

A NEW KIND OF CUSTOMER FOCUS

Successful companies are re-inventing themselves. The most effective organizations at changing and remaining relevant are the ones that have the best knowledge of their customers. Therefore, with this focused eye on the future, leaders are beginning to organize around their customers. This is the model that will keep them more responsive and more flexible than their competition - because closer relationships with customers will create and sustain stronger sales positions.

In an October 2013 McKinsey study of Fortune 500 and DAX 30 companies, How B2B Companies Talk Past Their Customers, researchers found "a marked divergence between the core messages companies communicate...and the characteristics that customers value most." The report highlighted that "honest and open dialogue, which customers considered most important (of 13 themes), was one of three themes not emphasized at all by the 90 companies in our sample." In fact, the deliverables that leading B2B companies emphasized suggested "a tendency to follow the herd rather than create a strongly differentiated brand message." The opportunity clearly exists for companies to separate themselves from the competition by focusing on customer relationships. Customers have many choices and are learning how to use them. At the same time, these customers prefer relationships or partnerships with their suppliers, which help them mitigate the complexity of these choices. This puts pressure on businesses for coordination across departments and divisions to deliver these relationships.

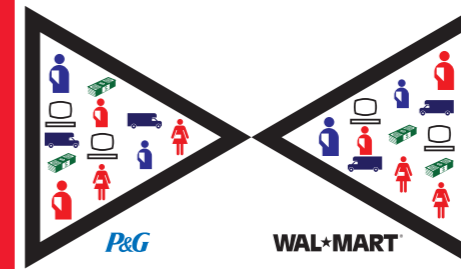
Customer Portfolios

Because markets are changing quickly, visionary companies are managing around customer portfolios instead of a one-size-fits-all basis, in which functional departments serve many customers and segments.

Traditional business models viewed customers as passive consumers of the products they were selling. Today's model recognizes that customers are empowered by more and more choices. The upshot is the need for companies to become more collaborative by allowing their employees to work directly with their counterparts in customer companies or customer subgroups. Gone are the days of being organized around products and designing procedures primarily to keep it simple for management. The new goal is to first understand the uniqueness of each customer and to use this knowledge to work closely with these customers.

An organization that is customer-centric communicates with customers proactively, not reactively.

Much has been written about the successful partnership model epitomized by Procter & Gamble and Wal-Mart in a landmark collaboration started 20 years ago. However, in addition to the Information Technology and supply chain synergies that developed, the even greater lesson to be learned is that being customer-centric involves changing your organization chart in terms of how you interact with your customers.



In the new relationship, everything was reversed, forming a Reverse Bow-Tie or diamond shape. When the functional specialists in each organization began meeting with their counterparts, information and process improvements began to flow. The result was a game-changing breakthrough that benefited both companies, as well as the consumer.



Tom Peters in a recent issue (vol. 6, no. 1) of the Corporate Design Foundation magazine spoke about Mistake No. 1 that managers make in understanding and using design. It is "treating design as a veneer issue rather than a soul issue." He explains that corporate executives are too literalist in their interpretations of the deliverables to their customers.

"We're trained as engineers. We have MBAs. Because we still believe that business is a reductionist activity, rather than a holistic activity."

The relationship with our customers is much more complex than that. The goal of becoming customer-centered is to meet the demands of a quickly changing market. The fulfillment of the Reverse Bow-Tie structure means that the customer is more loyal and that the suppliers' operations are more efficient. The real secret, however, is that businesses suddenly have real-time information about their customers' needs - information which doesn't become filtered and misconstrued through bureaucratic convolutions.

This dynamic information source becomes a knowledge base and expertise, which newcomers to the market cannot match and which customers recognize. It allows organizations to resolve problems and to experiment with new ideas without weeks of studying and multiple layers of approval. It creates what Peters calls a "bias for action" and an energized workforce that can use its creativity to design customized solutions for its customers.

"Expecting an organization to become customer-centered through a few cosmetic changes is unrealistic."

Being customer-centered is non-traditional and this carries over to designing your organization, as well. The "veneer" approach will not work. The world that customers experience is changing so rapidly that any supplier's success depends on the constant gathering of information. If focusing on your customers is central to your strategy, then you must structure the organization to reflect that goal. The shared information will be powerful.

Customer-centered strategy

Developing a specific strategy, focused on becoming more customer-centered, will take an organization to a new dimension, where it will outperform its competitors in the eyes of its customers.

This approach goes far beyond a CRM (customer relationship management) system. An organization that is customer-centric communicates with customers proactively, not reactively. To operate effectively, they operate outside the four walls of their business. “Fast” knowledge happens within these organizations because they are connected.

Every organization should have an early warning system – the capability to know customer needs more quickly than the rest of the market does. The best ones are built around closeness with customers.

This pivot to being organized around customer subgroups creates alignment among employees. They perceive their jobs as more than simply serving customers. Their work is more purposeful and their decisions more oriented toward customer needs.

The value of any business is really the sum of the value of its customer relationships.

A customer-centered business strategy galvanizes the team working for a customer. When the direction in your organization is to outperform for your customers, it helps employees understand how they can contribute because they have clarity about what makes the business distinctive from others in the same markets.

This fresh approach expands the development of a company’s capacities for new ideas and it stimulates

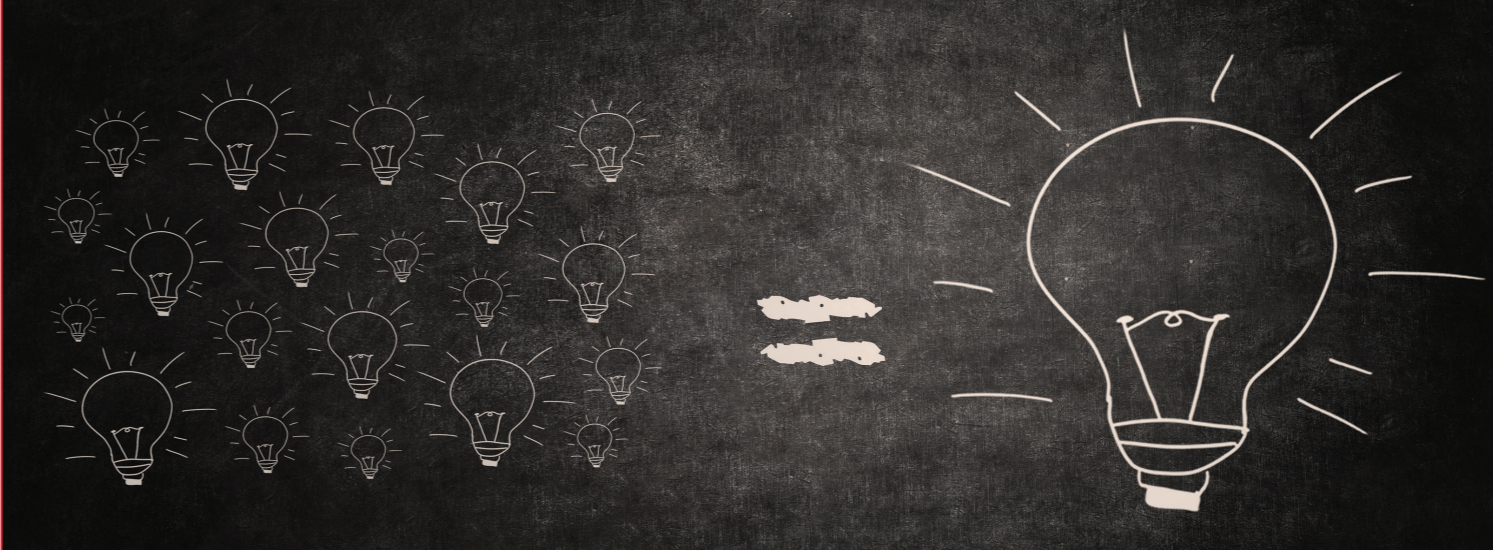
constructive change in everyone. It transforms the company into a nucleus with the skills to produce successes for its clients.

Being customer-centric will help you create an environment that lets employees develop great relationships with customers. Strategy is empty without commitment. Employees in purposeful, customer-centric organizations are passionate. Instead of seeing their work as a job, they want to make history.

New measures

In customer-oriented organizations, measures of performance, of course, are conducted by customer portfolio instead of products or geographical location. However, in addition to conventional performance indicators, such as price, quality and delivery, voice-of-the-customer surveys also measure perceptions of customers with scoring questions about:

- **How flexible they are in meeting customer needs**
- **How easy they are to do business with**
- **How proactive they appear to be to their customers**



If there is a strong partnership relationship between suppliers and customers, both parties should be working to reduce the effort required to do business together. P&G, for example, receives point-of-sale information so that it has real-time data to manage its inventory.

Customer-centered businesses, however, don’t simply focus on existing customers. In order for the business to scale, progressive organizations also have separate entities which focus on attracting new customers and developing new technologies.

Becoming Adaptive

The more communication that companies spread about their customer successes, the greater the likelihood that even more will develop. I recently spoke to 75 sales and customer service employees at one corporation. They shared experiences in which sales personnel had gone above-and-beyond to solve customers’ problems. Individually, these were great stories. Unfortunately, few, if any, of the other people in the room knew about them. What a missed opportunity. Customer-centered organizations celebrate these types of customer successes and spread the word throughout the rest of their company. They want to reinforce great behaviours so that all employees will understand the culture they work in and will repeat these experiences with their customers.

Advantages

What is scarce today is not products and technology—it’s honest connections. Businesses today realize that they will get more attention when they are surrounded by loyal customers because they are judged to be the high trust leader. Instead of being perceived as simply selling a commodity, these customers care about these high-performing suppliers and would miss them if they would ever leave the markets they are serving.

Companies are seeing the logic in organizing around these loyal customers to be most effective. The end result is a growth-promoting climate throughout the organization because it focuses the entire system on how it can do things differently or better for these customers.

A clear change to an organisational model that is built around connections with individual or small groups of similar customers will have a significant impact in creating:

- **Effective systems, instead of stand-alone products**
- **Employee confidence to act on behalf of their customer**

- **A balanced strategy for delivering innovative ideas and customized services that your competitors are not offering**

- **A culture of learning**
- **Greater profitability**

Customer-centered businesses see new revenue and efficiency ideas develop because they have an ongoing dialogue with a customer, which opens up greater opportunities and increases the speed with which leaders learn of changes that could impact their business.

The value of any business is really the sum of the value of its customer relationships. Instead of sales efforts focused on transactions, the customer relationship is the more important asset. Companies that meet these new market needs become resilient brands.

Business is a meritocracy. The organizations that best understand their customers’ unique needs will dominate their markets for years in the future. Customers want suppliers to reduce the complexity of doing business with them and to make them more competitive in the eyes of their end-users.



Bill Self
President of The Leadership Factor (North America) and author of Customer 3D: A New Dimension for Customers.