

Breaking Through

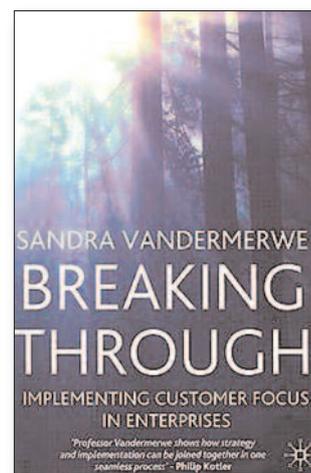
Based on “Breaking Through, Implementing Customer Focus in Enterprises,” by **Sandra VANDERMERWE**, Palgrave Macmillan, August 2004.

The positive impact of a customer-focused strategy on corporate profitability no longer needs to be demonstrated. Still, most companies only talk about changing and do not truly adopt new ways of doing things, for they lack a precise methodology.

In today's competitive environment, companies have no choice—all of their commercial undertakings, strategic priorities, and employee behavior must focus on satisfying the customer. Although many leaders have intuitively grasped this challenge, they sometimes lack a solid methodology with which to address it. In her book, “Breaking Through,” management professor Sandra Vandermerwe of London's Imperial College provides an analytical scheme for developing a truly customer-oriented strategy that involves five phases: awakening, uncovering opportunities, creating stories, making a commitment, and measuring results.

A MATTER OF MINDSET

The first phase of the process is awakening. It is essential for an organization to inspire the necessary enthusiasm among members so that they, too, share a vision encompassing new growth perspectives. Bill Pardue, president of the U.S. Corporate and Federal Market Division of LexisNexis, whose multi-disciplinary database offers access to over 29,000 publications worldwide, has successfully accomplished this tremendous feat. Thanks to repeated explaining and training, he managed to gain the management team's support for an innovative idea. He believed that professionals who need to take risky decisions (i.e., lawyers or scientists) would be willing to pay more to gain faster access to the specific information they need. Within three years, this service of personalized information searches had largely prevailed over all its competitors to become one of the company's main sources of profit. This goes to show that time spent explaining and dissecting strategy is never wasted!



■ Both an Emotional and a Rational Choice

With any strategic program, the likelihood of success is largely dependent on support from the top of the corporate ladder. Pardue did not concentrate on the management committee by chance.

Indeed, changes are unlikely to come about if they are not initiated by a group's leaders and preferably by the head of the entire organization. But this prerequisite does not eliminate the need for consensus at all levels, especially among field managers, who are senior management's connection to the outside world. For people to be willing to break away from their former way of doing things, a new strategy must attract them both emotionally and rationally. “People need to not only understand the reasons for change, but they must also feel the need for change within themselves,” stresses Vandermerwe.

■ Inclusive Involvement and Good Timing

Each member of a group has a different profile and therefore plays a distinct role in the customer-focus process. Vandermerwe identifies various profile-types. The first group is made up of the “early partisans.” They are scouts, unafraid of exploring unknown territory. They get involved right away during the awakening phase. These pioneers gladly welcome change and provide other team members with considerable momentum. They often adopt allies who connect them to other parts of the organization. The second type of profile is someone who generally joins a project during the opportunity-uncovering phase when market segments are being defined. Members of the third group want to participate in the change, but only once they have fully understood it. Once the story has been written, the majority of the organization—which has already been “receptive,” but is awaiting further clarification—will get involved. “Receptives,” as Vandermerwe calls them, wait until a story has been clearly developed and presented. They support any scheme that appears to be financially viable. Finally, “skeptics,” who are defined by their aversion to risk-taking, convert during the “commitment” phase, when they have seen firm evidence of success.

■ Working Together

The “commitment” phase is thus crucial in getting all members of an organization—no matter what their area of expertise or their profile—to work together, integrate common perspectives, and collaborate. According to some leaders, it is much more difficult to reach this point than to find outside partners. That’s why some companies opt for restructuring. Marks & Spencer, for instance, had to reorganize all of its stores to truly orient them toward customers. Previously, the retailer’s various departments (food, clothing, furniture, etc.) had worked independently of one another. These diverse “silos” were merged into teams in charge of common objectives. Hence, bedding, electric lamps and televisions now make up a single unit corresponding to the “bedroom” sphere. “Consumption spaces,” rather than more common product-oriented displays, are an original response to customer demand.

MARKET BOUNDARIES

The market space must be defined during the opportunity-identifying phase. Defining this area and the corresponding customer target group helps a company determine where to focus in a competitive arena.

First of all, a firm has to define which type of market is suitable: an existing, emerging or as-yet unidentified market. Sub-spaces with flexible borders can be identified. For instance, Lego—whose 2003 turnover reached 1.13 million euros—went from manufacturing building toys to creating educational games for the whole family. By giving users the opportunity to learn while playing, Lego transformed its brand from one focused solely on children to one that also addresses parents.

■ Mastering the Value Chain

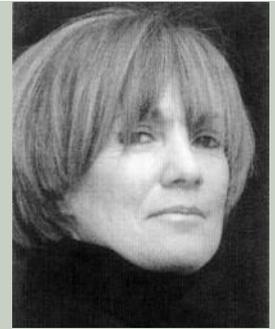
What parts of the value chain are key to ensuring that customers have an optimal experience? Customer activity cycles can provide managers with a precise response to this question. There are three levels of activity: “before,” when the customer makes his or her decision; “during,” when he or she takes action; and “after,” when he or she evaluates product or service quality. To gain a loyal clientele and keep competitors out of the way, it is important to get involved in this circuit as early as possible. Moreover, effective after-sales service is a significant selling point.

Value chain analysis is indispensable, for it is the only thing that will reveal possible “flaws”—what was not done for the customer, what was poorly done or what could be done better or more cheaply by a supplier. These weaknesses lower value and can damage the image of the entire organization, not just the department actually responsible. Moreover, they leave room for opportunities that may be seized by new arrivals on the market.

It is sometimes necessary to call upon outside partners to make up for a “flaw” in the customer activity cycle. In the case of easyJet, a specialist in low-cost services—particularly car rentals—this has been as simple as providing a Web link from a site offering road maps to their own site. Creating partnerships is particularly important when a company does

The autor

Sandra VANDERMERWE is professor of international marketing and services at Imperial College Management School, London. Previously, she spent a decade at IMD (Switzerland). Her research is focused on transformation of corporations to achieve customer focus, growth, and market creation.



She is the author of numerous articles and books, including “From Soldiers to Russian Doll: Creating Added Value Through Services” (Butterworth Heinemann, 1993), “The 11th Commandment: Transforming to ‘Own’ Customers” (John Wiley, 1996), “Customer Capitalism: Betting Increasing Returns in New ‘Market Spaces’” (Nicholas Brealey, 1999).

not have adequate infrastructure or knowledge. Partners’ competencies thus act as levers and support growth. Direct Line insurance, for example, formed a partnership with Churchill Insurance, a specialist in home insurance. This collaboration has enabled both companies to avoid unduly large investments.

■ Concept Implementation

Once the customer activity cycle has been defined, a storyline must be developed that answers the following questions: What should the boundaries of organizational activity be? How quickly should the process move along to attain its maximum potential? What skills are needed? Who are the competitors?

Strategy definition and implementation are part of a single process whose components reinforce and thrive upon each other. This practice is the opposite of traditional corporate policies that consider defining and implementing strategy as two distinct activities. This classic view makes repeated failure inevitable; when those in charge of implementing a strategy are not consulted during development, they cannot necessarily grasp its importance and may not commit sufficiently to its success.

Finally, the implementation phase must include endeavors like customer consultations in the form of workshops as a means of testing initial assumptions. Has the right angle been taken? What are the most important components in the value chain?

DYNAMICS OF SUCCESS

As soon as the customer focus concept takes hold and the first signs of commercial success become visible, an internal dynamic begins to take shape. More people start using language and concepts associated with this focus inside the firm. Signs of success become apparent, which raises levels of enthusiasm and confidence, thus producing a virtuous internal circle. In addition, outside the company, early partisans start getting used to the new product or service, and the impact of the demand becomes tangible. Logically, increased demand boosts investor receptiveness and the likelihood of products being adopted by the market. Managing these internal and external dynamics ●●●

... in the best way possible will thus enable the firm to attract more and more consumers.

■ Customer Loyalty

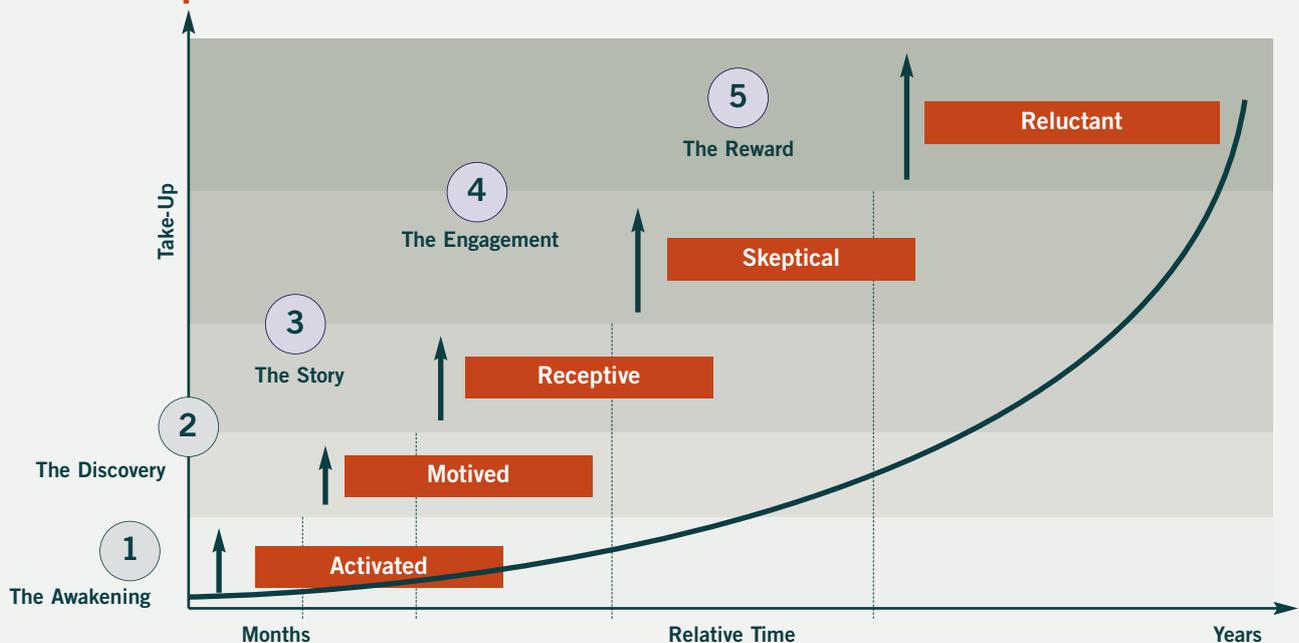
Product focus stems from the following principle: the more loyal a customer is to a brand, the more likely he is to increase the amount of his purchases, not only in volume, but also in product or service variety. "The value that a product brings a company tends to diminish over time, while customer value only increases," states the author. Customer loyalty is thus the core of customer intimacy and one of the most important factors of success. To win loyalty, a company must fulfill a triple requirement: serve the customer better, faster and more simply. At the same time, staff members must constantly bear in mind that each customer is unique and must be treated as such. All reference to "the average customer" must be abandoned. There are other steps that favor consumers' adoption of a product, like educating the public about a brand-new product. Lego, for example, explained how its products worked to customers, thus getting them more involved in the act of buying.

■ The Role of Intangibles

It takes more than marketing investments to ensure the success of a customer-focus strategy. Companies must also make investments related to relational and intellectual intangibles: skills, knowledge, expertise and partnerships. These intangibles contain a potential for exponential revenue. Contrary to traditional investments, they become more valuable with time. These types of know-how enable a firm to make itself irreplaceable to its customers and to endure despite competition. For instance, medical imaging equipment manufacturer GE Imaging has retained its position as market leader by using and updating its expertise in the area of scanner manufacturing; thanks to their efforts, doctors are able to diagnose certain illnesses earlier and more accurately.

If a customer-focus strategy successfully brings together all of the factors discussed, it should infiltrate the market in a particularly effective manner. Thanks to word-of-mouth, intensive marketing and tailored customer solutions, a company can claim to be (nearly) indispensable. And it will be able to create a lastingly beneficial and intimate relationship with its customers. ■

Categories of Internal Take-Up through the Various Implementation Phases



Source: "Breaking Through," by Sandra Vandermerwe, Palgrave Macmillan 2004, p. 117.