



Pioneer Microinsurance Onboarding Program
Customer Centricity Onboarding: Module 3

Introduction to Customer Centricity

Learning Time: 2 Hours | Self Learning



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1. Key Objectives of This Module

Key Objective One

The first objective of this self learning module is to help you develop a basic understanding of Customer Centricity as a concept, and why and how it is being embraced by organizations.

It is an evolving concept and this module is meant to help you develop an initial understanding. There are also some important reasons why organizations are embracing customer centricity and it is important to understand why that is the case.

Key Objective Two

A second objective is to help you understand the difference between product centric companies and customer centric companies.

The two kinds of companies work differently from each other. It is expected that future organizations are increasingly customer centric and it is important we understand what that would mean.

Key Objective Three

The last objective is to introduce you to certain key organizations and individuals who represent the customer centric outlook and its success in the market place.

The two kinds of companies work differently from each other. It is expected that future organizations are increasingly customer centric and it is important we understand what that would mean.



2. Understanding Customer Centricity



Want to Learn More? [CLICK HERE](#)

**“The most important single thing is to focus
obsessively on the customer”**

- Jeff Bezos, Founder/CEO of Amazon

A customer centric organisation is one in which customers are seen as the core source of current value or worth and future growth.

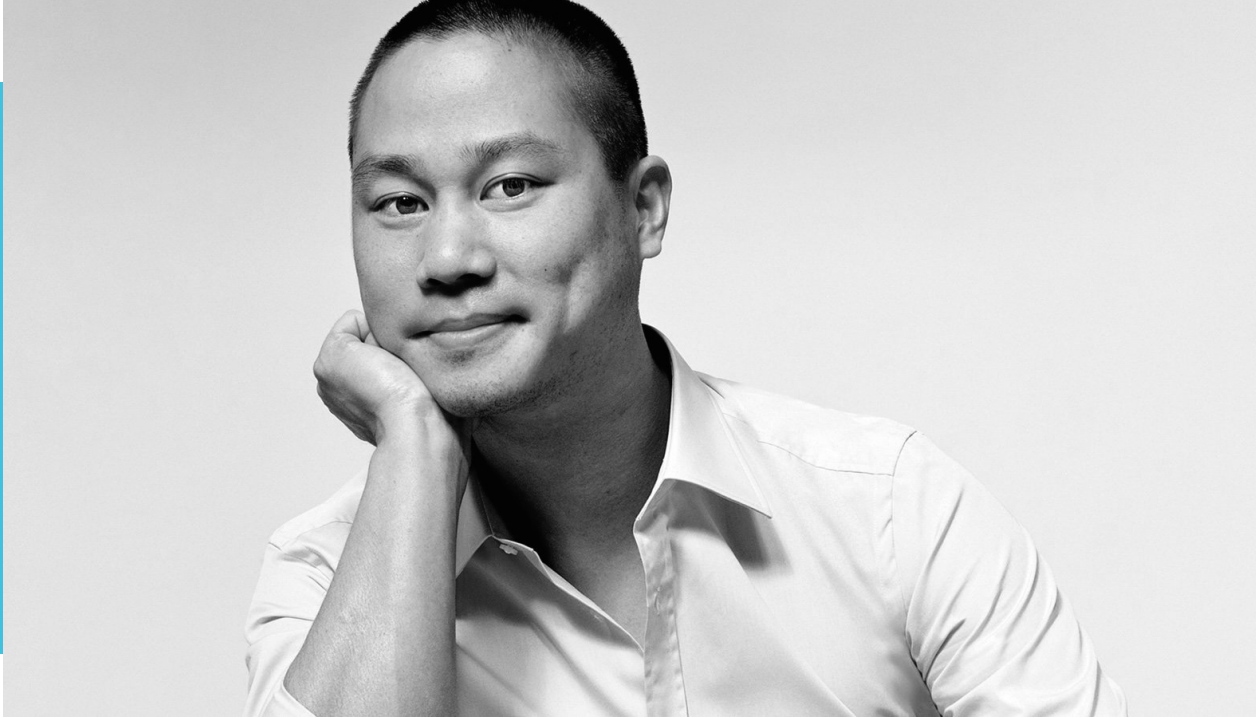


“Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves.”

- Steve Jobs, Founder of Apple Computers

Customers are at the heart of both long term strategy, and everyday decisions.

Customer centric organisations are rooted in the belief that the value offered to customers is of utmost importance, followed by the value derived by the organisation.



“Customer service shouldn’t be a department; it should be the entire company. “

- Tony Hsieh, CEO of Zappos



QUESTION TO YOU

What does the word customer centricity mean to you at this early stage?



3. Forces Driving Customer Centricity at Organizations



“Profit comes from repeat customers; those who boast about your product and service, and bring friends with them.”

- W. Edwards Deming, Legendary Expert on Quality

Driver No. 1

Companies are embracing customer centricity to improve financial performance and increase company value.

Research demonstrates significant links between customer satisfaction and company performance. Companies that are considered customer centric regularly outperform other companies in terms of profitability, sales growth, and stock performance.

Driver No. 2

Customer centricity is being driven by a more competitive and commoditized marketplace.

Competition in the market has led to an increasingly lack of differentiation of products. This is forcing companies to take a harder look at the experience they offer to customers - the interactions between companies and customers is what is in focus today.

Driver No. 3

Customer-centricity is a response to customers increasingly seeking end-to-end solutions for their needs.

Customers don't want their experiences to be broken today. It is no longer ok for customers to feel that the quality of experience differs pre-purchase, during purchase, and post-purchase depending on who, how and where they interact with a company. End to end consistency is no longer negotiable.

Driver No. 4

Customer centricity has emerged from the empowered consumer who is more informed because of greater access to information.

Mobile phones and access to the internet has given rise to empowered consumers - even if they may be poor - today they have a voice and want to be heard. Companies cannot shy away from feedback and transparency, and therefore a genuine effort is needed to serve customers.

Driver No. 5

Customer-centric practices are fueled by advances in digital technology, data analytics, and data management practices.

It's always been a goal for organisations to understand their customers in great detail. Today, technology and evolving research and data collection approaches are making that possible. Customer centricity is also possible today because organisations can understand their customers better than before. It is a reality of the age we are in.

Driver No. 6

Customer-centric practices are also being facilitated by increased regulatory focus on customer rights and transparency.

Since the 2008 financial crisis, the role of regulators a fair and transparent market place has been in focus. The crisis accelerated the debate on how organizations interact with and serve their customers. Regulators have responded globally to this by framing tighter regulation as well as being more active at all levels. The financial inclusion sector has also felt the impact of this larger trend in the financial services space.

Driver No. 7

A number of social entrepreneurs (including in the financial inclusion space) have created innovative business models. Customer centricity helps them realize their intended social impact goals.

Customer centricity is also an outlook that helps social entrepreneurs keep their focus on the end mission of creating positive social impact and creating a difference in the lives of their customers.



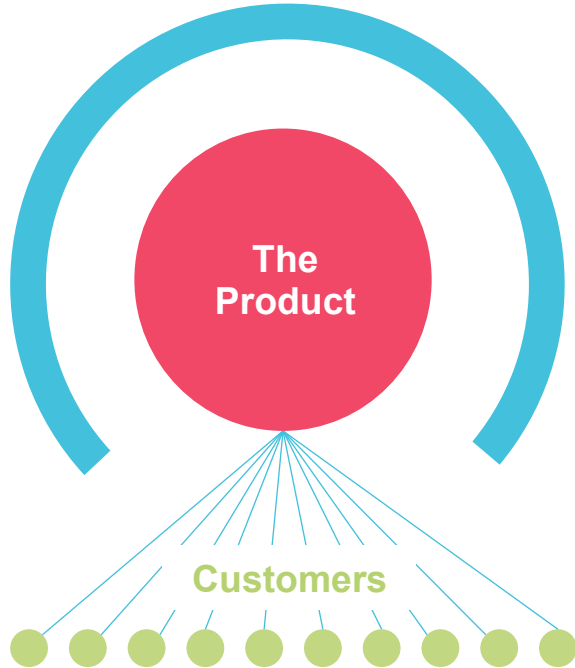
QUESTION TO YOU

As a customer, do you feel organizations are thinking more about experience today than 5 years back?

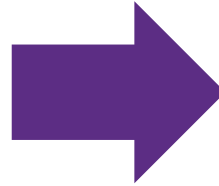


4. Comparing Customer Centricity and Product Centricity

Business Functions



Product Centric Business Model



Business Functions



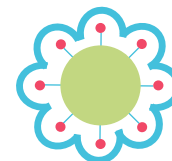
Customer Centric Business Model

Strategy



Product Centric Companies

- Create a portfolio of products that drives growth, and identify the best customers for products
- Focus on new product development



Customer Centric Companies

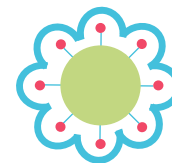
- **Develop a portfolio of customers that drives growth**
- **Provide solutions that meet target customer needs**
- **Focus on customer relationship development**

Pricing



Product Centric Companies

- Price products and services based on competition and the market place
- Adopt other traditional pricing standards (like cost based pricing)



Customer Centric Companies

- **Price products and services based on customer loyalty**
- **Understand the life time potential of a customer vis-à-vis single transactions**
- **Price based on an assessment of risk (possible by knowing the customers well)**



Case Study

Apple iPhone

Apple has been able to price its products at a premium and command a sizable portion of the market share as a result of the tremendous brand loyalty it commands. The loyalty is derived from a long history of cutting edge technology innovation from the company that has created a huge mass of fans who swear by Apple.

Apple was always the favorite of high end technology users, but with the iPhone (and the iPod) it expanded that appeal to a much wider audience. The launch of the iPhones are for example today a highly celebrated event, and queues of customers lining up outside stores at every new launch.

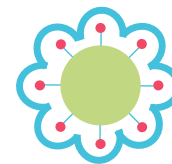
Estimates suggest that the iPhone captures anywhere between 70 – 90% of the global smartphone market profits. This is because even though there is a lot of competition at the lower end of the market, Apple has been able to generate such tremendous loyalty and goodwill that it can sell fewer numbers but control the largest profits. Apple's power over the market is a testament to what investments into genuine innovation and customer experience can achieve.

Customer Profile



Product Centric Companies

- Customers that usually seek more product features or more advanced products
- Customers who end up bargaining with the organization for price cuts and benefits



Customer Centric Companies

- **Customers who are loyal and advocates**
- **Customers are aligned with the profile that the company would like to service and own**
- **Customers value experience offered**
- **Profitable for the organization in the long term**



QUESTION TO YOU

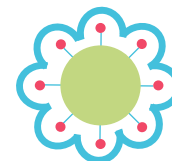
Are you loyal to any product or service as a customer? Why? What works for you?

Culture



Product Centric Companies

- Organization values, supports and rewards the amount of product development
- The focus on performance is on increased sales and product profit margins



Customer Centric Companies

- **Organization understands that customers as core profit drivers**
- **Employees are rewarded for solving customer problems and driving value for customers**
- **Employees are seen as internal customers**

**Help us build
Earth's most
customer-centric
company**



Case Study Amazon

Amazon was probably the first organization to explicitly talk about customer centricity as a phenomenon. Jeff Bezos, the Founder CEO of Amazon is famous for his obsession with customer experience and desire to create the most customer centric organization in the world in Amazon. An empty seat in meetings that represents the customer is a well know example of the obsession.

Amazon was built on a few fundamental insights on how customers shop. For example, all customers (anywhere in the world) will always like choice, they will always want to save costs, and they will always want things quickly delivered. Amazon's entire value proposition is built on these fundamental principles that drive value for customers.

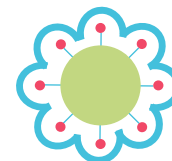
Amazon is also famous for its high performance culture (sometimes tough) focused unrelentingly on customer experience. It demands a high degree of innovation, hard work and passion from its people. The success of Amazon's strategy is reflected also in the businesses it has entered (Amazon Prime, Kindle, Cloud services etc.) and how its been able to become the experience benchmark in them.

Metrics



Product Centric Companies

- Focus is on new customer acquisition, product sales, new product development, profit margins, and increased market share



Customer Centric Companies

- Focus is on delivering and increasing customer experience
- Other metrics include retention and ability to realize customer lifetime value
- Share of wallet and customer profitability (at individual customer level) are other metrics used



QUESTION TO YOU

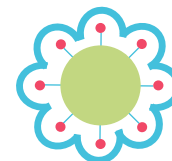
Do you think customers should always be placed first? What may be some challenges?

Employee Rewards



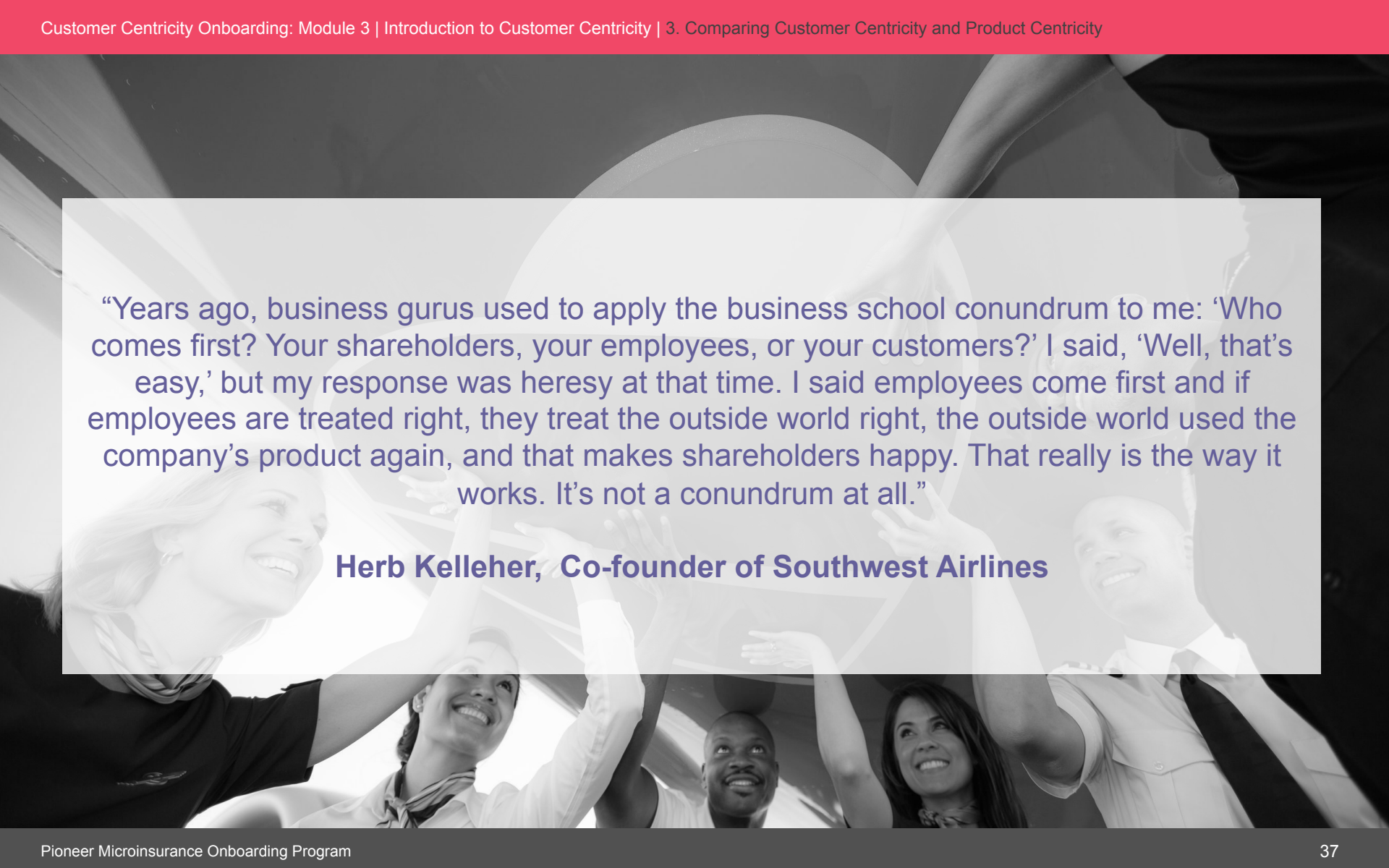
Product Centric Companies

- Employees are rewarded for product development, product sales, customer acquisition, and profitability



Customer Centric Companies

- **Employees are rewarded for behaviors aligned with company values**
- **Quality of customer experience and fixing customer problems are measured**
- **Increasing revenue per customer, efficiency, and profitability are other considerations**



“Years ago, business gurus used to apply the business school conundrum to me: ‘Who comes first? Your shareholders, your employees, or your customers?’ I said, ‘Well, that’s easy,’ but my response was heresy at that time. I said employees come first and if employees are treated right, they treat the outside world right, the outside world used the company’s product again, and that makes shareholders happy. That really is the way it works. It’s not a conundrum at all.”

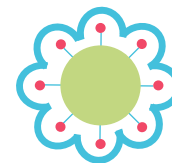
Herb Kelleher, Co-founder of Southwest Airlines

Organisational Structure



Product Centric Companies

- Employees operate in product silos only interacting with other functions to get product to market
- The organization focuses on products as profit centers / departments



Customer Centric Companies

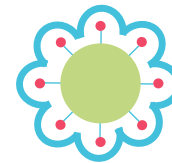
- **Business units are created by representation from across functions and are focused on customer needs and segments**
- **The organization is set up as customer profit centers / departments**

Front Line Staff



Product Centric Companies

- Frontline staff require higher level authority to resolve customer issues
- Employee performance is measured by sales objectives



Customer Centric Companies

- **Frontline staff have decision-making authority, skills, and information to resolve customer issues**
- **Performance measured by contribution to the differentiated customer experience**



THE RITZ-CARLTON®

Case Study

The Ritz Carlton

The Ritz-Carlton luxury hotel chain is one of the most famous brands in the hospitality market.

In a project focused on improving service experience, they realized that there are often occasions when the front line staff can take decisions and solve a customer's problems and positively impact the customer experience. But, the process of seeking permissions from seniors and not having the free hand to solve were limiting this opportunity/

Ritz Carlton soon initiated a program where they provided staff \$2,000 of discretionary spend (yes, this is per front line staff) to be used to solve any customer complaint in the manner the employee felt appropriate.

This trust in the front line has helped the company differentiate its service from competition, and become a source of memorable experiences for any of its customers.



QUESTION TO YOU

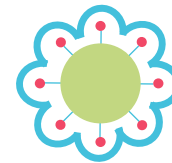
Which organization's front line staff has impressed you the most? Why?

Processes



Product Centric Companies

- Processes created within product silos; sometimes duplicated across silos resulting in inefficiencies
- Processes are designed for transaction points



Customer Centric Companies

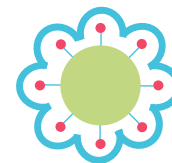
- **Processes optimized to serve the customer, efficiencies can result in expense reduction**
- **Processes designed for end to end user journeys**

Marketing & Branding



Product Centric Companies

- Product managers drive marketing, sales and communication to their target market
- Brand is nurtured for expansion to new markets and promotion of next generation products



Customer Centric Companies

- **Customer teams manage customer segmentation, promotions, messaging and channel strategy, and overall go-to-market approach**
- **Brand is nurtured and supported by loyal, satisfied customers who recommend to potential new customers**



Case Study

USAA Insurance

USAA Insurance, a Texas (USA) based company regularly tops the charts in terms of Net Promoter Score (NPS) across industries. NPS is one of the measures that customer centric companies employ to map customer experience. The NPS measures the likelihood of customers to recommend the service to their friends and family (the assumption is that the more likely someone is to recommend, the more satisfied they are with their own experience).

It is important to remember that USAA is an insurance company. Insurance companies are not well known for their customer experience in most countries.

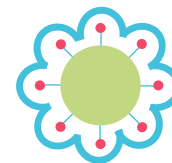
But, because of its focus on experience USAA is today rated as one of the most respected companies in the world by the Fortune publication.

Service Experience




Product Centric Companies

- Customers learn about, buy, and receive post-purchase support through individual product channels or product experts. Often multiple customer hand-offs that can be confusing and costly



Customer Centric Companies

- **Access through multiple channels, consistent, limited customer hand-offs from one touch point to another, value creation at critical touch points in the customer journey**

A black and white photograph of Mickey Mouse and Minnie Mouse standing in front of Cinderella Castle at Disney World. Mickey is on the right, wearing a tuxedo and bow tie, with his arms crossed. Minnie is on the left, wearing a dress with a large necklace. The castle is in the background, and the image is overlaid with a semi-transparent text box.

“Walt (Disney) had decided to hold a Christmas parade at the new park at a cost of \$350,000. Walt’s accountants approached him and besieged him to not spend money on an extravagant parade because the people would already be there. Nobody would complain, they reasoned, if they dispensed with the parade because nobody would be expecting it. Walt’s reply to his accountants is classic: “That’s just the point,” he said. “We should do the parade precisely because no one’s expecting it. Our goal at Disneyland is to always give the people more than they expect. As long as we keep surprising them, they’ll keep coming back. But if they ever stop coming, it’ll cost us ten times that much to get them to come back.”

- Disney historian Les Perkins



QUESTION TO YOU

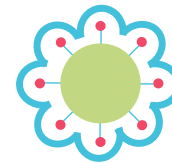
Which organization do you feel provides the greatest experience to you as a customer?

Partnerships with External Firms



Product Centric Companies

- Little or no interaction with partners once customer is handed off; limited visibility into each other's systems



Customer Centric Companies

- Companies design join-up processes with business partners to create seamless end-to-end customer experience, monitor performance of shared processes that affect the customer experience



4. The Core Pillars of Customer Centric Organizations

In organisations that are customer centric – customer centricity is ingrained in everything they do. It is driven from the top and owned by everyone.

The success of such organisations is based on a basic set of pillars.

Pillars of a Customer Centric Organisation



**Leadership &
Culture**



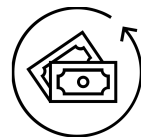
**Focused
Operations**



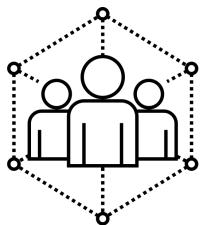
**People, Tools &
Insights**



**Customer
Experience**



Value



Pillar One: Leadership & Culture

Leaders and teams at customer centric organizations are driven by a desire to serve and do right by their customers.

- Customer-centric companies exist to live up to a customer promise.
- Customer-centric companies treasure customer centricity as a core value.
- Customer-centric companies are powered by customer centric behaviors.



Pillar Two: Focusing Operations

Customer-centric organizations build systems and processes that offer a seamless end-to-end experience to customers.

- Customer-centric companies organize business processes around the end-to-end customer experience.
- Customer-centric companies organize people, units, and teams cross-functionally to deliver the differentiating customer experience.
- Customer-centric companies look to collaborate with organizations in their ecosystem to elevate customer experience.



Pillar Three: People, Tools & Insights

Customer-centric organizations have the skills and tools to record, analyze, and use customer data. Insights help drive focus on real needs and solutions.

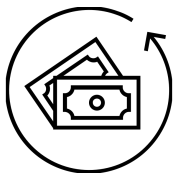
- Customer centric companies empower their employees to be customer centric.
- Customer centric companies invest in listening to, and understanding their customers.
- Customer centric companies value customer insights are real assets for the business.



Pillar Four: Customer Experience

Customer-centric organizations understand experience as not an additional layer but as the very core of business.

- For customer-centric companies, the customer experience is the chief value proposition they offer as a business.
- Customer-centric companies focus on building trust-based customer relationships.
- Customer-centric companies allow customers to exercise control in their interactions, strengthening the relationship.



Pillar Five: Value

Customer centric organizations are rooted in the generation of sustainable growth and value for the benefit of their multiple stakeholders.

- Customer centric organisations create value for customers by ensuring benefits offered exceed costs of purchase and reach for customers.
- Customer centric organisations adopt a strategy focused on a portfolio of customers for whom they can create differentiated experiences and also gain sustainable value.

Organisations may be strong or weak with regards to certain pillars and need to invest appropriately in those areas that will take them to the next level of being customer centric.



