

INTRODUCTION

Getting and Staying Ahead

Customer centric enterprises consistently outpace those who are not, in good times and in bad.

And invariably they are disruptive.

These may be traditional organizations reinventing themselves, newcomers changing the existing game, or new market makers-- outsiders, which see and manifest what others cannot.

Though points of departure vary, they all have one thing in common. They break the mould and change the nature of the industry. Consistently, with enduring energy, they create new standards for customers and themselves.

This is what builds them an advantage, and makes it difficult for others to catch up.

Customers become the lens through which they see the world, and their compass for making decisions.

Their consequent customer power becomes their barrier to competitive entry.

How do they do it, and how do they do it for the long term? Have we learnt enough about them, to enable others to follow their example?

This book is an attempt to provide an answer to this.

What We Know They Know

They start with the basic premise that customer centricity is a dominant logic, which needs to pervade the entire organization. So the challenge to transform from a product or industrial logic to become customer centric is necessarily company-wide, and not an activity to be mistakenly left to the marketing department. Customers are at the core of such firms' missions, into which a higher purpose is embedded. They have, and inspire, a set of contemporary beliefs that attract and keep the right customers, employees, partners, and investors, and make them allies.

They know that customer centricity has a starting point, which is the recognition that the transformation will be a journey, a quest to future-proof the enterprise. They take that journey consciously and conscientiously, to ensure that it succeeds and lasts.

Acknowledging that disruption is not a technology, but a way of thinking about how to create growth, they use it as their enabler.

They don't expect customers to tell them what to do -they proactively stretch and foretell a future, which they themselves invent.

Because their missions have higher purpose, which include public as well as individual good, these trailblazers go from being just successful (doing well) today, to being significant (doing well and good), enduringly.

With new mindsets and mindights they shift the thinking of enterprises to new levels of meaning, actively seeking to change and improve the lives of customers and citizens, and the environments in which they live and work.

They have heightened beliefs that transcend single individuals or enterprises. And they don't believe in trade-offs or compromise, or just making and redistributing money. They believe in creating plus sum gains—new, increased and shared wealth for all. (1)

That is what ultimately fuels financial and economic growth for them, and contributes to human progress and social development, in a virtuous circle which they themselves trigger.

These disruptors know that no matter how good or innovative their products or services may be, they bring short-lived rewards that diminish in value over time. Unlike customers who, with time, increase in value. So they concentrate efforts on holding onto customers, not products.

Their innovations are dictated by their need to create elevated customer value propositions that overturn existing ways of doing things, not just improvements that can be copied. They do this with value generating networks of inside and outside partners. With them, they deliver new integrated experiences for customers, which cut across products, units, divisions, companies, industry sectors and countries.

They also measure, reward and report success differently from traditional product focused firms.

And they invest to build a powerful customer base, an asset which they know how to leverage over time, constantly and consistently giving and getting customer value.

Becoming Indispensable to Customers

We also know that customer centric enterprises and the champions within them seek to become indispensable to customers. And they do this, using multiple or omni-channel engagement, which they actively increase rather than decrease, whenever and wherever it's possible for the brand to touch the customer. They couple this with continuously recycled and updated information and knowledge, which builds ever heightened customer value.

It's not that products are unimportant to them or to customers. Who can deny the wonder of a tomato plant which automatically changes its genetic structure to fight off an infection? Or of a printer that can make a three dimensional object? Or of a car that can drive itself? Or of a computer that can be worn?

But the point is that however sophisticated these products may be, they are nonetheless easy to emulate. What traditional firms don't understand is that products are only a means to some end or, in customer centricity speak, the desired customer outcome. What the customer either knows they want to achieve or may only come to know after the fact.

This desired customer outcome is encapsulated in a 'market space' definition that frames the new competitive arena that the customer centric enterprise seeks to dominate. And they fill that 'market space' domain, with values for customers, better than anyone else.

The reason becoming indispensable to attaining customer outcomes is so important, is that that's how customers 'lock on'. Voluntarily, customers spend more, over longer periods of time, in the process costing the enterprise less to maintain the relationship. And through

their customer advocacy, and positive public sentiment, the brand is stretched with the multiplier effect of compounding growth.

Equally important is that customer 'lock-on', and the capability to achieve it, is the best and only real barrier to competitive entry. Having more products, or more sites, or more stores, or more factories, can never achieve this.

Nonetheless, most traditional enterprises still try to grow by doing more of the same. This leaves them to deal with the whims of disenchanted customers, and the ups and downs of business cycles and share prices. Or like any other undifferentiated vendor, they become trapped in a price treadmill.

Brains, Brawn and Balance

Many executives have intuitively grasped the need to reinvigorate their enterprises and the significance of customer centricity in this, and that it requires a fundamental change, and commitment. What has held them back from putting it into practice has been the lack of a systematic process that gets their organization to make the leap, pull people out of their old mindset, and then take them along the journey.

Such a voyage has to do two things simultaneously: It needs to spark the creativity and imagination necessary to see and chart new ways of doing things for customers. This often must be done without the comfort of hard facts, as unnerving as that may be -- "you can't research your way into the future." And they need to do this, often relying on intuition, foresight and imagination, along a discovery path, with the persistence and courage of only a few select people's conviction at the beginning.

At the same time, the process should also provide the structure and discipline necessary to complement creativity and intuition. Achieving the right balance is fundamental to getting customer centricity ideas and insights understood and accepted, making sure that people don't fall back into their old product focused moulds. It also ensures that sufficient momentum is gathered to maintain the necessary pace and energy.

A common mistake is trying to get everyone aligned at the same time so as to move the organization in one fell swoop. This can't work. People accept change at different rates. So do customers. Part of the success of this formula is that it is a phased and managed approach, getting the right people and customers involved at the right time, moving them through a set of defined moments, which are reinforcing and cumulative so as to reach critical mass.

Then ultimately, as the transformation gathers momentum, customer centricity becomes a way of life in the enterprise.

Working from strength is the key. This is not about making everyone happy or taking a vote. It's about picking the best brains and the 'points of light' who "get it" from the very outset, and will make it happen, even against the odds.

Fusing Strategy and Implementation

It is ironic that while the importance of customer centricity is irrefutable, actually making it happen remains a conundrum for most executives and most implementations fail. A mere 5% of all organizations implement strategies successfully, 70% don't, and the remaining 25% have some success, but never meet the intended potential of the vision.(2)

But if enterprises and those who run them, don't learn how to remake themselves, not only do they lose the upside of getting enduring increasing returns, they may risk losing their grip on the market, even becoming extinct.

Before this process can even start however, executives must first be willing to abandon a longstanding corporate orthodoxy: the mistaken yet firmly held belief that strategy and implementation are two distinct activities, with implementation beginning only once the strategy has been formalized and finalized. This tenet inevitably leads to a disconnect, since those charged with implementing the strategy will lack the deep, rational understanding, as well as the emotional commitment, to actually drive the energy that spurs people on further. This lack is lethal for any kind of strategic initiative, but especially when disrupting an organization and market that involve yet-to-be developed futures.

In reality, the articulation of a strategy and its implementation are part of one interconnected and reiterative transformation process, with each element reinforcing and nurturing the other. The moment a catalyst makes the right people see the need for a new and different direction, and has tempted them out to play and start making the vital moves, implementation has begun.

And once the new approach begins to take root in the market, more people in the enterprise become more confident, start looking for more opportunities, building more expertise, achieving more victories, so drawing others in, propelling the implementation further forward at an ever faster pace, as the necessary breakthroughs from one phase to the next are made.

Energizing Through Positivity

This raises another orthodoxy that customer centric disruptors know how to conquer: spending too much time on resistance, and resistors, an inevitable fact in any change process, since generally people don't like to go outside of their comfort zone. On top of that customer centricity by its very nature, raises all sorts of questions and fears, because people identify with product categories, are structured into product silos, refer to themselves in product terminology, and they are often rewarded by product silo, even at the very highest level in organizations.

Besides, in general, enterprises have more faith in product than customer longevity; and feel comfortable having long familiar spread sheets, with product, rather than customer projections.

Customer centric leaders move the enterprise ahead, gripped by the positive energy that builds the tempo and pace that make the journey viable and doable, especially at the outset, when the enterprise may be precariously poised in its approach to the new beginning. Otherwise a stubbornly negative pattern can set in, with forces so strong they can stall and even compromise the entire endeavour. So no matter how well articulated, how finely formulated, or how critical to the enterprise's future it is, initiatives under such conditions will be slow to take off, if they leaves the ground at all.

Working with positive energy or 'points of light' has the reverse effect: people feel excited and enthused and so actively seek out opportunities instead of merely only making episodic changes when it's obvious they are in trouble. 'Points of light' are individuals who not only conceptualise a new market configuration and get it quickly, but want to be the ones to make it happen. The energy of their actions and the strength of their convictions and strong intrinsic belief in customer centricity as the route to lucrative and long-lasting growth, inspire others, 360 degrees up, down, and sideways in the organization.

The Customer Centricity Transformation Process

Disruption is a process that happens when a market takes on a new innovation that substitutes an existing way of doing things, overtaking traditional incumbents, until finally, it becomes mainstream—the new standard. But even new ways of doing things can be copied. So disruption must be continuous. Masters at it never stop disrupting themselves, and the marketplace.

Customer centric disruption is different in that its central theme is to get customer lock-on. So when an enterprise disrupts it takes customers with it on its never ending quest to enhance value.

The process of transformation, to get from an inwardly product focus, to disruptive customer centricity, is a well defined deliberate phased approach, which can be mapped into five overlapping stages. Each phase has its own time frame, marked by ten critical breakthrough points. (See diagram 1) The step-by-step breakthrough moments punctuating these phases are remarkably consistent across enterprises and industries.

Successful engagement means getting to and through each of the 10 breakthrough points. Missing or leapfrogging the steps can seriously delay or damage the process. Because each of these phases and breakthroughs are designed to work in concert in order to get the traction that propels the transformation to the next step.

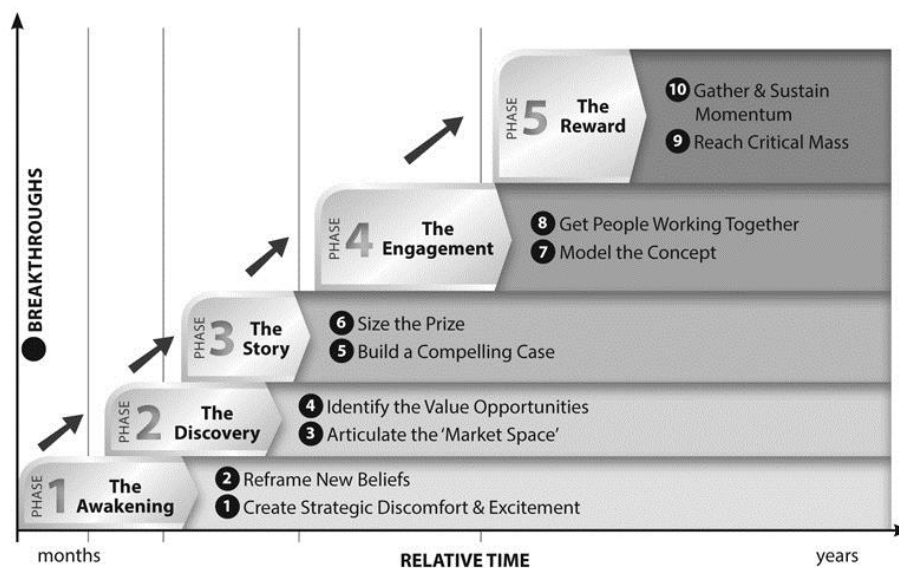


Diagram 1: Transformation Phases and Breakthrough Points
SOURCE: author's own.

Along the way, the transformation gets buy-in internally and externally, in a cumulative conversion process, based on the assumption that not everyone will take on the new concept at once. Whilst some disruptions induce instant take-up, mostly adoption rates have to be managed and orchestrated. Buy-in is mobilized along the way, until finally there is a groundswell followed by critical mass, and the new way of doing things becomes *the* standard-- inside the organization and out in the marketplace. (See diagram 2).

This book will guide you through the transformation process, which usually takes anywhere from eighteen months to three years, sometimes even stretching out further, depending on the circumstances and starting point. The impetus for some could be a dire crisis; for others changing environments and pressure from deteriorating financials; some will proactively see, sense and seek growth opportunities they can't resist, while others will be starting from scratch, taking advantage of the lacklustre approach to customers in mature industries.

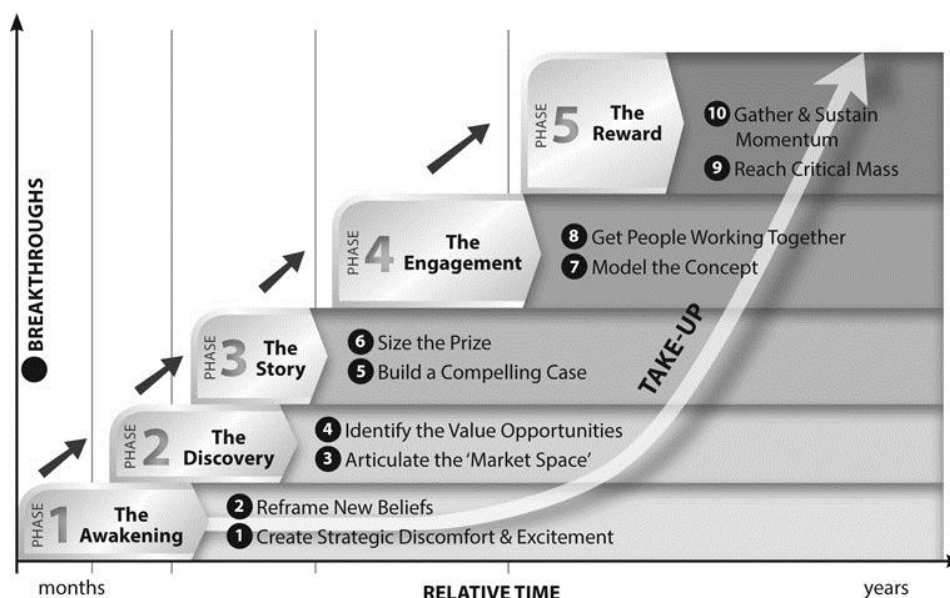


Diagram 2: Cumulative Take-up over Time
SOURCE: author's own.

Pressure due to loss does help people to see the point, but credibility often suffers as a consequence, and resources are not readily available. Moving in good times is often easier therefore, although the sense of urgency may not be as easy to muster.

The book is organized into each of the five phases with emphasis on the critical success factors that create the 10 breakthroughs or milestones that finally propel the enterprise to full and lasting implementation. It is from managing this process that customer centricity can become imprinted into the culture of an enterprise, so that it can refresh and remake itself continuously.

Background and Research

Over the past decades I have watched and been part of customer centric transformations in my capacity as an academic lecturer, researcher and consultant- in the private and public sectors, globally. And I have come to a conclusion --when customer centricity is done properly, it is both strategic and disruptive.

My research began in the 1970's with my doctorate on the "Influence of the Marketing Concept on Company Performance", which looked at how a CEO's attitude to customers and the marketplace, influences enterprise success.

At IMD Switzerland from the mid 1980's I developed the term 'market spaces' to depict competitive arenas which mirror customer outcomes as the foundation for a customer

centric approach. This was followed by the development of the customer activity cycle methodology-a tool now used in organizations worldwide- to identify values for an integrated customer experience as a template for building new propositions and game changers.

It became obvious however, that whilst customer centricity was achieving more attention by practitioners, and being acknowledged as a disruptive model, implementation was the huge challenge. It required skills and a process that was specifically geared to guide enterprises through a blueprint that engaged, because it was structured, yet engendered creative and inspired thought, in dealing with the unexpected.

So, at the Management School Imperial College London from the mid-1990's into 2000's the next research period was to gain more insight into how corporations were transforming themselves globally, from products to customers, to change business regimes. Here, I set out to model a systematic process for achieving customer centricity. The result was the identification of the specific transformation process, with breakthrough points needed for implementation.

Working with the Gordon Institute of Business Studies (GIBS) (University of Pretoria's Business School) in South Africa of late, I have applied my work to emerging countries, or expanding economies as some people prefer to call these markets.

I have found that it's not just the vast numbers of middle and lower-end (previously deprived customers) that make the emerging markets significant and attractive today. It's also that the principles of customer centricity are entirely applicable to these emerging countries and, in fact, that much of the leading practice in customer centricity today comes from them.

The Significance of Emerging Markets

I have embedded examples of customer centricity in this book and, as many of these will illustrate, long standing preconceptions about emerging markets are being utterly shattered as we learn that:

- Many unprecedented innovations and concepts are coming from enterprises in high-growth emerging markets, which are leading customer centric thinking and practice
- Instead of innovations emanating from rich countries and then exported to poorer countries, with some tweaks for local adaptations, new ideas, developed on the ground in and for emerging markets, are being exported back to the developed economies, in a phenomenon known as reverse innovation.(3)
- Some of these innovations come from local enterprises, who become emerging powerhouses', which having succeeded at home, then take their new ways of thinking and doing things into advanced countries, becoming serious contenders.
- Multinationals go therefore into emerging markets not only to tap the new wealth, but also to protect their local markets from innovations originating in these environments, and then ricocheting back into their home turf.
- Many of these customer centric innovations are opening new ground in dealing with some of the toughest environmental and social issues of the day.
- Frugal innovation, in product and service industries, intended for emerging markets, embodies offerings equally good but more affordable, using fewer resources, and is gaining popularity worldwide.

- Customers in emerging markets are not gradually catching up—they are leapfrogging, skipping over existing products or services, used by more advanced markets.
- The new middle classes have expectations and aspirations, (including the need for service), that make them equally demanding and sophisticated, as customers in developed countries.
- With mobile phones now a basic necessity and a social equalizer in emerging markets, and the growth of smart-phones proliferating, customers use social and on line media to share their experiences, good and bad.
- The new middle rising consumer class in the emerging markets is well wired and digital-savvy, and is increasingly using mobile phones to make decisions and transact.
- Price is not the primary driver. Quality service, availability, and assortment play equally important roles in purchasing decisions.
- Emerging market customers are equally and sometimes even more receptive to the prospect of breakthrough innovation than their developed economy counterparts.
- Many emerging countries have large numbers of millennials, many of whom are, or are being educated, driving two paradoxical trends: determined to express their independence through consumption, both their own, and that of their families, and collectively buying using and consuming.

Customer Centricity as Multidisciplinary

This book builds on my previous works, particularly, *Breaking Through: Implementing Customer Focus in Enterprises*.

Like most books, it draws on research, experience, observation, history, management literature, and other hard and Web based published material. It brings together the overlapping and sometimes divergent theories of innovation, disruption theories, market orientation, strategy, change management, growth economics, services management, new accounting, social technologies, and reverse and frugal innovation, all of which are relevant, but none of which on its own, can really supply the concepts or tools for the multidisciplinary approach needed to transform to customer centricity.

It is written for executives heading a contemporary organization or unit, who acknowledge the need for customer centricity and the role of disruption, and are looking for a blueprint to help them through the process, quicker, easier and with an increased chance of success. It can be equally useful for new start-ups, business students, NGOs or investors, seeking guidance on leading practice, and on how to achieve growth and enduring prosperity.

Although I have found that the ideas and template hold as a generic formula, executives will have to adapt them to their own culture and circumstances, so that it works for their situation and settings.

After all that is all that matters.