

# EVALUATING A CUSTOMER-CENTRIC APPROACH

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## *Abstract:*

*Customer focus is, at best, only one element of the relationship between a company and its customers. At worst it is a board-room buzzword, which makes every board member feel a little more secure. Not unlike the phrase “working towards equal opportunities”, it is showing an awareness of a need but is not addressing the issues. Customer focus must lead to something meaningful, will probably require sacrifices and is just one of the steps necessary to become truly customer-centric. A customer focus puts your customers high on your list of priorities. When you put your customers into the heart of your business, make customers part of the culture, then you to become customer-centric.*

*Keywords: customer focus, service differentiation*

## **Generic overview**

One department within an organisation cannot function in isolation. You cannot departmentalise a customer-centric approach. It must emanate from the very heart of the organisation. All departments need to work in harmony, if not complete synchronicity in all communications with customers. Somebody high up in the organisation has to take complete control of the total customer experience for a true customer-centric approach to work. This person should assume the role of communicator, champion and relationship developer. Not all organisations are ready to this. Some companies rely on individuals “who are good with customers” to assume this role. It has limited effect.

To evaluate an organisation’s readiness to become customer-centric is simple. To become customer-centric is a far more arduous task. Identifying the shortfalls is relatively easy; overcoming them is far more difficult. If you need to undertake cultural change in order to adhere to the readiness checklist then the task ahead takes on magnificent proportions. Educating an entire workforce to change in a way that is generally customer-centric is time-

consuming and can cost the company an awful lot more than merely the financial costs.

It is important that having embarked upon the journey, which is customer service, organisations look inward and establish all those elements that are positive. If the positive elements within current business process only require an almost imperceptible change of emphasis, then look to utilising them within your customer-centric approach. If certain departments are more customer-orientated – either during customer facing situations or in handling customer complaints – then build on and utilise that expertise. In some organisations, ownership of the customer can be clouded issue. Some sales people would like to say they own the customer, some accounts people would also say that they service and own the customer; for a customer-centric approach to be effective, the reality is that ownership of the customer should not be the domain of any one department and all departments should shift in unison.

The customer has to be central to most of the decisions made by the company. The payback will be high, but the cost can be high also. Will you ever

be in a position to credit yourself as a customer-centric organisation? The answer to that is doubtful. The reality is, it becomes a way of doing business rather than a goal that you achieve.

### **Are you price-, product- or customer-driven?**

Most commercial relationships can be broken down to three distinct categories: price-driven, product-driven or customer-driven [1. Philip Kotler, p. 183]. *Price-driven organisations*, not surprisingly, complete or price, look at price as a differentiator and are forever concentrating on margins. That does not mean to say that organisations in the other categories do not look at margins but it is an ethos within an organisation that makes everything surround the product price. This will require those organisations to cross out the value of their customers. They find themselves in a precarious position in terms of customer service because when somebody else comes along with a lower price the customer feels justified in switching because no loyalty has been built.

*Product-driven organisations* differentiate on their particular products; sometimes this can be an ideal solution especially if the product is unique. However, unique products can be either franchised – as in the case of Wimpy – or copied, creating unexpected competition. Product-driven organisations rely upon the product to keep the customer. If the product is particularly good, efficient, cost-effective and economic to run, then customers will acknowledge these facts and remain loyal. However, sometimes competitors can mimic goods and customers can be tempted to buy your competitor's stock.

*Customer-driven organisations* do not necessarily need to compete on price or product – although it is important that the price and product are of an acceptable standard. It is not an imperative always to be cheaper or for

the product to be unique. The customer-driven organisation will look at its customers as part of the overall business process. A true customer-driven organisation will want to go that extra mile (a cliché, but a valid one) to please the customer and to ensure that they enjoy the experience of being a customer of that organisation [3. Sandra Vandermerwe, p. 121].

It is well documented that the top 10 per cent of your customers can represent as much as 120 per cent of your profit. Therefore, it becomes vital to be able to see who your valuable customers are. It is an on-going dilemma whether you should deal with the 10 per cent in a way that is different from how you deal with the remainder of your customers. Obviously you want to retain the top 10 per cent because of the value that they add to your organisation, but you will not always necessarily want to lose any of the other 90 per cent because of economy of scale. It is important to evaluate exactly how much you are prepared to invest for the retention of the 90 per cent of the customers in relationship to how much you are willing to invest in the top 10 percent.

How you communicate with your most valuable customers is a dilemma. If you treat them in a favourable way, offer them inducements that are not offered to the rest of your client base, you risk being “found out”. If you are “found out” by some or many of the rest of your customers they may feel alienated and defect; your economy of scale will diminish and therefore the true value of your top 10 per cent will diminish with it. Communication is an important tool but it can also be a minefield.

A customer-driven organisation will have data supporting its customer relationship. This data will be analysed, either by transaction, by value, by location or geography. The data will have been collected, maybe by the sales or the marketing departments, but

it will be shared. Shared data is valuable data. Data that is not used is of no use. Data that is out of data is also of no value, so the information that is held on the customer must be shared throughout the organisation and must be able to be updated from various sources.

Loyalty marketing is a way of marketing sure that the customers who are repeating business on a regular basis benefit from their loyalty – thus engendering further loyalty [1. Philip Kotler, p. 97]. Collecting data and member-crunching are vital for the process to be successful. The explosion of loyalty cards in the retail grocery business from the early 1990s was nothing short of phenomenal. Differentiation was quick to diminish. Each of the big five supermarket chains were employing the same tactics. Two things occurred: massive data collection on a scale unknown before about the customer, and none of the supermarkets maximising the collected data to its full extent. Therefore, “customer loyalty” became a total misnomer. Shoppers (customers) hate “loyalty cards” from all of these companies. The lessons learnt took a veritable age to filter through. Loyalty marketing needed to “become of age” and only customer-driven organisations are able to employ today’s sophisticated loyalty marketing processes.

### **Transition towards customer focus**

Adopting the points set out here will set you on your way towards achieving a customer-centric approach. However, order needs to be maintained. The primary process that has to be undertaken is management buy-in. Have the board appoint someone as customer director or at least appoint someone to be responsible for the total customer experience (TCE).

It will be necessary to establish to which of the three “driven” organisations you belong – product, price or

customer. The necessity then is to become, if you are not already, customer-driven, which will involve looking at the entire business to enable you to evaluate how easy or hard the task is going to be to make a full transition. If the entire culture needs to change then be prepared to implement over an extended timeframe to allow for full adoption. Training and communication are all – important with regards to your existing staff. Often a customer-centric approach can be driven from within an organisation, by its staff. The staff must be truly empowered, though.

Look at your internal procedures: Is your organisation employee-centric? Do you take account all of those people around you and their individual problems, concerns, fears or worries? If so, you are well on the way to being able to commute that to your customer service offering. If, however, your management approach has been somewhat different, then set yourself a timetable and look at how to change processes; get feedback from those people who are on the front line; be prepared to empower staff and trust them. Promote buy-in from the staff through a process of training, communication and top-down involvement from senior management.

Access, update and utilise all the data that you have on the customers. Assess your existing customers, evaluate and specify what your customer values are. Ascertain what your customers’ lifetime values – how much money a customer will spend over the lifetime of the relationship – are, and how valuable each customer segment is to the organisation [3. Sandra Vandermerwe, p. 68]. Estimate the average existing lifetime of the relationship with your customers, how much loyalty you are achieving now and set yourself targets for the future. The essence of transition to customer focus is to encompass all departments within the organisation, whether customer

facing or not. If you can achieve maximum amount of buy-in from all departments, the transition will be smoother. [2. Philip Kotler, Dipak C. Jain and Suvit Maesincee, p. 111].

### **Differentiation through service**

Today's economic climate ensures that all commercial organisations are striving for differentiation. No one wants to merely replicate what someone else is doing. Customers are spoilt for choice, with a plethora of alternatives open to them. Choice exists everywhere today – whether it is where to buy groceries, which airlines to use, which rail company – the list is endless. Therefore, differentiation ultimately filters down to service levels, and service levels alone. Consumers can go into any one of the big five supermarkets and purchase an identical shopping basket. One or two of the brand names may differ but the reality is that the products are the same. Likewise, a traveler can make a journey from Bucharest to New York on any number of airlines; the flight times will be similar and the destination the same. The only differentials will be the price and service. So achieving differentiation through service is becoming more and more important.

Differentiation through service is a win-win situation for all involved. The customer benefits because the service levels are higher than would otherwise exist. The organization benefits because the customer is made to feel special and is more likely to return and use the service or buy the products again. The organisation further benefits through retaining customers and not having to invest in attracting new ones. A customer who feels they have been treated particularly well by an organisation will talk about it. That word-of-mouth recommendation, referral or written letter of reference can benefit an organisation both in financial terms and through the kudos that is attached to offering great service.

As you look around the commercial world today you will see many forms of differentiation, many different services; and many of them represent good practice. The good practice, however, must remain unique. This is when differentiation becomes difficult because you cannot copyright an idea or a level of service. Therefore, you must always achieve the extraordinary. True differentiation is when the “wow” factor comes into play.

The “wow” factor is a mechanism that has crept into British and European commerce and is now recognised as a bona fide service measurement. A customer will always recognise the “wow” factor. Most customers experiencing it will probably remain loyal for a considerable amount of time; such is the effect of the “wow” factor. To achieve it is not so difficult; quite often a simple request can, when carried out effectively and efficiently, present the customer with the “wow” factor. Going the extra mile, surprising the customer with a level of service greater than that expected, will also create the “wow” factor. Perhaps one of the most common “wow” factor to hit the majority of consumers is when the maitre'd of your favourite remembers your name; this gives an instant feeling of warmth tinged with tendencies toward loyalty. It is a simple task and can be something that pays massive dividends.

If you can achieve the “wow” factor in a genuine, meaningful way then your customer loyalty levels will increase accordingly.

To a truly customer-centric organisation, customer service excellence means simply doing business the right way. To organisations striving to improve their service levels is an imperative. To those organisations, who have been recognised and won awards for customer service excellence, it is the highest accolade that a customer-centric organisation can have bestowed upon it.

The evaluation of the customer-centric approach is a process in which the organisation is obliged to pose and give answers to the following questions: is the customer at the centre of your business?; do you have the necessary systems in place to afford the customer the best possible service?; are your customers valuable enough to communicate with on a regular basis?;

are your customers an inadvertent part of your sales forces?; do you have a board willing to achieve these goals?

When you put your customers high on your list of priorities. When you put your customers into the heart of your business, make customers part of the culture, then you start to become customer-centric.

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