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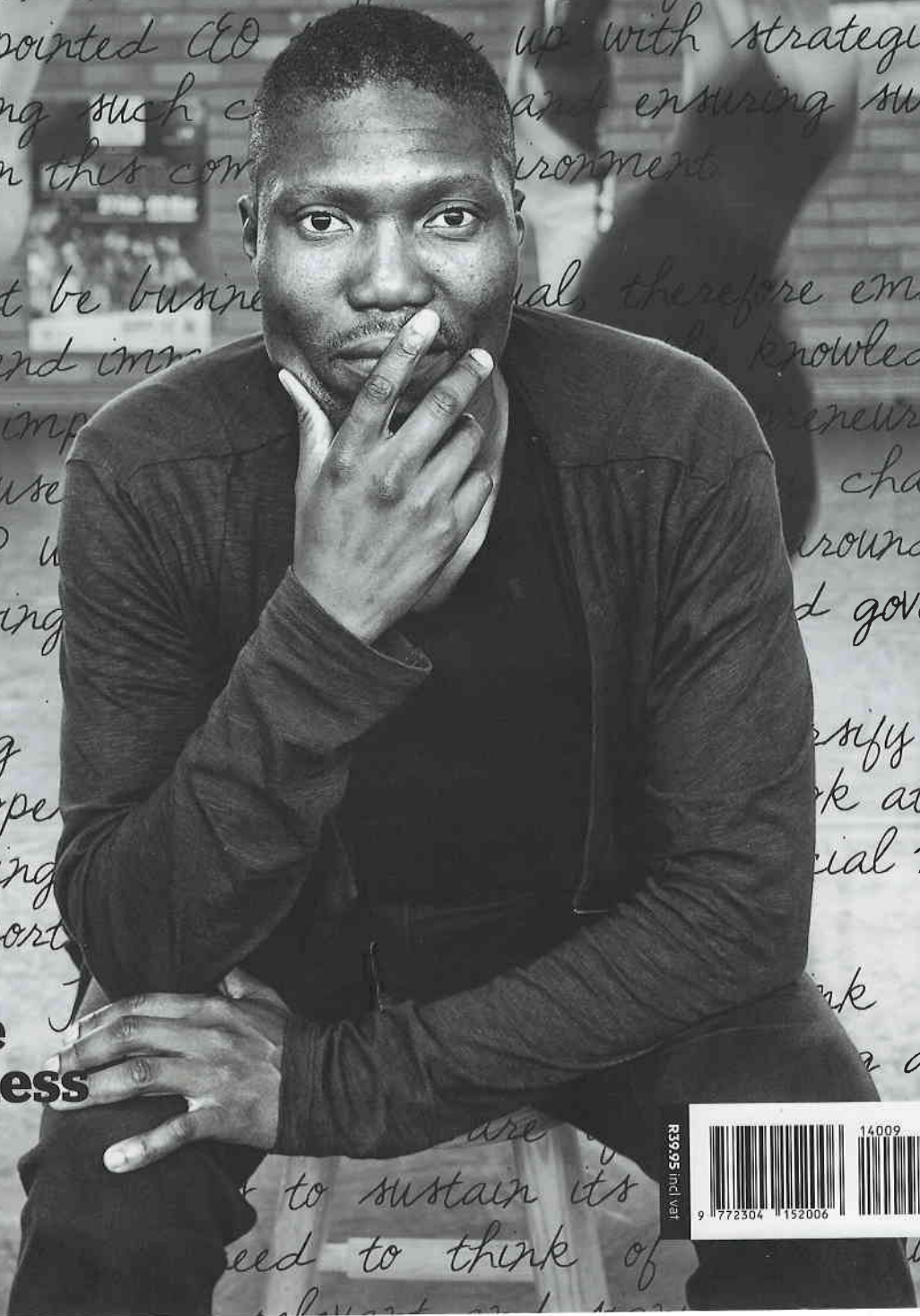
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DISRUPTING CUSTOMER CENTRICITY WITH HIGHER PURPOSE

Words Professor Sandra Vandermerwe

People with higher purpose seek not just to change their enterprises; they want to change humanity itself, by altering existing social and business practices.

Building societal significance is a defining feature of any customer-centric organisation which disrupts and not only changes practices, but also, and in so doing, spreads individual as well as public good.

This is completely in line with new humanistic values and rising consciousness being expressed in various ways by consumers, employers and employees, simply put as concern for society and wider environmental issues.

This is also in sync with research which reveals that Maslow, whose famed hierarchy of five progressive human needs – which for decades formed the basis for understanding consumer behaviour – amended his model, believing self-actualisation to be insufficient as a motivational capstone, as it did not sufficiently reflect the optimally functioning human being. He placed a sixth level, namely self-transcendence, or thinking beyond the personal self, as the motivational step beyond self-actualisation, but he never published it.¹

But while many executives use the buzzwords in annual reports and on websites, few actually deliver the promise by merging strategy to social goals, with customers central. They trade-off or compromise or just do what the law demands. Or they make and then redistribute money, as part of a social responsibility initiative, instead of magnifying wealth and well-being for all.²

When they do, it is a powerful binding mechanism and way to mobilise energy during a customer-centric transformation. If it goes deep into the fabric of the organisation's culture, beyond just being a promotional or PR exercise, the notion of transcendence can add an authenticity to new initiatives, which galvanises people and leads to advocacy and approval both internally and externally.

Here are some of the required disciplines and inspirations.

ELEVATING EXPECTATIONS AND ASPIRATIONS: FROM MEETING TO SHAPING EXPECTATIONS

Disruptive customer centricity which has a social signature is not just responsive to customers. It elevates aspirations and shapes expectations.

While old market research leads to incremental changes in products, services and the processes that deliver them, here executives imagine a world which they themselves help create and better. As Steve Jobs reminded us, "It's not the customer's job to know what they want."³

Unilever embarked on a hand-washing campaign, setting in motion a customer-centric transformation involving millions of customers in Asia and Africa, which has brought about disruption, saving children dying young due to poor hygiene habits. This has contributed to its billion-strong brand penetration in India and to physical well-being and social upliftment there and elsewhere.

To proactively shape behaviour means to become the expert at it rather than just at making and moving your products or services. Unilever, for instance, knows exactly how to get soap usage up during the five most critical health impact moments in a child's day, like before eating lunch, after a toilet visit or playing. Using smart-sensor technology, it measures hand washing behaviours to gauge the impact on diarrhoea and other diseases, like eye infections before and after interventions.

Sixty per cent of accidents are caused by risky driving, so Discovery Insure positioned itself in the 'great safe driving' market space, rather than just selling insurance policies like everyone else. With its intricate design of telematics and data analytics, it scientifically measures driver intelligence and actions and trains them to drive better to avoid accidents.

¹ ME Holtko-Rivera, "Rediscovering the Latest Version of Maslow's Hierarchy of Needs", Review Of General Psychology, Vol 10, December 2006

² For more see: Vandermerwe Sandra "The Transformation of Customer Focus: Lessons from Emerging Markets", Innovative Marketing, Vol 8, Issue 2, 2012; M. Porter and M. R. Kramer, "Creating Shared Value", Harvard Business Review, January-February, 2011

Changed behaviour is rewarded, as Discovery Insure does for improved driving behaviour as well as choices made like no late night driving, no drinking while driving or no driving at high speed. Improvements and good driving go into a safe driving bonus, with rebates of up to 50% on petrol bills using the Discovery card.

To retain leadership requires ongoing commitment to innovation. Discovery Insure gives weather reports, but this will soon lead to real-time alerts, depending where the person is at that moment. Young, new drivers are at risk at night, so they now provide night driving courses. With 80-90% of driving decisions based on visual information, they offer EyeGym, a training programme to help customers train their eye muscles.

With disruption, ethnography and other techniques are used, not just traditional market research. Customers are not asked what they want. Rather, teams watch them to see how they behave, live and even work in communities to get a better feel for the culture, habits and people.

Mexico's Cemex, the world's largest ready-mix concrete producer, which went from a commodity supplier to an inspiring new world enterprise in the "lifetime home ownership space", spent six months living in shantytowns engaging with low-income customers to develop a deeper understanding of what they bought to build a home, how they funded and applied materials, and what they did wrong costing them time, energy and money, which they then improved.

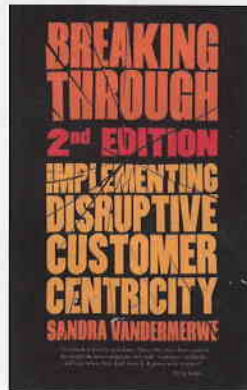
PROMOTING INCLUSIVITY: FROM DRIVING LOCK-ON TO ALSO PREVENTING LOCK-OUT

Fundamental to customer centricity is that no matter how good or innovative products or services may be, they bring short-lived rewards that diminish in value over time. Unlike customers who, with time, increase in value once lock-on is achieved.

When customer centricity embraces higher goals, it also enables customers who have been locked out of the system to get access to goods and services.

Unbanked individuals in Africa do not have regular incomes and are outside the remit of formal banking and credit sectors, so a vicious cycle has set in, whereby they continue to be locked out. UT Bank had one simple goal: help as many underserved, unsalaried entrepreneurs unable to get loans, to realise their start-up dreams and make it an engine to boost income and spur on Ghana's wealth-creating capabilities. Other banks took months, it would take days. Banks consistently treated poor people badly, whereas it would show respect.

Product-type organisations thrive on control and controls, and therefore are concerned about minimising their own risk, often leaving customers out who don't fit their paradigm. Customer centricity mitigates risk by doing things differently. For instance, whereas most banks wanted collateral, UT Bank spends time understanding the intimacies of the customer's business, under what circumstances plans would work and how and when loans could be repaid to avoid unpleasant surprises.



“... FEW ACTUALLY DELIVER THE PROMISE BY MERGING STRATEGY TO SOCIAL GOALS ...”

Inclusive means giving customers access. Eighty per cent of Kenya's doctors lived in cities, but 70% of its people lived in rural areas and half of the drugs were counterfeit, out of stock, unlabelled, or of poor quality, when HealthStore launched micro-franchised clinics to provide access to essential medicine, health education and preventative services to underserved villages and urban areas.⁴

HONOURING THE INDIVIDUAL: FROM MARKET SEGMENTATION TO INDIVIDUALISATION

Individuals lock-on, not markets. So forget about an average view of your customers, because there is no such thing – customers are unique and need to be treated as such. Many vendors, like retailers, banks and credit card companies, have masses of information about individual customers, but they still aggregate this up to make their supply chain and merchandising more efficient. That's not the same as knowing what individuals want and relaying that back into personalised value for them so as to make them advocates.

The insurance industry is typically based on averages. Discovery Insure rates individual driving behaviour, instead of assuming that men are worse drivers than woman or penalising good drivers who cross-subsidise bad drivers. Now, individuals have more control and determine their own premiums and are better off.

Product minds will argue that personalisation costs. Customer centricity knows that it's an investment that can lead to lifetime value with lower costs for the company as well as the customer, especially when technology is used effectively.

Personalisation is essential for social good, even for customers at the base of the pyramid. Cemex found that poor customers want homes with unique differentiating features. It adapts its construction offerings, depending on individual preferences, which are allowed to change.

UT Bank in Ghana treats every SME customer differently. Each payment scheme is structured according to the circumstances of that vendor and the details of their cash-flow, when they need money and when they expect money in, which is constantly reviewed.

³ J. Markoff, "Apple's Visionary Redefined Digital Age", New York Times, October 5, 2011.

⁴ For more see: M.Fertig and H. Tzaras, "What Works: HealthStore's Franchise Approach to Healthcare", The World Resources Institute, December 2005; also J. Anderson, M. Rupp, and S. Vandermerwe "Good Business Makes Poor Customers Good", Business Strategy Review Winter November-December, 2010.

REDEFINING THE CUSTOMER: FROM MARKETS TO MULTIPLE CUSTOMER CONSTITUENTS

The definition of customer includes consumers, citizens, communities, cities, countries and cosmos. (see diagram) Each of these become part of the multiple stakeholder base, all of whom have to gain or, at the very least, not suffer.

An explicit part of the IBM SmartCities strategy, which started in Brazil, is to help create a more connected, environmentally sensitive planet, with cleaner, safer, more productive urbanisation, that provides better services for citizens. India Tobacco Company stretches to the millions of Indian farmers who rely on its high tech compendium of internet-based services which empowers them to improve their crop yields. But in the process of uplifting them and the communities they live in, it upgrades India's agricultural health and prosperity in an eco-friendly way.

The multiplier effect is implicit in disruption. For instance, e-books will increase literacy to the poor in Africa and other continents through access to mobile phones. Content can be uploaded onto a website as an e-book from and to anyone anywhere, and virtual libraries can be accessed, changing the face of education and how it is delivered.

When enterprises move with transcendent purpose, they not only propel customers, employees and partners to action, but also influence others vendors and legislators – a multiplier effect. The HealthStore ethos has been ramped up to decrease corruption, poor practise and dishonesty, and to improve general standards in healthcare by forcing competitors to upgrade.

CREATING VIRTUOUS CIRCLES: FROM LINEAR TO EXPONENTIAL GROWTH

Virtuous circles take the customer-centric enterprise from linear growth to a systems approach, where a beneficial cycle of demand and supply is activated. Purposefully, a gain in one area kicks in a process that has positive effects on another, in a recurring and positive, ever-enlarging loop.

Which is what gives rise to the aspirant middle class.

Unilever India has built up a direct network using its own customers. The result: as many as 50 000 salespeople equipped with business skills and micro financing, fostering demand for personal hygiene amongst families, friends and communities, as well as the wherewithal to buy products, further driving supply.

FNB Connect supplies free data packages to build customer demand to up the use of social media, converting once digital-passive customers to become more digitally capable. This enables it to attract new customers, which in turn allows it to harness more resources to innovate further in an ongoing positive loop.

Beyond just improving the buildings, developers and builders in Russia are now actively embedding lifestyle infrastructure into apartment blocks not only to boost the existing building industry but also to provide small business opportunities for community members. In what can best be described as an emerging 'micro economy', people can also pay neighbours for services, cleaning

cars, fixing bikes, laundry, gardening, and so on, to elevate standards of living.

Not only has M-PESA, which started as a money transfer service, transformed Kenyan rural lives for the better, but incomes have risen by 5-30% in households which have adopted it.⁵ Retail operators have been taken into state-of-the-art thinking and technology, enabling them to earn, influence and develop themselves and their communities. Additionally, the brand has spawned a whole lot of start-ups. And as more people use it, more vendors come on board who accept payments by mobile phone, which means more sales to more people who use M-PESA. Additionally, it has forced down the price of transferring money in the country by competitors like money transfer companies, compelling them to improve services.

LAST WORD: FROM ADVANCED TO EMERGING MARKETS LEADING

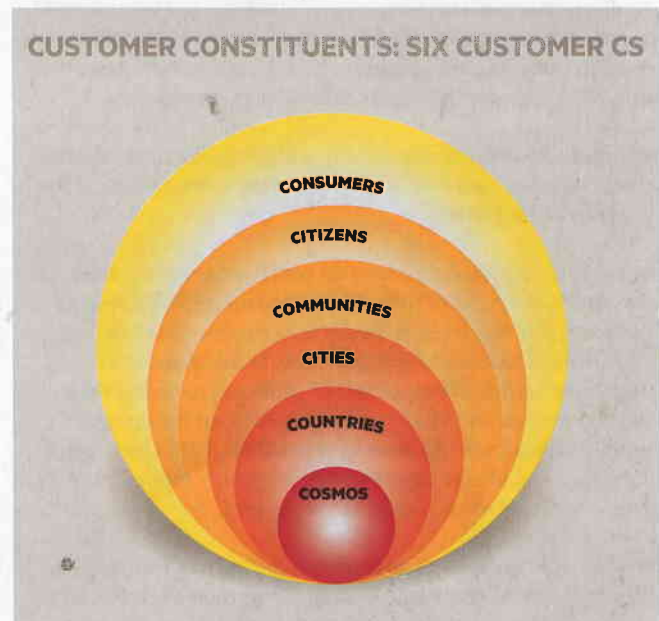
Doing good is not the sole domain of NGOs or social innovators.

It is integral to any disruptive customer centricity, making enterprises significant, not just successful.

In dealing with the future, innovations are not just incremental changes to products, services and processes. They overturn existing ways of doing things to elevate customer and social value.

They also measure, reward and report success differently.

Many of the best examples, as we see here, come from emerging markets, from which the more advanced economies can learn ●



For more on disruptive customer centricity and details on the examples discussed here, read Sandra Vandermerwe's *Breaking Through: Implementing Disruptive Customer Centricity*, 2nd Edition, published by Palgrave Macmillan, 2014.

⁵ For more see: "Why does Kenya Lead the World in Mobile Money?", 27 May 2013. <http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-18>; and M. Mbiti and D. Weil, "Mobile Banking: The Impact of M-PESA in Kenya", Working paper 17129, National Bureau of Economic Research, Mass Cambridge USA, June 2011.