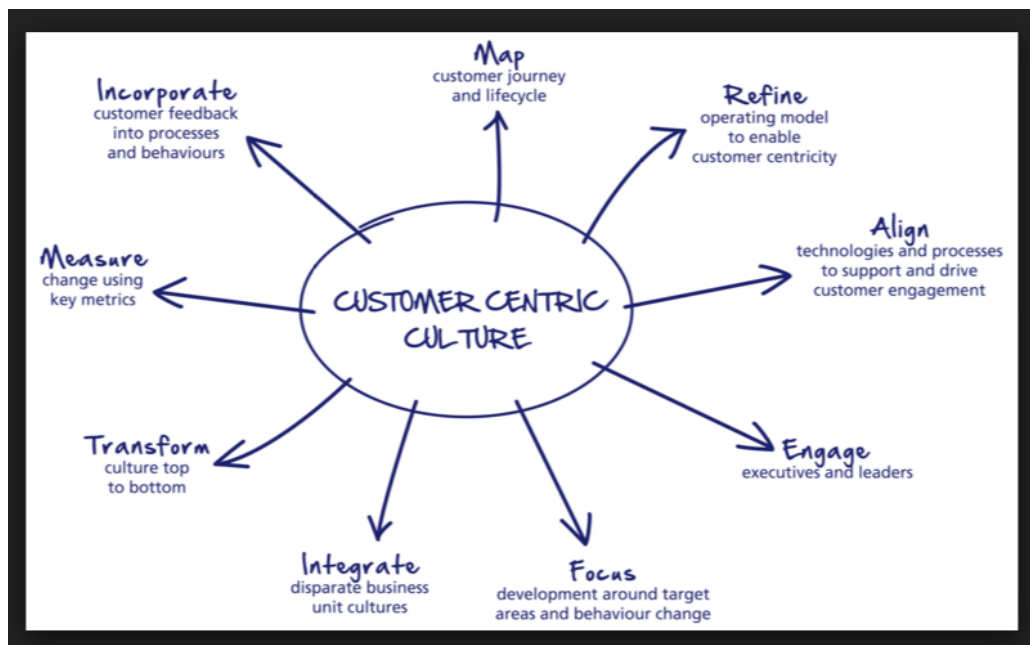
How do you go about making it clear to your workforce that their future actions will depend on a truly customer-centric culture; a culture that needs to develop and be embedded at the core of your organisation? Below we identify some key components on how this could be achieved:

- **Define what customer-centric culture means to your organisation** – Develop and enhance the core values of the organisation and translate these into how customers will be differentiated from the competition, which would then need to be effectively communicated and acted upon by all members of the organisation.
- **Have a defined customer service charter and display it creatively in all office environments** – Ensure that the way customers receive service is clearly defined and that everyone in the organisation consistently adheres to this approach. Look at things through the eyes of the customer, ‘walk in their shoes’, and continuously review the impact of the actions taken.
- **Measure and benchmark current and future levels of customer service** - This goes beyond collecting basic data such as customer satisfaction scores, it is about gaining true and meaningful feedback about the customer experience that can be acted upon.
- **Keep a note of top customer complaints, allocate responsibilities and share them throughout the organisation** - Identifying what these are and sharing what is on customers' minds across the organisation demonstrates that customers and their issues, and how they can be resolved, are important.
- **Measure every employee on customer satisfaction** – As well as collecting performance measures on employee revenue and profit generation, also collect information on how well each employee performs on customer satisfaction (and rectify in cases of underperformance); satisfied customers are likely to continue using the company as well as potentially recommending them to others.
- **Employees are the best part** - It may seem counterintuitive to say that customer-centric organisations put their employees before their customers but this could actually be true. For example, John Lewis’s approach over the last 150 years has been to recognise that all employees (or partners) play a key role in the experience provided to customers. Positive attitudes ultimately have a positive effect on the customer experience, so much so that they become advocates or ‘partners for life’.

It is also about following through and ensuring that you practice what you preach. It is about making things simple and easy to understand, without trying to over-complicate things.

BOC (a member of the Linde Group) explained to the members of HCCM how it is developing a more customer-centric culture. It is using a checklist developed by Gavan (2012), where the start point is to map the customer’s journey (see Figure 9 below).

Figure 9: Customer-Centric Culture



Source: <http://www.dynamicbusiness.com.au/small-business-resources/growing/how-to-create-a-customer-centric-culture-29022012.html>

10. Measuring Customer-Centricity

How do we measure customer-centricity? There is a number of metrics that can be used to measure how customer-centric an organisation is and we list some of the important ones here.

10.1. Customer Lifetime Value (CLV)

This is the most important metric for any customer-centric organisation. It measures how much a customer is worth over their lifetime (i.e. how much this customer is going to spend throughout their relationship with the organisation).

The simplest way to calculate CLV uses three components: average value of a sale; the number of repeat transactions; and the average retention in months or years for a typical customer. The formula is:

$$\frac{(\text{Average Value of a Sale}) \times (\text{Number of Repeat Transactions})}{(\text{Average Retention Time in Months or Years for a Typical Customer})}$$

Calculating the customer lifetime value helps organisations recognise the importance of continuously investing in customers and goes towards gaining a greater understanding of their customer portfolio and how customers segment.

10.2. Customer Retention Rate (CRR)

Customer retention rate is basically the opposite of customer churn (i.e. the number of customers who no longer purchase during a given time period). It is measured as the number of customers that you manage to hold on to with respect to the number you started with at the beginning of the time period.

The simplest way to calculate CRR involves three components in the equation: the number of customers at the end of a period; the number of new customers acquired during that period; and the number of customers at the start of that period. To calculate, firstly, take the number of new customers away from the number of customers remaining at the end of the period and then divide the total number of customers at the start and multiply by 100. The formula is:

$$\frac{(\text{Number of customers at the end of a period}) - (\text{Number of new customers acquired during that period})}{(\text{Total number of customers at the start})} \times 100$$

As a rule of thumb, companies with a high retention rate grow faster.

10.3. Customer Acquisition Cost (CAC)

Another key customer-centric measure is the cost it takes to convince a potential customer to purchase a product/service and its most pragmatic and simple form is in ecommerce – where many acquisition metrics can easily be accessible through web analytics' data.

It is an important measure as it influences margins and profitability as well as directly influencing the 'pay back' period. The formula is:

$$\frac{\text{(Costs spent on acquiring more customers)}}{\text{(Number of customers acquired in the period the money was spent)}}$$

Organisations need to have a clear customer acquisition strategy in place to help identify the 'ideal' customer and the most appropriate distribution channels that gets the most value out of them.

10.4. Net Promoter Score (NPS)

The net promoter score measures the willingness of customers to recommend a company's products or services to others and is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand. It is scored on a scale ranging 0 to 10 (where 0=Not at all likely and 10=Extremely likely). 'Detractors' are those who score the company between 0 and 6, 'Passives' are those scoring either 7 or 8, and 'Promoters' are those who score the company either 9 or 10. The formula is:

$$\% \text{ Promoters} - \% \text{ Detractors}$$

This metric can help embed the focus of a customer-centric approach by continuously listening to customers so that they come back again, become brand loyalists and, thus, drive business growth.

10.5. Other Metrics

More recently with advances in technological solutions, there has been a trend towards effectively utilising data and text analytics to measure customer-centricity, and how the benefits of these insights can yield better informed decision-making through understanding the perspectives of the customer in real-time. We will explore this further in another paper.

11. Becoming Customer-Centric – Best Practice Examples

To begin with, it is essential to start by focusing on aspects from the customer perspective. It is all about the brand, where the customer-centric brand creates products, processes, policies and a culture that is designed to support customers with a great experience. From our research, four best practices stand out; these are identified as brands that are committed to customer-centricity. They:

- are passionate and truly believe the customer comes first. They believe that without the customer, they cannot succeed in business and want to see the world through the customer's eyes. Marketers inside customer-centric organisations understand what customers want and use customer data to capture customer insights and share this across the organisation.
- focus on what the customer wants and needs and develop products and services accordingly.
- focus on building relationships designed to maximise the customer's product and service experience.
- analyse, plan and implement a carefully formulated customer strategy that focuses on creating and keeping the profitable and loyal customer.

Examples of customer-centric best practice organisations include:

- Amazon
- Apple
- John Lewis
- Zappos.

11.1. Amazon

One company that consistently encapsulates the customer-centric approach is Amazon; customer-centricity is embedded into their DNA. Amazon has been able gain a deep understanding of its customers, enabling it to deliver what consumers expect today and anticipate what they may require tomorrow.

Here are a few practices that keep them ranked first:

- The CEO, Jeff Bezos, always leaves one seat open at the conference table, stating that the seat is to be occupied by the customer, "*the most important person in the room*"
- Bezos believes that, "*Everyone has to be able to work in a call centre*" so that they gain an insight from the customer's perspective
- Products are developed based on what the customer wants rather than on the opinion of the development team
- They nurture a "*culture of metrics*" where they routinely engage with customers to gain reactions/opinions to different features or website designs.

11.2. Apple

Apple is another example well known for its customer-centricity, creating well-loved consumer brands, such as the iPad, iPhone and iPod. Here are a few examples of their policies, practices and features where they consistently rank high on lists of customer service-oriented companies:

- They ensure that the upper echelons of management regularly read emails from customers; CEO Tim Cook reads customer emails daily
- They mimic many features emanating from the hospitality industry, where, for example, many argue that their Genius Bar is a direct imitation of a hotel's concierge
- They provide a creative working environment for employees where their impact matters, which has a positive effect on the customer.

These examples of Apple's customer-centric practices help ensure the Apple brand will continue to be adored by their dedicated followers for years to come.

11.3. John Lewis

This example is about demonstrating the enduring power of company values where its values ensure that John Lewis remains a customer-centric organisation. This philosophy is every effective as John Lewis continues to gain market share through excellent service and growing customer advocacy. To achieve this:

- They put the customer at the heart of everything they do throughout the entire shopping experience
- They recognise that being customer-centric is not a stagnant process; they evolve with their customers to remain relevant
- They are willing to reassess what customers need over time to drive continuous long-term success
- They focus on those customers who deliver most sales – 20 per cent of customers drive 70 per cent of sales
- They have created additional roles for 'group productivity' and the 'omnichannel customer journey' to augment the retailer/shopper relationship.

11.4. Zappos

Zappos have an ambitious aim to provide the best online customer service experience that is centred on the customer. To achieve this, they have developed a customer-centric culture where:

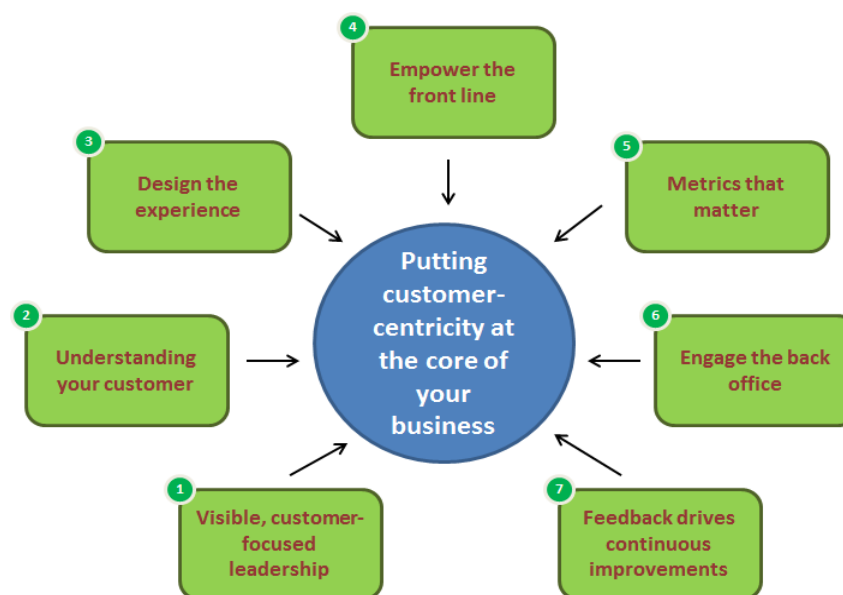
- They hire the right people and, with intense training, get them acclimatised to and passionate about the brand and its core beliefs
- They create a great customer experience by investing in customers through 'little extras', such as free shipping and a 365-day returns policy
- They focus on selling more to current customers rather than constantly chasing new ones

- CEO Tony Hsieh believes that building the brand is “*based on repeat customers and word of mouth*”.

12. How Customer-Centric is your Organisation

Providing an excellent service to customers is important in adapting to a more customer-centric approach; it's about embedding customer-centricity into the organisation. Deloitte & Touche (2014) defined seven fundamentals for a customer-centric organisation (see Figure 10 below).

Figure 10: The Fundamentals of a Customer-Centric Organisation



Source: Deloitte & Touche (2014)

1. **Creating a visible, customer-focused leadership** - Customer-centricity starts from the top, requiring a top-down approach that is centred on the customer. It's about having a vision and articulating that vision that is understood throughout the organisation.
2. **Understanding your customer** - Gaining a more comprehensive understanding of the customer base can help improve customer service through the collection of insight data, sharing this across departments to inform interactions with customers.
3. **Designing the experience** - To be an exceptional customer-centric organisation, every interaction, from the first to the last, should be about minimising customer effort and maximising customer value. Providing a seamless experience from beginning to end is essential in enhancing the customer-centric approach.
4. **Empowering the frontline** - Those on the frontline need to be capable of providing an excellent service. Empowering the frontline requires providing them with the right tools, training and autonomy so that they can take decisions to engage and interact effectively with customers.
5. **Using metrics that matter** - Meaningful data is a key requirement in enhancing customer-centricity. Making data-driven decisions that have a positive impact on the customer requires staff, managers and executives to be able to reference real-time and historical data.

6. **Engaging the back office** - To be a truly customer-centric organisation requires engaging the whole team, not just the frontline but also the back office. Organisations endeavouring to enhance their customer-centricity need to involve the entire company in the process, leading to excellent customer interactions.
7. **Ongoing feedback drives continuous improvements** – An organisation is only as good as its last customer interaction. Regularly collecting customer feedback information can be effectively utilised to continually improve how staff provide a service; enhancing customer-centricity within the organisation.

Applying these fundamentals to the organisation will go a long way to enabling staff to enhance the service they provide to customers. To assist organisations, we have developed a more comprehensive checklist to assess how customer-centric your organisation is (see Appendix A).

13. Concluding Remarks

The transformation to becoming a truly customer-centric organisation would seem to be both a complex and long process but even the smallest changes to strategy and processes could have a significant positive impact on both employees and customers alike. It is about constantly putting yourself in the shoes of the customer to minimise customer effort and maximise customer value.

From an academic perspective, the concept of customer-centricity would seem to be in its infancy, and we are some way off from looking at customer-centricity from a theoretical perspective. Developing theory is likely to emerge from a series of case studies from role model organisations, such as Zappos, and collecting information that is consistent across all organisations.

There is a great deal to consider in becoming a truly customer-centric organisation to reach the levels of the likes of Amazon and Apple, and it could be a long journey that requires patience and persistence. By reinvigorating the people and processes powering their organisations, retailers such as John Lewis are at the forefront of laying the foundations for a new form of customer-centric experience, one that supports the ability to 'wow' shoppers at the front-end with the capacity to physically deliver on their promises, thus increasing customer satisfaction and engendering long-term loyalty.

In summary:

- Understand the challenges of becoming customer-centric
- Be clear about the importance of having the right kind of leadership in place
- Make sure the organisational climate is customer-centric
- Good customer insight is at the heart of customer-centricity
- Be consistent and trustworthy
- Make your customers part of your organisation and listen to them.

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Appendix A: Checklist for a Customer-Centric Organisation

1.	Creating a visible, customer-focused leadership	
1.1	Does your organisation have a senior role that is specific to customer-centricity?	
1.2	Is there a clear vision of what customer-centricity entails within the organisation?	
1.3	Is there clear communication of a customer-centric approach that is understood by management and staff?	
1.4	Is there good articulation of what customer-centricity looks like in practice with concrete examples in your organisation?	
1.5	Are people educated about the impact that changes in business policies or procedures have on the customer?	
1.6	Does your organisation ensure that customer service leaders have a voice on relevant social media channels?	
1.7	Do executives or senior managers get involved by personally responding to some customer complaints?	
1.8	Is a customer-centric culture part of the 'DNA' that permeates throughout the organisation?	
1.9	Does your organisation share stories of exceptional customer service interactions in order to motivate and inspire staff?	
2.	Understanding your customer	
2.1	Is there a Customer Insight Team (or equivalent) in your organisation?	
2.2	Is the Customer Insight Team (or equivalent) encouraged to leverage data to drive effective decision-making?	
2.3	Does your organisation adjust its approach to organising and grouping customer data to be more in line with your customer service strategy?	
2.4	Does your organisation acquire in-depth information about each customer (e.g. socioeconomic status, location of residence, household details, etc.) to enrich your understanding of your customer base?	
2.5	Does your organisation collect behavioural data on each customer to provide insight on your customer base?	
2.6	Does your organisation integrate customer insight data from different sources to provide a richer understanding of customers?	
2.7	Does your organisation provide customer data across departments (e.g. sales, technical support, marketing, etc.) so they can use it to inform their approach to interacting with customers?	
2.8	Does your organisation leverage customer contact software to display comprehensive information about the customer to enhance interactions?	

3.	Designing the experience	
3.1	Does your organisation embed company focused values in training and promote them to increase awareness amongst management and staff?	
3.2	Does your organisation staff the frontline with knowledgeable people to increase likelihood of first contact resolution with customers?	
3.3	Does your organisation offer customers a choice of contact channels for resolving issues?	
3.4	Does your organisation provide a seamless experience throughout all touch points to reduce any friction/tension?	
3.5	Does your organisation maintain a coherent voice on social media, Smart apps, printed branding and website to reduce confusion?	
3.6	Does your organisation use AI (artificial intelligence) or similar technology to help staff improve the customer experience?	
3.7	Does the organisation look to reduce unnecessary customer effort where it is identified?	
4.	Empowering the frontline	
4.1	Does your organisation educate the frontline staff on branding, culture and values so they deliver service that is consistent with these values?	
4.2	Does your organisation ensure that customer-facing staff feel they are integral members of the organisation so that they are proud to provide great service?	
4.3	Does your organisation cultivate innovation by encouraging autonomy and creative problem-solving?	
4.4	Does your organisation equip your frontline staff with the right tools so they can resolve issues on the first point of contact?	
4.5	Does your organisation provide your frontline staff with a 360 degree view of the customer so they can make effective data-driven decisions?	
5.	Using metrics that matter	
5.1	Does your organisation utilise customer contact software that provides comprehensive metrics?	
5.2	Does your organisation empower your frontline staff with real-time and historical data so they can make informed decisions that enhance the customer experience?	
5.3	Does your organisation analyse KPIs and have the capability to make decisions based on these metrics?	
5.4	Does your organisation create a culture of continuous data-driven improvement?	
5.5	Does your organisation know who its most profitable customers are?	
5.6	Does your organisation ensure that your metrics are aligned to the customer life cycle and key touch points (e.g. Customer Lifetime Value, Net Promoter Score, etc.)?	
5.7	Does your organisation ensure frontline staff's feedback and performance evaluations are tied to customer-centric metrics?	

6.	Engaging the back office	
6.1	Does your organisation ensure that back office functions are informed of and buy into customer-centric values?	
6.2	Does your organisation ensure collaboration across departments and give them the right tools to do so?	
6.3	Has your organisation implemented policies and procedures that enable staff to provide first rate customer service (i.e. flexibility to return a customer's call when needed, allowing a cooling off period after a tough call, etc.)?	
6.4	Does your organisation encourage back office staff to spend time on the frontline to enhance their awareness of the customer's needs?	
7.	Ongoing feedback drives continuous improvement	
7.1	Does your organisation have a team that is dedicated to monitoring, analysing and acting on customer feedback?	
7.2	Does your organisation monitor customer interactions on social media for real-time insight and respond to their comments as soon as possible?	
7.3	Does your organisation use data mining tools to gain more information about customer feedback and incorporate this data into your CRM?	
7.4	Does your organisation utilise a centralised dashboard where all employees can upload and access customer feedback to allow them to make data-driven decisions?	

Adapted from Deloitte & Touche (2014)

The Henley Centre for Customer Management

The primary objective of the Henley Centre for Customer Management is to promote customer focus and service excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own customer management and customer service plans and implementations.

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Each year, the Centre aims to attract a membership of between 10 and 15 organisations, each a leader in their sector.

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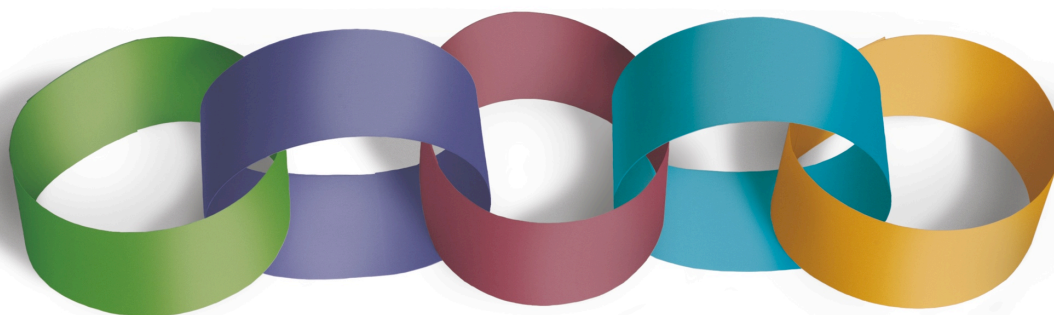
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Henley Centre for Customer Management

The Henley Centre for Customer Management is supported by members representing a diverse range of organisations.



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