# SunTec®

# Don't Just Talk Customer-centricity Walk It!

## Whitepaper

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# Introduction

Jan Carlzon, the highly-regarded CEO of the Scandinavian airline SAS during 1981-1994, attributes his success in turning around the company's fortunes to "moments of truth". He used the term to refer to the instances when airline staff interacted with customers every day and thus got the opportunity to make a real difference. His mantra was essentially customer-centric thought and action.

Ever since Lester Wunderman first used the term "customer-centric" in the 1960s, business leaders and management gurus have exhorted companies to become "customer centric". Not surprisingly, the number of searches for the phrase "customer centricity" on Google doubled between 2008 and 2018.[i]

# Examples of Customer-centricity

Customer-centricity depends on industry, product/service sold, business model etc. Chase Bank found through its research that millennials are:

- 31% more likely to want financial advice delivered by chatbots compared to the average internet user; and
- 27% more likely to want easy access to educational resources like videos.[ii]

By using the above data to shape its strategy, the bank has been able to achieve higher levels of success in serving its millennial customers.

A bank may have the data to show that a large number of its customers plan holidays through a certain portal. It can choose to proactively team up with that portal and/or individual hotel properties and airlines to come up with personalized offers that create win-win outcomes for all stakeholders - customers (who get better deals), the portal/airline/hotel (who get more customers) and the bank (which sees average credit card transaction size or number of users go up). This is an example of an ecosystem working together to deliver relevant, personalized offers to customers.

For telecom players, customer-centricity may manifest in the form of being able to offer customers the opportunity to personalize "service packs" or combinations based on what they need- e.g., more data, fewer SMS every month, discounted access to OTT platforms etc. And as the telcos see changes in the behavior of customers (individuals or segments), they can tweak their products/services/pricing and offers to optimize revenue/margins while delivering superior customer satisfaction. Liberty Mutual, a well-known insurance company is betting on voice commerce; prospects and customers can get insurance quotes and information using Alexa. This is an example of making it easier for customers to access the company's offerings at a time when more and more people are using Alexa or similar devices to access various online services.

# The Four Dimensions of Customer-centricity

Viewed from the customer's perspective, we believe that customer-centricity must manifest along four principal dimensions. It is the interplay of these four dimensions that give customers the feeling of being valued by the businesses that serve them. The four dimensions are described below.

## Personalization

Customers expect personalized solutions and offerings that they see as being unique to their individual situation and needs. To deliver this, businesses must be able to segment customers based on criteria such as their life stage, persona, behavior, propensity to spend, brand preferences etc. On the basis of the profile thus created, businesses must be able to design, present and deliver relevant products/services to each customer. When the business has multiple product/service lines, it must be able to present customers with properly priced bundles of relevant products and services drawn from across multiple lines of business.

Sometimes, a customer's need may be for a product or service that is outside of what your business provides. Conventional wisdom would expect you to focus on providing what you offer, letting the customer buy the other products and services from elsewhere. But customer-centricity demands that you try and fulfil as many of your customer's needs as you can by building an ecosystem that includes other, usually complementary, businesses. Doing so will help enhance the customer's loyalty to the constituents of the ecosystem. Tie-ups between airlines and hotel chains were an early example of such ecosystems; today, partner ecosystems can include members drawn from a much broader set of companies. For example, a bank that offers a home loan, can also provide its customers with interior design services or tie up with online stores that sell furniture or appliances.

## Choice

Businesses must be able to treat each customer as a "segment of one". They must not only provide each customer with a range of relevant products/services, but also give every customer the freedom to choose from the available products/services, including creating bundles as per their needs. Customers must also be able to exercise reasonable choice in terms of channels to place orders and fulfilment (pick-up/delivery). While exercising a choice is every customer's prerogative, keeping track of these choices and recommending similar bundles or providing similar offers during future interactions is something businesses must be able to do. This is similar to OTT platforms or Kindle suggesting additional movies/shows/books based on what an individual has watched/read, or e-commerce sites saying "People who bought this also purchased…". This requires the right technologies to be in place, besides the ability to monitor shifts in preferences and choices over time and accordingly adjust the portfolio of products and services and pricing options they present to customers.

## Fairness & Transparency

Trust is the ultimate glue that binds customers with businesses. Building and sustaining trust requires that businesses exhibit higher standards of fairness and transparency in their interactions with customers. The most visible form of fairness is that products and services are priced fairly: businesses must not over-charge customers or discriminate between different customers (the issue of Net neutrality that gave rise to much debate globally a few years ago is an example of lack of fairness).

Transparency means giving all customers adequate information to make better-informed decisions about what they should buy. One example of transparency relates to billing: instead of giving customers a lumpsum bill, let them know what all they are paying for and how much. Clearly displaying a product's country of origin or whether

a product contains genetically modified ingredients are other examples. Some disclosures are mandated by regulations, but we believe that the spirit of customer-centricity must go beyond regulatory compliance for it to delight customers and give the business a differentiated edge. For BFSI businesses, not mis-selling products (e.g., investment or insurance) is another important demonstration of transparency. Again, while there are regulations to prevent such acts, true customer-centricity means proactively helping prospects and customers make better decisions by giving them relevant information about the pros and cons of various products, suggesting alternatives, explaining trade-offs (i.e., what they gain or lose) etc. The trust thus strengthens the relationship between the customer and the business and fosters customer loyalty - a key attribute in an increasingly fickle world. Customer lifetime value can be optimized only if customers remain loyal to the business.

### Control

To the extent possible, all of us like to be in control of every facet of our life. Customers are no exceptions when they engage with businesses. Traditionally, customers have had to accept whatever products or services the provider offered, along with the applicable terms and conditions. In a world where hyper-competition is giving customers greater choice and flexibility, we believe that giving more control to customers to manage their relationships with businesses can be a game-changer. Not only will such a shift in giving customers greater control help shape their perceptions of businesses, but it will also encourage participation in co-creation activities such as providing feedback, sharing experiences etc. This will give businesses more data on their customers, thereby improving their ability to be even more focused on customers and serve them better.

# How Businesses Can Enable Customer-centricity

"Customer-centricity" or some variant of the concept is frequently mentioned in mission statements and the marketing collateral of many companies; yet, few businesses have mastered the art of being truly customer-centric. This is either because the paradigm is not well-understood across all levels or because its adoption is impeded by organizational structures, policies, governance mechanisms, business processes or information systems. We therefore believe that embracing true customer-centricity will depend on the extent to which businesses rid themselves of the various shackles that hold them back.

To realize the benefits of customer-centric thinking, organizations need to redesign themselves. They need to create a culture that empowers employees and rewards them for consistently exhibiting customer-centricity. This means hiring people with the right attitude (in addition to the skills and experience), training them regularly on what the organization means by customer-centricity, ensuring that they listen to customers at every available opportunity and are able to fearlessly share the insights gathered to improve the core products and service offerings. When teams of employees discuss strategies, plans and resource allocation priorities, using customer-centricity as a specific criterion or filter is vital.

Customer-centricity requires businesses to simplify their operations, including their IT landscape. They need the right tools and technologies to extract "intelligence" from structured and unstructured behavioral and transaction data sourced from disparate sources. The actionable insights thus obtained must then be used to anticipate customer needs and proactively come up with suitable offers.

The key to making this shift is to have a digital technology core that gives the business dynamic segmentation and agile personalization capabilities. A bank that runs on legacy systems, for example, will need to find a way to shift customer engagement and orchestration functionality from the existing core to a new layer. Such a layer must transcend the product-level silos that exist in legacy systems, so that product design teams and customer relationship teams can offer personalized bundles, innovative pricing models and reward programs. The transformation journey must be calibrated for risk, cost and time; this may mean adopting a lower-risk method that uses as much of their existing technology infrastructure as possible- provided it does not seriously limit or compromise the creation and delivery of customer-centric capabilities. More and more businesses are partnering with other businesses to build ecosystems that are able to offer customers a wider range of relevant products and services. In such cases, the entire ecosystem must gear up to be customer-centric so that it can address the needs of their customers.

# Applying the Principles of Design Thinking can Drive Customer-centricity

In recent times, the notion of "Design Thinking" has gained popularity among business thinkers. The term refers to a non-linear, iterative process that helps teams to better understand/redefine problems and challenge assumptions, thereby giving them new perspectives into the needs/expectations of customers/users. When applied consistently and effectively, the process leads to innovative solutions that provide superior ways of addressing the targeted problems.

By applying design thinking principles, organizations will be able to empathize with their customers better. This will lead to a deeper and broader understanding of pain points (or changing expectations). Product design and development teams can thus ideate and debate possible solution approaches and select the best ones to take forward to prototyping and testing. This approach enhances customer-centricity in two specific ways:

- There will be a conscious emphasis on customer needs and their experience, which will in turn enhance attention to design attributes such as usability, safety, convenience, environmental footprint etc.
- It will reduce the tendency to design and develop solutions mainly from the perspective of internal processes.

Design thinking is an enabler of customer-centricity; in some ways, it is also a mirror image. Central to both concepts is empathy - the critical but often elusive ability to truly put oneself in another's shoes and walk in them. Doing so will help understand the challenges that customers face and consequently, what the organization needs to do to improve the quality of the customer's journey and experience.
The process of design thinking typically involves the following five steps:

**Empathize:** This requires the team to put itself in the customer/user's shoes to gather as much information as possible. Expectations, fears, usage motivators, factors that discourage or frustrate etc. are all relevant. The impact of cultural differences too may need to be captured. Eliciting such a broad spectrum of valuable information requires deep interactions with a cross-section of representative customers/users.

**Define:** Based on the data gathered in the earlier step, this step leads to identifying common pain points or improvement opportunities; this is typically when unmet needs start to emerge and get captured.

**Ideate:** This is the innovation phase of the process. Its success depends on free and uninhibited brainstorming by the team to list out multiple possibilities around features, functionality, UX etc. At this stage, no idea is voted out - they are all captured for further analysis and review.

**Prototype:** This is when ideas start getting assessed for practicality, technical/financial feasibility etc. This step is aimed at arriving at workable options.

**Test:** This is when the customers/users are given the prototypes for their views on how far they address their pain points and frustrations or truly represent improvement in ease of use, convenience etc.

Most BFSI companies have traditionally designed their products by being inward-focused. They have created products that are easier for employees to work with or for compliance with the prevailing internal culture. This is why customers do not see the differentiation or the value, and often end up being frustrated by their experiences. For instance, many older banks still take several days to open a new account, while a neo-bank can complete the process in a few hours, and platforms like Google Pay are almost instantaneous. Little wonder, then, that these new players are easily able to attract customers away from even large, well-established banks.

Adopting "design thinking" principles will enable businesses across industries to become more customer-centric. However, we believe that doing so will be of particular advantage to players from the banking and financial services space that are looking to defend their customer base against new competitors. For example, it is clear that traditional banks need to persuade more of their customers to embrace their apps. If they succeed in doing so, banks can reduce marketing and operating costs while also enabling them to present customers with offers that are better tailored to the customer's needs. In this context, applying design thinking principles can help banks answer important questions such as why some customers still prefer to visit branches, why they are hesitant to use apps or what additional features are needed to help differently-abled customers. The answers to such questions can help banks design products/services, channels and pricing structures that better address individual customer needs and can be dynamically changed based on individual customers and segments.

Implementing customer-centricity through digital channels will require businesses to invest in the appropriate technological capabilities and tools. For example, banks will need software to dynamically segment customers using various data points. Having identified needs based on personas, banks will need tools to price offers to individual customers in ways that increase the likelihood of purchase while also ensuring revenues and margins for the bank. This must integrate with loyalty programs so that customers eligible for special rates or other benefits are not denied those advantages. For e-commerce companies, remembering SKU and brand preferences and presenting offers from time to time will require personalization tools. And if banks tie up with these e-commerce companies, customers of the individual entities will need to be treated differently as customers of the ecosystem - and this will require customizable, rules-based tools.

Implementing customer-centricity optimally therefore needs a combination of people, processes and technologies. If done well, the outcomes will include a reduction in frustration, decline in certain kinds of operational expenses, greater customer engagement and higher levels of loyalty. In turn, these will make it easier for businesses to get and stay on a path of growth. Companies that truly imbibe customer-centric thinking and exhibit customer-centric behavior generate 5.7 times more revenue than companies that don't.[iii]

# In a Post-Pandemic World, Being Customer-centric Is Even More Critical For Businesses

The COVID-19 pandemic has turned our world topsy turvy in many ways. While the impact has been negative for industries such as aviation, tourism and hospitality, it has given a boost to some industries just because many more customers have adopted digital channels. And yet, the fact remains that their levels of familiarity with these channels and even their basic needs remain widely different. For example, a millennial, who is a digital native, will easily get comfortable with chatbots or voice-driven commerce. But her grandparents, who are in their 60s, may not find it as easy. The financial needs of someone starting his first job will be different from those of a family that is planning to buy a bigger house or put a child through college. Customer-centric actions make it easier for customers to get easy and timely access to the right products and services and thereafter, be able to buy what they need easily, securely, speedily and conveniently from a place of their choice- their homes, stores/branches or indeed, anywhere/anytime.

# Conclusion

Although leaders frequently speak of the need for organizations to exhibit customer-centric thinking and behaviors, many businesses have been unable to embrace this shift, which requires organizations to transform themselves along the three key dimensions of people (organization structures, roles, training, rewards, policies etc.), processes and enabling technologies. Viewed from a customer's perspective, the customer-centricity of a business manifests in four ways: superior personalization, wider choice, fairness & transparency and greater customer control over interactions and relationships.

The right technologies are vital to deliver this transformation at speed, scale and efficiency, in order to achieve:

- better identification of individual customer needs based on analysis of data; and
- faster personalization of products/services and pricing based on the above findings.

The ability to empathize with customers is central to the notion of customer-centricity. Applying design thinking principles is a powerful way to get people across the organization to demonstrate empathy. Combined with powerful technologies, this allows businesses to anticipate customer needs more proactively and efficiently. In turn, this raises the organization's ability to respond faster and better to the forces shaping the market. Truly customer-centric companies are well-equipped to focus on customer engagement, customer experience, customer value, customer relationship through the customer's lifecycle. This spurs innovation, boosts customer loyalty, enthuses employees and improves financial performance, thus creating a win-win for all stakeholders.

**Source**

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ii
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iii
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