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Week 5 - Pod 2

# CUSTOMER CENTRICITY

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## Living in a customer-centric world

The goal of the firm is to maximize shareholder value

Celebrate customer heterogeneity: distinguish the profitable customers from the less profitable ones

Focus on future profitability (customer lifetime value) rather than past profits

Success arises through enhanced (and/or more efficient) customer acquisition, retention, and development

Customer-centric organizational structure

The competitive advantage - "relationship expertise" with respect to focal customers

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**Table 1.1 Product-Centric versus Customer-Centric**

		<i>Product-Centric Company</i>	<i>Customer-Centric Company</i>
Strategy	Goal	Best product for customer	Best solution for customer
	Main offering	New products	Personalized packages of products, service, support, education, consulting
	Value creation route	Cutting-edge products, useful features, new applications	Customizing for best total solution
	Most important customer	Most advanced customer	Most profitable, loyal customer
	Priority-setting basis	Portfolio of products	Portfolio of customers—customer profitability
	Pricing	Price to market	Price for value, risk
Structure	Organizational concept	Product profit centers, product reviews, product teams	Customer segments, customer teams, customer P&Ls
Processes	Most important process	New product development	Customer relationship management and solutions development
Rewards	Measures	<ul style="list-style-type: none"> <li>• Number of new products</li> <li>• Percentage of revenue from products less than two years old</li> <li>• Market share</li> </ul>	<ul style="list-style-type: none"> <li>• Customer share of most valuable customer</li> <li>• Customer satisfaction</li> <li>• Lifetime value of a customer</li> <li>• Customer retention</li> </ul>
People	Approach to personnel	Power to people who develop products <ul style="list-style-type: none"> <li>• Highest reward is working on next most challenging product</li> <li>• Manage creative people through challenges with a deadline</li> </ul>	Power to people with in-depth knowledge of customer's business <ul style="list-style-type: none"> <li>• Highest rewards to relationship managers who save the customer's business</li> </ul>
	Mental process	Divergent thinking: <i>How many possible uses of this product?</i>	Convergent thinking: <i>What combination of products is best for this customer?</i>
	Sales bias	On the side of the seller in a transaction	On the side of the buyer in a transaction
	Culture	New product culture: open to new ideas, experimentation	Relationship management culture: searching for more customer needs to satisfy

*Source:* This table is a composite of points describing product- and customer-centric companies taken from Peppers and Rogers (1993, 1997, 2001), Treacy and Wiersema (1995), Seybold (1998, 2001).

*Galbraith (2005), Designing the Customer-Centric Organization*