

Jomer & Co

Let the voice of the customer improve your customer centricity

Going customer centric is a refrain we have heard over and over again, but now many business leaders agree that a stronger customer focus is the antidote to escalating commoditization pressures. Getting closer to the customer is crucial for growth and sustainable wins, since customers have more choices than ever and will not hesitate to walk away from relationships that do not meet their needs. This holds true for nearly all industries today, and is no longer limited to those companies serving end users.

Advances in technology and communication, combined with the explosive growth in data, have given rise to more empowered global customers. Most customers today want products and services to be transparent and easy to use in order to simplify their decision-making process. However, as many frustrated customers would agree to, getting closer to customers is not just a matter of installing a better CRM system or finding a more effective way to measure and increase customer satisfaction levels. Even though tools and technology are important, they are not enough. Hence, neither IT nor marketing departments can solve this alone. It is rather a matter of taking a systems approach to customer centricity for the entire organization that sustainably will solve this.

Customer centricity means looking at the enterprise from an outside-in perspective rather than view it from the inside, i.e. through the lenses of the customer rather than of the producer. An outside-in view, which puts customers at the heart of your strategy, may be the most important thing that differentiates you from your competitors. It is really about understanding what problems customers encounter and then providing mutually advantageous solutions to those problems. The logic of customer centricity starts with the customer and three key questions: *Who are you? What do you need? How can we help you?*

This makes it possible to identify the things that really represent value for customers. Overall, customers are looking for value to be clearly demonstrated, such as trust, ease of doing business, balance between price and performance, product features and services tailored to their needs. Once they have made their choice and established a relationship with a supplier, they expect that products, services and how they are treated will meet their expectations irrespective of which channel they use.

Part of the appeal of customer centricity is that it takes very little business acumen to grasp its core concept. Focus and listen intensely to customers, align your products and services to their needs, and voilà, a customer centric culture is born. Simple? Not quite. Becoming a truly customer centric organization is perhaps one of the most difficult transitions an organization can make, full of hidden obstacles and unanticipated challenges. Since many activities, such as sourcing, production, and logistics, are being commoditized, companies need to focus even harder on the primary purpose of their business, i.e. to acquire and keep customers, and shift their attention to activities in which they engage, serve and keep customers. Becoming customer centric is about

choreographing what you already have, i.e. offerings, structure, processes, technologies, people and rewards to better respond to your customers' needs and wants.

Many business leaders claim that their strategies are customer driven. But who are their primary customers? By not singling out any customer group as primary, the edge of being customer driven will not be sufficiently sharp and important choices may be sidestepped. It is the strategic choices related to the primary customers, which in the end defines the business. So far, much of the conversation about customer centricity has been focused on business-to-consumer. However, business- to-business companies are increasingly getting in the game. They serve a more complicated and advanced set of customer roles, including influencers, purchasers, and implementers whose needs may vary significantly. To get around this multitude of needs, they should create a clear view of the needs of the customers' customers.

A need for a clear and distinct strategic value dimension

Customer centricity is of great importance independently of a company's chosen strategic value dimension¹ — customer intimacy, product leadership or cost leadership. See fig. 1. By cost leadership, we mean providing customers with reliable products and services at competitive prices and delivered with minimal difficulty or inconvenience. Product leadership means offering customers leading edge products and services that

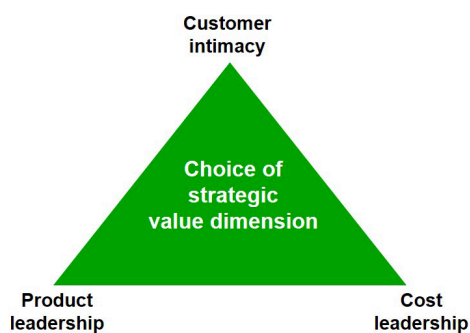


Figure 1. A company must make a strategic choice on what value discipline to excel in

consistently enhance the customer's use or application of the product, thereby making rivals' goods obsolete. Finally, customer intimacy means segmenting and targeting customers precisely and then tailoring offerings to match exactly the demands of those individual customers. Companies that excel in customer intimacy combine detailed customer knowledge with operational flexibility so they can respond quickly to almost any need, from customizing an offering to fulfilling special requests. As a consequence, these companies generate tremendous customer loyalty.

Companies, which push the boundaries and excel in one strategic value discipline while meeting industry standards in the other two, gain such a lead that competitors find it hard to catch up. This is largely because these companies have aligned their entire operating model, i.e. structure, processes, capabilities, culture, measurement, governance and reward systems to optimally serve the selected value discipline.

When a company chooses to focus on one value discipline it is at the same time selecting the categories of customers that it will serve. In fact, the choices of strategic value discipline and customer categories are actually a single choice, which defines your business and thus your company. Our experience tells us that too many companies falter simply because they lose sight of their strategic value discipline. They react to market trends and competitive pressures and they pursue initiatives that have merits on their own but are inconsistent with the chosen value discipline. It may appear that these

¹ Inspired by the thinking of Treacy and Wiersema.

companies are responding to change in the environment, but in reality, they risk blurring their strategic direction and by that diverting energy and resources away from their core.

Understanding drivers and destroyers of customer value

How do you define value? What are your products and services actually worth to customers? Remarkably few organizations are able to answer these questions, and yet, the ability to pinpoint the customer value of a product or service has never been more important. To measure value in practice, it is crucial to have a shared understanding of customers' perception of what value is for them. Today, companies must also understand how digital technology extends each dimensions of value creation. The value a company offers is the customer's incentive to purchase from them instead of buying from a competitor. Understanding the elements, which the customers perceive are building value, will more accurately help articulate differences in functionality and performance that the offering provides in comparison to other alternative offerings.

Value elements are anything that affects the costs and benefits of the offering for the customer, and they may be technical, economic, service or social in nature and they may vary in tangibility. The idea that companies succeed by selling value is of course not new. What is new is how customers define value. In the past, customers judged the value of a product or service mostly on the basis of some combination of quality and price. Today's customers, by contrast, have an extended concept of value that includes things such as brand perception, convenience of purchase, after-sale service, dependability, trust and so on. A growing number of customers also include how the company's activities are aligned with the values and praise sustainability and social responsibility. Hence, understanding customer value gives the company the means to increase performance in several dimensions.

It is equally important to understand the destroyers of value. The philosophy of lean has articulated typical waste drivers, such as unnecessary transportation, motion, inventory, lead time, overproduction, processing, rework, scrap and underutilization of capabilities. All these drivers of waste destroy customer value by adding unnecessary cost. As important, but even harder to detect, is failure to meet expectations, broken promises, failure demand and inconsistent or bad customer experiences.

As products and services become more connected into systems offerings, the importance of customer experience increases. Great customer experiences produce great business results. Bad customer experience limits good results. The logic that connects great customer experience to bottom line results is simple. If people love doing business with you, they become promoters. Promoters are the customers that every company wants more of. They are less likely to defect and they buy more products and services over time. Some people believe that business leaders should delight every customer. Others argue for eliminating defects in products and interactions, or reducing the effort customers spend in dealing with a company. We think these arguments miss the point. Delight, quality and reduced effort may all be part of the package, but the goal for the company has to be the creation of promoters who produce the economic benefits for your business. Everything else is simply a means to that end. Customer experience

must be defined from the outside in and from the customer's point of view, and comes mainly from three types of interactions:

- The brand – corporate citizenship, advertisements, marketing, communication and scrutiny in media.
- The offering – specific characteristics of products and services and how customers use or experience them.
- The touch points – front offices or stores, contact and service centers, websites, social media and customer communities.

Customers forge their opinion from the total experience they have with the company, across all channels and touch points. All three types of interactions, alone or in combination play a role in creating promoters. Their relative importance depends on the industry and the company's position within it. Customers do not see the web of organizational structure and processes, which operate behind the scene to deliver their experiences. They just see a series of interactions from the outside in, colored by their expectations and alternatives.

Customer centricity is essential in the Strategic Learning strategy process, a four-step dynamic cycle of learn, focus, align, and execute. See fig. 2. Strategic Learning² is a systems approach to strategy and execution that embraces, develops and disseminates knowledge and is able to adapt to changes in the world so that it benefits customers, employees, shareholders and society. A winning strategy begins with superior insights. The quality of generated insights will have a direct impact on the quality of the strategic choices. Going through a bridging process, starting with the insights and analyzing the issues they raise, enables the strategic alternatives to emerge and assists in making the right choice.



Figure 2. Strategic Learning is a systems approach to strategy and execution

There are three main elements involved in defining strategic choices: *Customer focus, winning proposition, and five key priorities*. Customer focus defines which customers will be served and which will not be served, and it identifies what is most important for those customers. The better job one does in identifying and meeting the customers' hierarchy of needs, the stronger and more profitable the bonds to them will be. Finally, customer focus also defines what products and services will be

offered to them. The winning proposition is the hard currency of a company's strategy. It defines what the company will do differently or better than its competitors to generate greater value for its customers and superior profits for itself as well as benefits for society and its stakeholders. Remember, the challenge is to define the winning proposition, not just a value proposition. The latter is often nothing more than me-too thinking. The winning proposition may be based on a theory of success, but it must

² Inspired by the thinking of Willie Pietersen.

always be based on the company's strengths and capabilities, i.e. what it does outstandingly well. The five key priorities ensure that bold priorities are made. They should define the most important things a company will do to achieve its winning proposition, i.e. those vital few things that will make the biggest difference. Any company that is not rethinking its direction at least every year, as well as constantly adjusting to changing contexts and then quickly making significant operational changes, is put at risk.

Understanding customer needs, behaviors and what customers experience when they interact with the company is essential for developing a winning strategy. A customer will touch a company in many different ways before a deal is made and after. Unfortunately, few companies have an overall picture of their customers' journey, since the information is often stuck in different silos. Hence, surveying customers directly after their purchases to grasp their total experience is not enough. A CRM system might let you know how customers move between the website and the store, but it does not tell you anything about their response to advertising or word-of-mouth reports.

Passing the barriers for customer centricity

Today, it is difficult to find a company without a value statement praising customer focus. Unfortunately, the hierarchical structures and organizational processes that have been used for decades to run and improve companies are many times no longer up to the task of winning in a faster-moving world, where the power more and more shifts toward the customers. We do not mean that hierarchies are of no use. On the contrary, division of labor, specialization, and departmental responsibility are necessities in any operation. They let us sort work into departments, product divisions, regions, and the like, with expertise, reporting and accountability, so activities are done efficiently and predictably. However, hierarchies and standard managerial processes, regardless of complexity, are inherently risk-averse and thus resistant to change. People hold on to their habits and fear loss of power and stature.

Most hierarchies, with specialized units, rules, and optimized processes, crave for stability and doing what they know how to do. When knowledge and expertise are housed within organizational silos, it is often difficult to align resources across internal boundaries in ways that customers truly value and are willing to pay for. Power structures are notoriously difficult to change. Basically, the only way to do that is to break down the traditional, often entrenched, silos and unite the resources to focus directly and sharply on the customers' needs. Continuously improving customer value is difficult in almost any organization, since so many of them are organized in silos that are managed to optimize their own performance rather than deliver value to the customers.

Moving toward customer centricity requires systematic and ongoing change to transcend existing silos, product or geography-based, to a true all embracing customer-oriented approach. A proven approach is to define key customer journeys. This allows companies to move from traditional silos and top-down innovation toward cross-functional processes and empowered, bottom-up innovation. Structural mechanisms and processes that allow employees to improve their focus on the customer by harmonizing information and activities across units are then identified. Such a change requires an aligned leadership, through capabilities, cultural means, incentives, and

allocation of power, to encourage people in all parts of the organization to work together for the interest of the customers. Thus, enough people need to have the right capabilities to deliver customer focused offerings, as well as developing relationships with external partners to increase the value of those offerings.

Understanding the customer journey

Business leaders recognize the importance of customer experience. However, too many emphasize only a few selected customer touch points, i.e. the many critical moments when customers interact with the organization and its offerings on their way to purchase and after. Too narrow focus on maximizing satisfaction at those moments can create a distorted picture, suggesting that customers are happier with the company than they actually are. Without understanding the customers' experience and decision process, it does not matter how customer centric you are. Individual touch points matter, but what matters even more is a customer's complete, cumulative, end-to-end journey through the organization. Most companies perform fairly well on some individual touch points, but high performance throughout the entire customer journey sets a company apart from competition. A consequence of taking an integrated look at touch points is that it requires multiple parts of a company, often including external partners, to work together to improve the customers' experiences.

From working closely with senior executives and their organizations, we have concluded that organizations able to skillfully manage and excel their customers' total experience during the customer journey reap enormous rewards, such as enhanced customer satisfaction, reduced churn, greater employee satisfaction and increased revenue. In addition, they discover more effective ways to collaborate across functions and levels, i.e. ways that deliver gains throughout the company.

A customer journey map is a useful tool to understand and improve a customer's experience. See fig. 3. It helps you document the experience from their view, and to understand not only how customers interact with the company today, but also what hinders and improvement opportunities that exist. A customer journey map illustrates the path a customer travels through the company, whether it is a product, a service, an online engagement, a business-to-consumer or business-to-business experience, or any combination thereof. The customer journey map needs to represent the interactions in such a way the customers

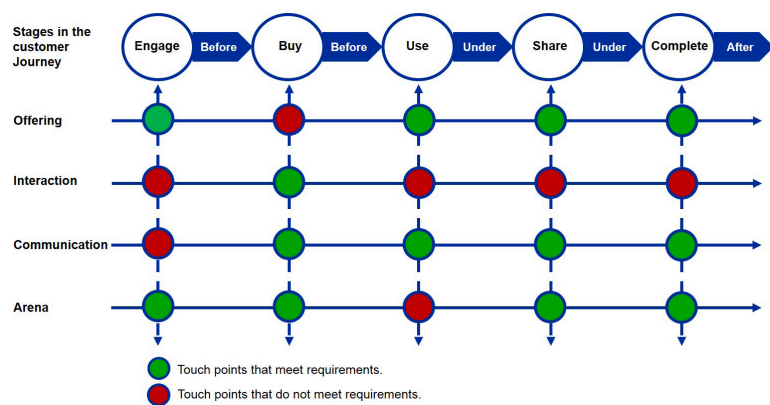


Figure 3. A customer journey map

experience them. It often includes interactions that happen outside of the company's control, such as social media interactions or web searches. Different customer segments typically have very different customer experiences. Hence, the importance of identified key customer segments.

The more touch points a company has with the customers, the more complicated the map gets. Once a company has identified its key customer journeys, it must examine each in detail in order to understand the causes of the current performance. This deep dive involves additional research, including customer and employee focus groups and call monitoring. Potential customers are important to include in the pre-sales phase of the customer journey since they may follow a different path to make a buy decision.

Customer journey maps visually illustrate an individual customer's needs, i.e. the series of interactions that are necessary to fulfill those needs, and the resulting emotional states a customer experiences throughout the process. The customer touch points that are mapped in the customer journey generally fall into four general categories:

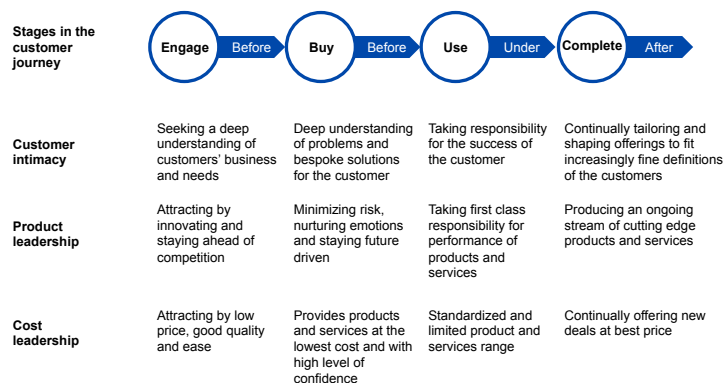
- Offerings – products, services or system offerings.
- Interactions – two-way interactions can be in-person, on the phone, or virtual including social media, user forum presences, etc.
- Communication – one-way communication include brand, collateral, instructions, advertising, packaging, etc.
- Arena – anywhere the product or service is seen or used, e.g. retail stores, service sites, web sites, YouTube, events and shows.

It is important to identify and understand what specific things the company is doing at each touch point in order to help the customer travel through the company in a hassle-free way. A customer journey shows a customer's goals at each stage of the process, but bear in mind, goals may change as the process unfolds. We argue that a customer's experience with messages, offering, processes, people, products and services start long before they are customers. It starts when they first encounter the company, either as a potential customer or by hearsay from friends and family or media.

It is also essential that the touch points are addressing the customer's motivation, and answer their questions or soften concerns before, during, and after the experience. Emotions are critical to any experience, whether business-to-business or business-to-consumer. Time is an important factor to take into consideration, and the length of an encounter provides important context. It is quite a difference if a call lasts for 45 seconds or 45 minutes. Likewise as stated earlier, it is essential to grasp the customers' needs. *Does the touch points address the customer's articulated needs or are there any unmet, underlying and latent needs? Are there needs going unstated that neither you nor your competitors are solving? Are all the touch points speaking with the same tone, the same message, even the same words?*

A customer journey highlights the moments of truth and separates those critical moments from the rest. *Is your brand being communicated clearly and effectively?* A critical outcome of a customer journey is measuring how the customer experience supports the brand promise and the delivery of customer value. *Are there hiccups in the flow from one stage to the next that may cause potential customers to drop out, or cause dissatisfaction for current customers? Are the touch points differentiating the company from its competitors and helping retain customers? What are the critical measures of success and effectiveness?* Unfortunately, all these questions are often difficult to answer, since few companies have an overall picture of their customers' journey through the company. Vital customer information is too often stuck in silos.

Our experience has taught us that the performance of a company's whole customer journey is far more predictive of business outcomes in terms of growth, revenue, repeat



purchase, low customer churn, and positive word of mouth than the performance of specific touch points. Taking the time to analyze the company's touch points as a collective whole, and not just as isolated mini-experiences, will help shape them for a better customer experience. In addition, it may also point to opportunities to innovate new types of touch points. Independently of the chosen strategic value

Figure 4. High-level examples of expected customer experience themes for each strategic value dimension

dimension, the customer journey map is a powerful strategic tool for improving customer centricity. Nota bene, the expected customer experiences differ between the three value dimensions. See fig. 4.

Leadership evolution

Many of the leadership teams and executives we have supported in implementing and executing strategy have come to understand the importance of getting an unfiltered voice of the customer, an increased understanding of how customers experience their company and to learn more about the need to eliminate silos in the organization. Some senior executives have even started to travel through their organizations as "customers" themselves. Working closely with them has put us in the fortunate position to influence and support them in raising their ambition and commitment for customer centricity. Leading with a higher ambition means applying a systems view. This means regarding the entire organization as it is and has been, envisioning the full potential, setting worthy economic and social goals and fostering organizational learning. In addition, it also means to carefully monitor and address all system components and not compromising on the things that matter. Leading the organization as a whole system requires dialogue, teamwork and collaboration from the top down to the people doing the actual work.

How can we help?

It is impossible to eliminate risks from strategic decision-making, but we argue that it is possible for companies to significantly improve their chances of success when it comes to strategy implementation if they are committed to customer focus, expand their tool kit with customer journey maps to gain more insight on how customers experience their companies and then take a system approach to enhance customer centricity.

Jomer & Co has long experience and knowledge of aligning organizations behind their strategies and supporting senior executives and managers in their strategy execution.

Our support is always bespoke and there are several possible entry points to a successful collaboration, for example:

- Running a Customer Centricity Workshop with the management team is a fast way to understand the organizational possibilities and barriers for customer centricity and increased understanding of customer journeys.
- Running a Customer Journey Initiative gives management true insights of customer experience, own realities and ways to increase customer centricity.
- Conducting a Strategy Audit with focus on a set of insight areas. This reverse-engineering approach is a fast way to validate the company's current or planned strategy, as well as the strategic effectiveness.
- Running a Strategic Focus Workshop with the management team is a proven process for identifying and structuring strategic choices.
- Engaging in Strategic Coaching of senior managers' strategic challenges supports and assists them individually in their ongoing strategy development and implementation work.

Jomer & Co

We help clients close the strategy-to-execution gap by creating and implementing winning strategies.

Jomer & Co is a boutique advisory firm, focusing on strategy creation and implementation. Our focus on employing professionals with extensive experience provides us with the executive resources of a larger organization while still being flexible and responsive in the relation to our clients' challenges.

We are devoted to knowledge and situational insight and are aligned to the shift in demand for management consulting services by its way of leveraging knowledge, experience and giving advice. Our experienced Consulting Associates work closely with clients throughout the stages of strategy creation and implementation.

For contact and more information, please email info@jomer.se.