Creating a customer centric organisation

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Agenda

In the last session we discussed how successful customer relationships are built on great customer conversations. We examined the nature of these conversations.
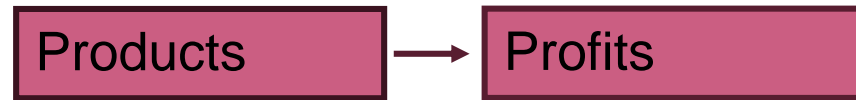
In this session we will consider what the organisation needs to look like in order to allow these conversations to occur.

The key is to integrate the organisation around the customer. We will discuss five aspects of this.

Creating customer centricity

1. *Integrated structure & metrics*

I'm organised therefore I think...

| Products | → | Profits |

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GOLDERS GREEN - 325

E≠D / B≠S

name and address

Miss Fiona Duncan

roll number 2/ 10766 432-10

paid-up shares

POINTS TO NOTE

	date	cashier	office	details		withdrawals	receipts	balance
1	31JUL90	HW	0040	£ brought forward	BROUGHT FORWARD			23.29
2	31JUL90		0325	GROSS INT			0.80	24.09
3	31JAN91		0325	GROSS INT			0.79	24.88
4	31JUL91		0325	GROSS INT			0.62	25.50
5	31JUL91		0325	25% TAX		0.15		25.35
6	10AUG92		0325	QTRLY FEE		2.50		22.85
7	10NOV92		0325	QTRLY FEE		2.50		20.35
8	10FEB93		0325	QTRLY FEE		2.50		17.85
9	10MAY93		0325	QTRLY FEE		2.50		15.35
10	10AUG93		0325	QTRLY FEE		2.50		12.85
11	10NOV93		0325	QTRLY FEE		2.50		10.35
12	10FEB94		0325	QTRLY FEE		2.50		7.85
13	10MAY94		0325	QTRLY FEE		2.50		5.35
14	10AUG94		0325	QTRLY FEE		2.50		2.85
15	10NOV94		0325	QTRLY FEE		2.50		0.35

The service-profit chain

Customer Profitability

Employee satisfaction → Service quality → Advocacy → Acquisition

Retention

Share of wallet
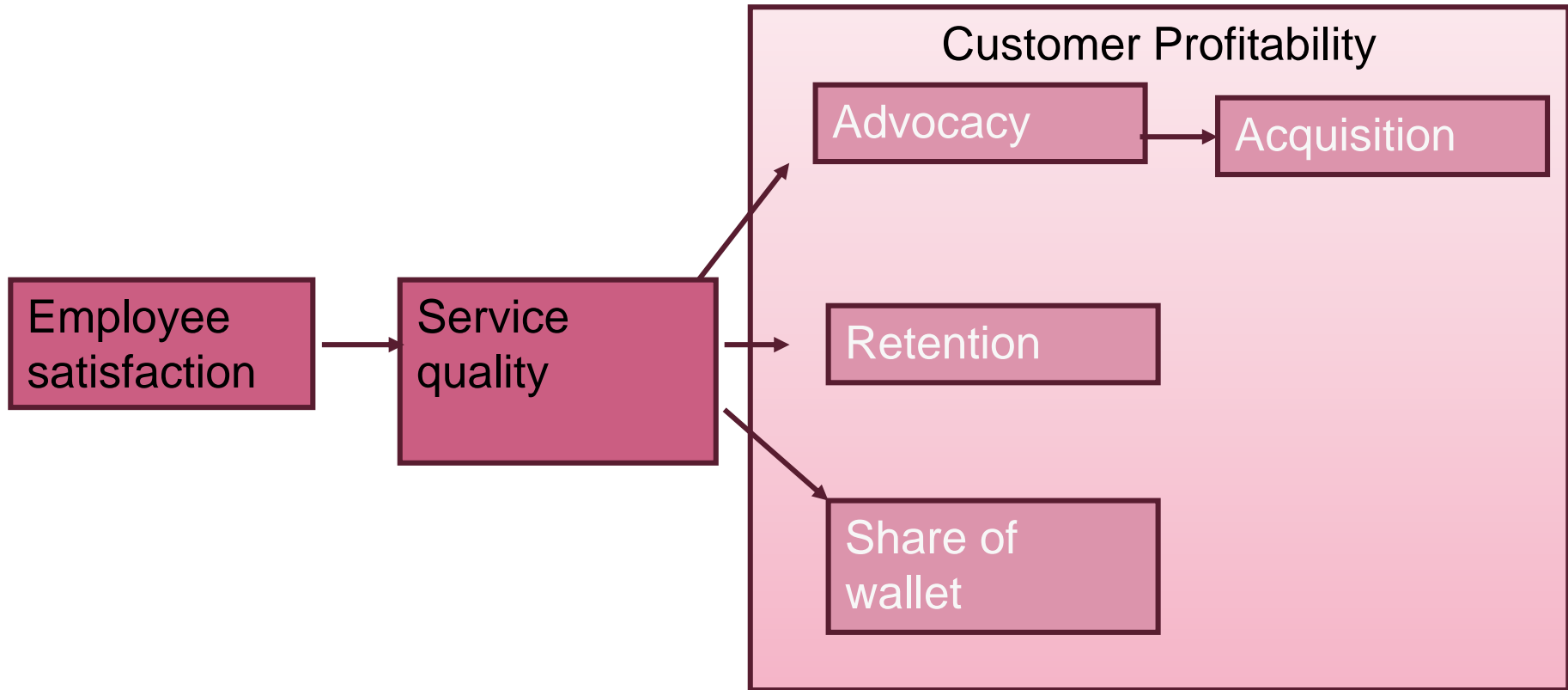
The experience-profit chain (Wilson/Macdonald)

Customer Profitability

Experience quality → Value-in-use →

- Advocacy → Acquisition
- Retention
- Share of wallet
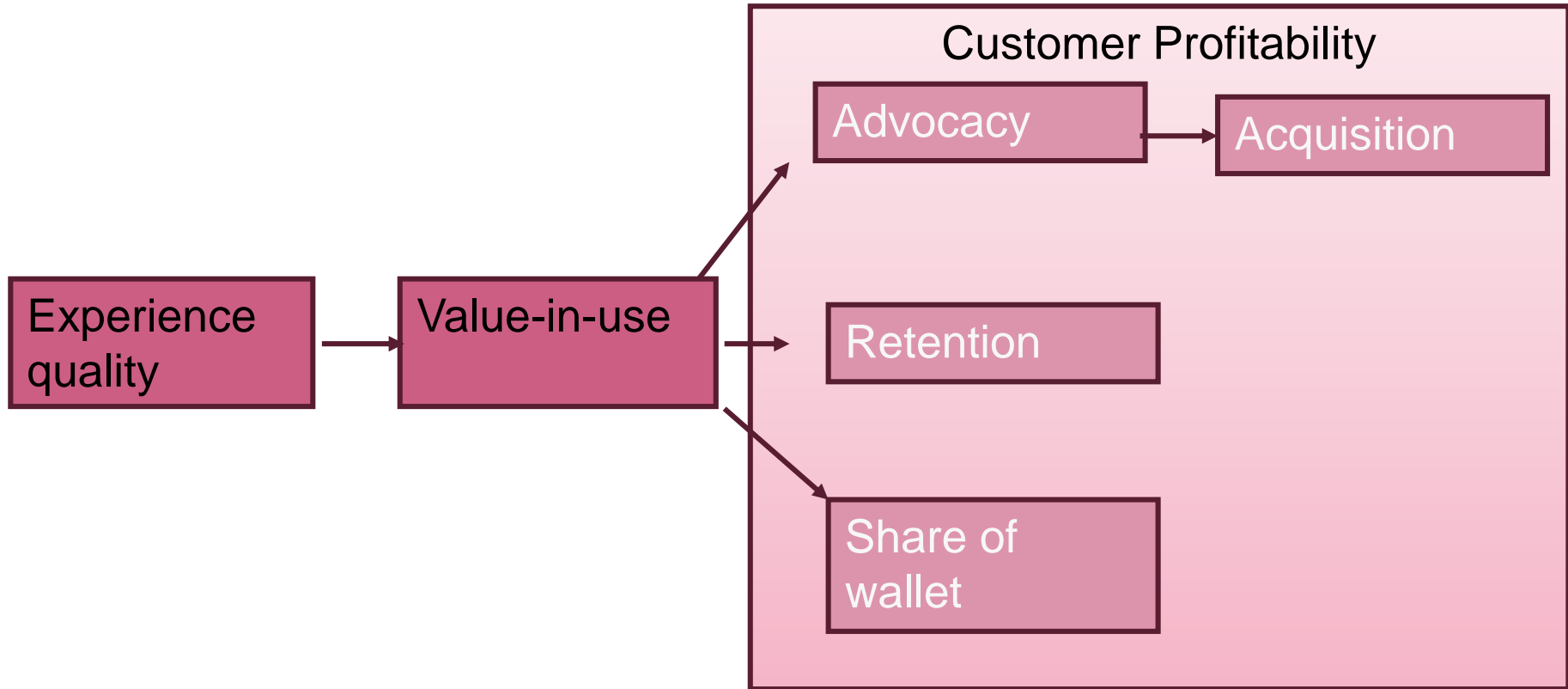
Channel and product silos

Channel/product A

| Experience quality | → | Value-in-use | → | Customer profitability |

Channel/product B

| Experience quality | → | Value-in-use | → | Customer profitability |

Organisational structure

"Every time we were beginning to form up into teams, we would be disbanded. I was to learn later in life that we tend to meet any new situation by reorganising; and a wonderful method it can be for giving the illusion of progress, whilst producing confusion, inefficiency and utter demoralisation"

Avoiding the silo problem:
Three approaches to metrics and rewards

1. Attach a value to a lead when it passes from one channel or product department to another (e.g. department store)

2. Organise structure and metrics around the customer (e.g. BT Global Services; Marks and Spencer)

3. Reward everyone around total firm performance (e.g. Performing Right Society)

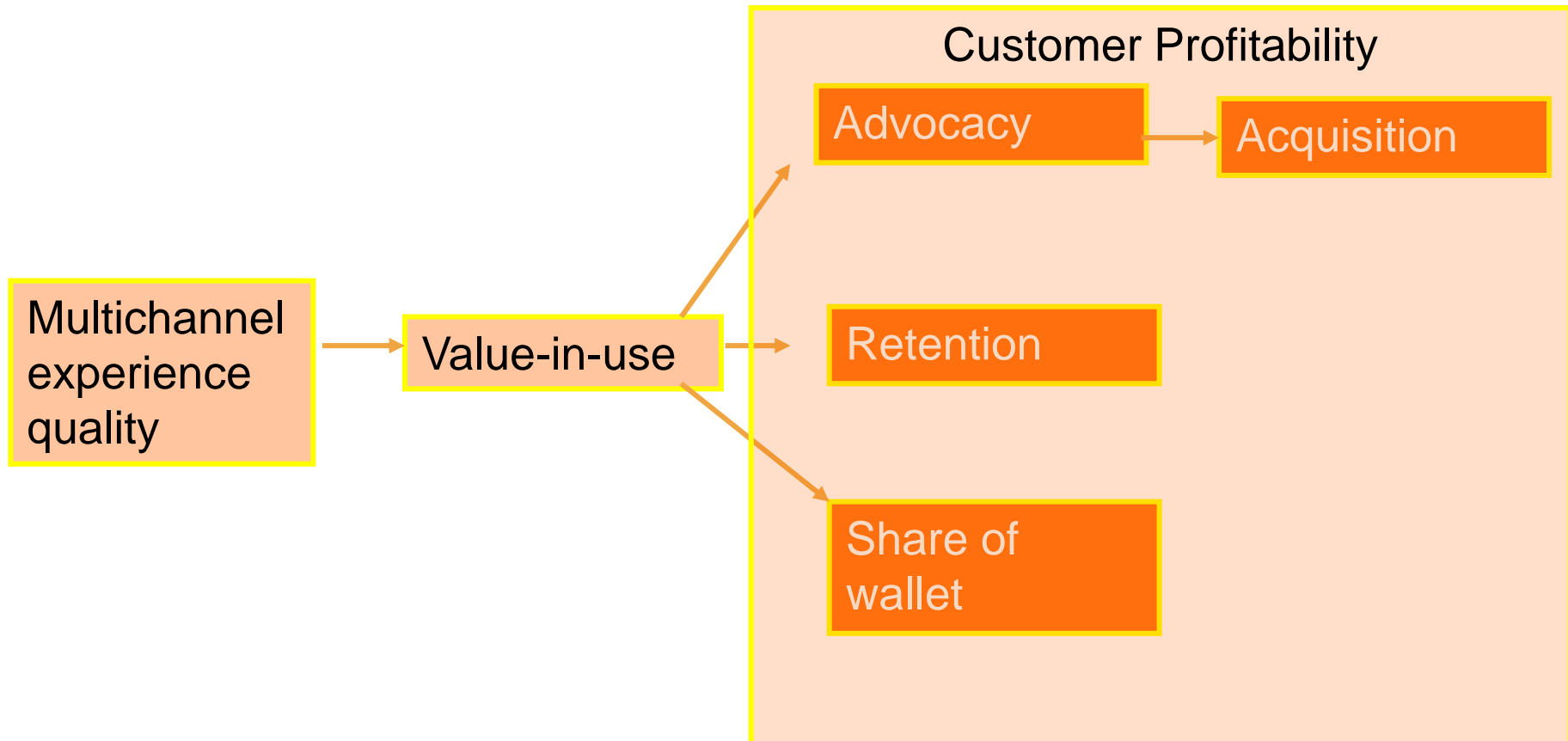# Organising around customers: BT

Account Management

MB Channel Marketing	Government Field Sales Govt	Financial Services Field Sales Fin Ser	Commercial & Brands Field Sales Comm.	Corporate Mid-Market Field Sales MidMkt
Desk Based Resource	DBAM	DBAM	DBAM	DBAM
Bt.com				
Partners				

Creating customer centricity

1. Integrated structure & metrics

2. *Integrated data & processes*

The corporate memory

"I'm sorry, dear. I wasn't listening. Could you repeat what you've said since we've been married?"

The need for multichannel integration

Customer Profitability

- Multichannel experience quality → Value-in-use
- Value-in-use → Advocacy → Acquisition
- Value-in-use → Retention
- Value-in-use → Share of wallet

Joined-up channels: 3 killer questions

Agree/disagree:

- However I contact [organisation], I have the same impression

- However I contact [organisation], I get the same information

- Regardless of the channel I use, people I deal with are informed about my past interactions with [organisation]

Does multichannel integration matter?

Drivers	Impact on Customer Satisfaction		
	Correlation	Regression step	ΔR^2
Call Centre satisfaction	.36		
Website satisfaction	.64**		
Multichannel integration	**.78****	**1**	**.60**
Channel choice	**.68****	**4**	**.01**
Product Satisfaction	.72**	3	.04
Price satisfaction	.70**	2	.12

Data integration is hard

Only 23% agreed (or strongly agreed) that "Whichever channel customers use, they receive the same information"

Only 22% agreed that "Our front-line staff know about the customer's past interactions through all channels"

Only 16% agreed that "we have a formal governance structure for managing our channels holistically"
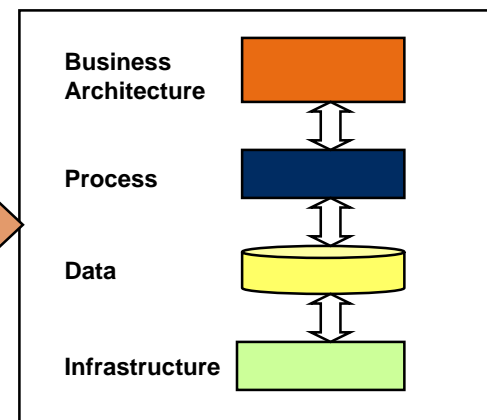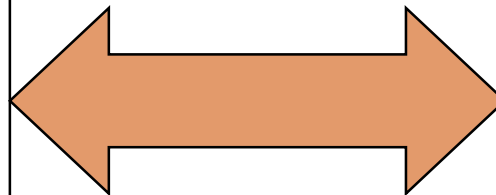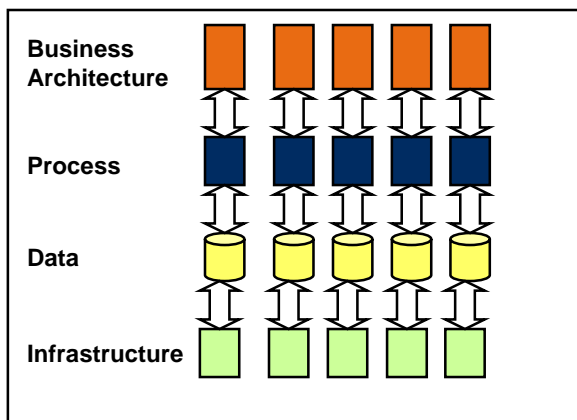
Only 16% of respondents can track multichannel customer journeys

The importance of a single customer view is widely understood. But only 28% have it, partially or fully

Integrated data & processes

- Data and process architecture reflect organisational structure!

Left diagram:
- Business Architecture
- Process
- Data
- Infrastructure

Right diagram:
- Business Architecture
- Process
- Data
- Infrastructure

Creating customer centricity

1. Integrated structure & metrics

2. Integrated data & processes

3. *Integrated insight*
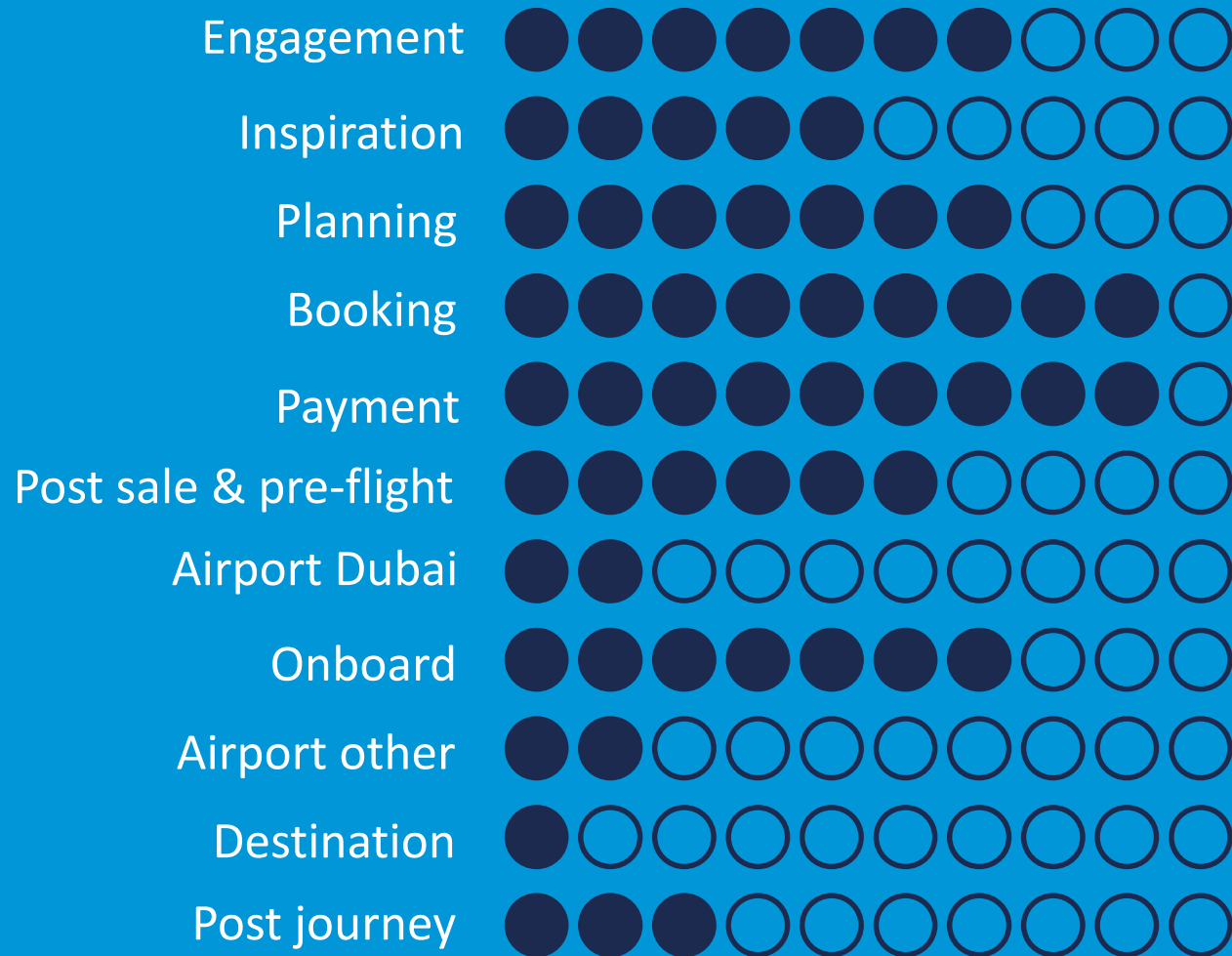
Brand encounters

Other-initiated

TV advertisement

Poster

Shop window

Customer-initiated

Shop visit

Online

Conversation

Shop visits **reduce** *WorldCare's perceived effectiveness…*
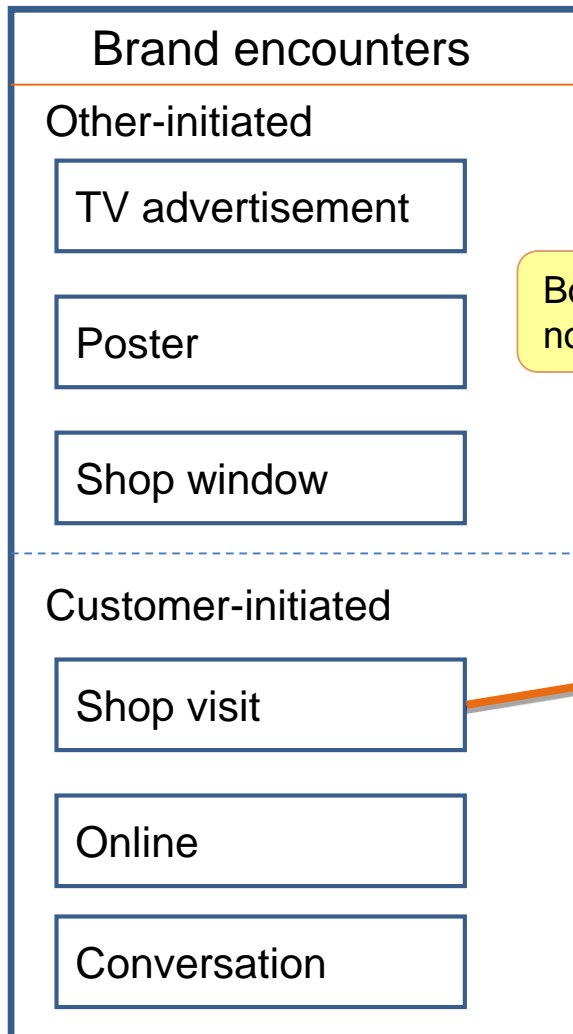
Bought a book. I asked for a leaflet on WorldCare and its work but they had none. I WAS NOT IMPRESSED. (very distant, don't know any more)

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Perceived effectiveness (t1-t0)

It was very dark and scruffy, the clothes looked unwashed and unclean and I thought it was a very bad advert for such a high profile charity. (very distant, don't know any more)

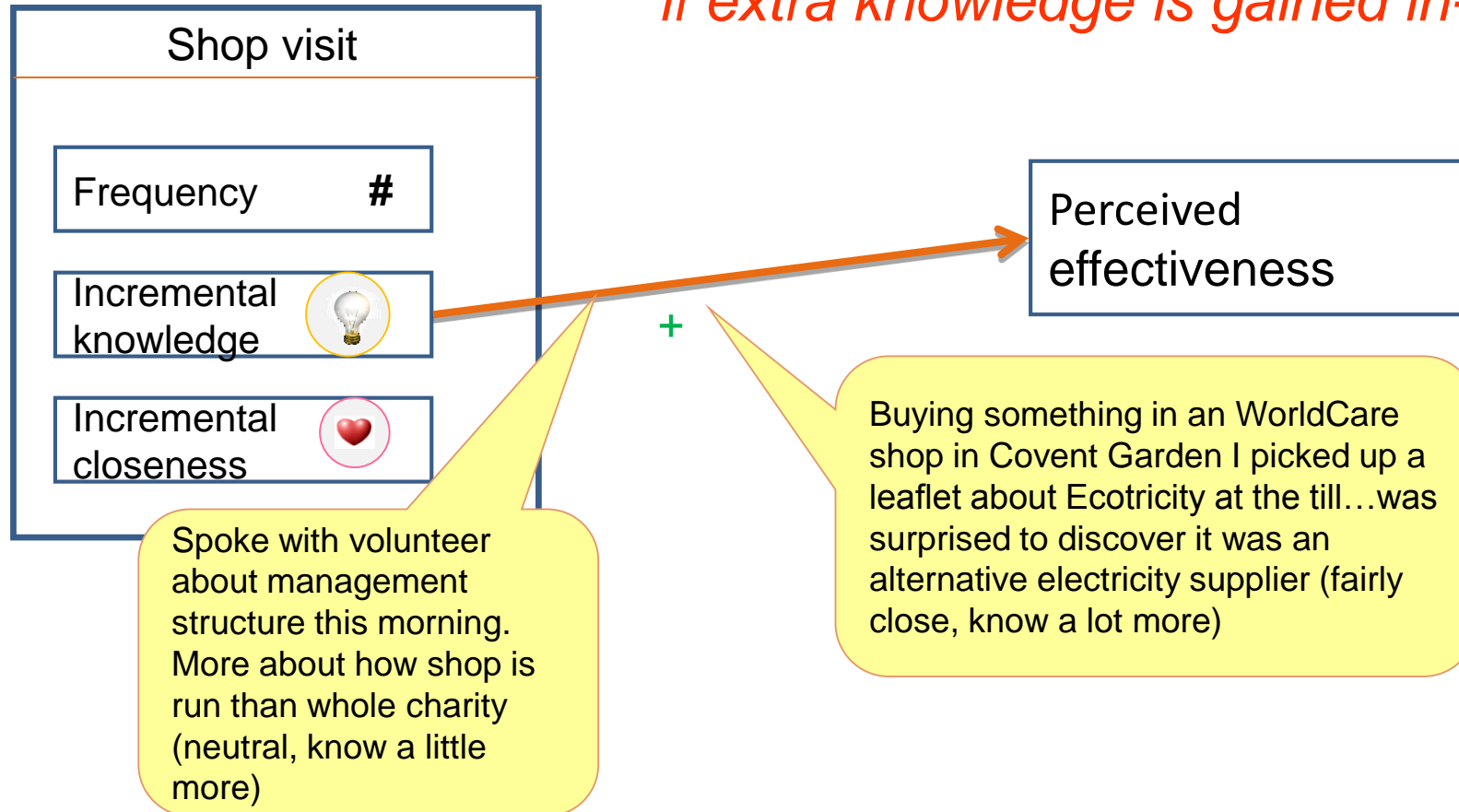…However, shop visits **can** increase effectiveness perceptions if extra knowledge is gained in-store

Shop visit

Frequency   **#**

Incremental knowledge

Incremental closeness

Perceived effectiveness

+

Spoke with volunteer about management structure this morning. More about how shop is run than whole charity (neutral, know a little more)

Buying something in an WorldCare shop in Covent Garden I picked up a leaflet about Ecotricity at the till…was surprised to discover it was an alternative electricity supplier (fairly close, know a lot more)

Multichannel CRM exercise (1)

Please fill in this form to assess the maturity of an airline at creating great conversations with customers. This could be your own airline or a competitor. Choose a customer group to fill this in for (eg consumers; business customers).

Airline: _____   Customer group: _____

Step 1. Thinking of this customer group, to what extent do you agree with these statements? Please score out of 7, where 7 = 'strongly agree' and 1 = 'strongly disagree'. You would ideally refine your scores through some mystery shopping!

|		**Score 1-7**
Q1	*Personalisation:* Everything we say or write to customers is based on individual-level customer insight	
Q2	*Dynamic interaction:* What we say or write to customers depends on what the customer has said to us in the same conversation	
Q3	*Authenticity:* We put the customer's interests first when making sales or service propositions to them	
Q4	*Inclusivity:* We look out for opportunities for customers to add value for each other	
Q5	*Customer selectivity:* How we treat a customer varies according to the long-term potential of the customer, which we estimate accurately	
	Total:	
	Interaction score - Divide total by 5:	

Multichannel CRM (2)

Step 2 Thinking of the same airline and customer group, to what extent do you agree with these statements? Please score out of 7, where 7 = 'strongly agree' and 1 = 'strongly disagree'. You may need to do a bit of research and then make your best guess. For example, you could try talking to an employee or two, or look at annual reports and other public domain information about how the firm works.

		Score 1-7
Q6	*Structure integration:* We have an organisational structure that nurtures our relationship with each customer holistically, irrespective of product, channel or function	
Q7	*Metrics integration:* We measure the effectiveness of the complete customer journey or 'channel chain', rather than assessing each channel, product or function separately	
Q8	*Data integration:* Frontline staff have access to integrated customer data across all products, channels and functions	
Q9	*Insight integration:* We understand the complete customer journey and how channel preferences vary by segment, and we action this insight to optimise the journey	
Q10	*Culture integration:* Senior management sets a consistent example of putting the customer first – an example that is followed in all channels and functions	
	Total:	
	Integration score - Divide total by 5:	

Multichannel CRM (3)

Step 3 Plot the company/business unit on the grid below. Which stage are you nearest? Of course, all companies vary, so you may well be between stages, or stronger on integration than interaction or vice versa.
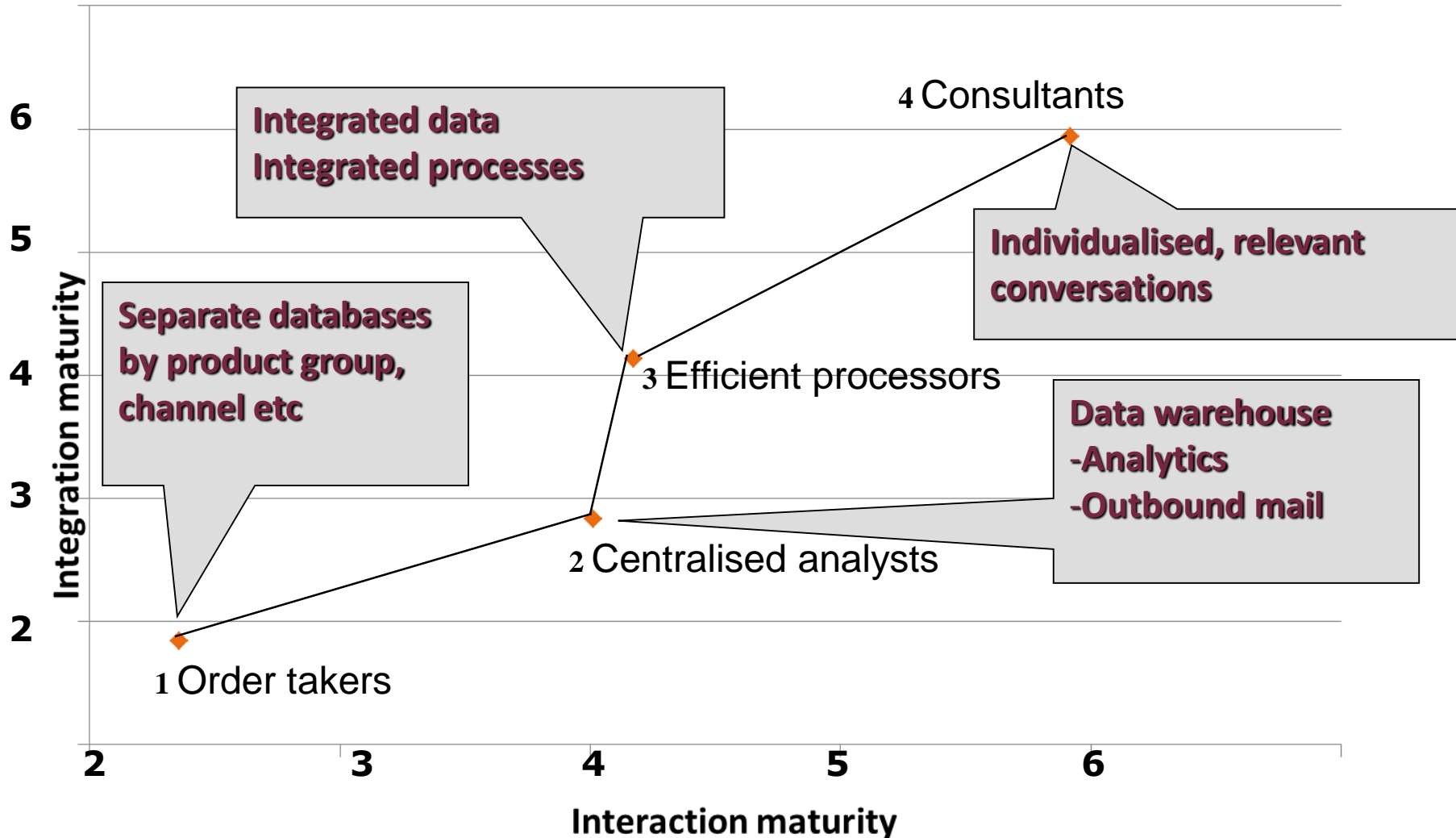
Multichannel CRM (4)

Step 4 The tables below list the aspects or dimensions of CRM maturity which we were asking about in the questions in steps 1 and 2. What do you think the next steps could be to improve the firm's CRM maturity? Choose two or three questions/dimensions where you think the firm could improve its performance, and write how this might be achieved in the right-hand column.

	Interaction dimension	How we might improve
Q1	Personalisation	
Q2	Dynamic interaction	
Q3	Authenticity	
Q4	Inclusivity	
Q5	Customer selectivity	

Multichannel CRM (5)

	Integration dimension	How we might improve
Q6	Structure integration	
Q7	Metrics integration	
Q8	Data integration	
Q9	Insight integration	
Q10	Culture integration	

Impact of maturity

Levels	Market Share	Retention	Profitability	Satisfaction
1	3.82	3.79	3.83	3.93
2	3.99	4.00	4.01	4.12
3	4.36	4.77	4.74	4.85
4	4.59	4.98	4.88	5.11

- The higher a company's multichannel CRM maturity, the greater their market share, they retain more customers and are more profitable.

Which aspects of customer centricity matter most?

Drivers	Impact		
	Satisfaction	Profitability	Market share
Data integration		2	2
Process integration	2=		
Communications integration			3
Dynamic interaction	1	3	1
Authenticity	2=	1	

I want you to:

make it easy for me

leave me in control

know me as an individual

treat me as an equal

give me confidence

Source: First Direct; Alan Hughes, former CEO, First Direct

Conclusions

Put the customer in the centre. Integrate the organisation around them. Requires attention to five aspects:

1. Structure integration
2. Metrics integration
3. Data integration
4. Insight integration
5. Culture integration