The Path to Customer Centricity

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The concept of customer centricity and its benefits have been discussed for more than 50 years. Despite this fact, many firms are still struggling to fully align themselves to the customer-centric paradigm. This article identifies fundamental issues and challenges that typically deter a firm from becoming customer-centric. These are mainly related to the organizational culture, structure, processes, and financial metrics of the firm. To overcome these barriers, the article suggests a path to customer centricity that is driven by a strong leadership commitment, organizational realignment, systems and process support, and revised financial metrics. The article concludes with directions for further research.

Keywords: *customer centricity; product-centric to customer-centric; market-driven; market-oriented; organization change*

The concept of customer centricity is not new. More than 50 years ago Drucker (1954) wrote in his book, *The Practice of Management*, that "it is the customer who determines what a business is, what it produces, and whether it will prosper." Levitt (1960) proposed that firms should not focus on selling products but rather on fulfilling customer needs. Still, the importance of customer centricity has only recently been embraced by the business community. According to a 2003 Gartner Group Report, "By 2007, fewer than 20 percent of marketing organizations among Global 1000 enterprises will have evolved enough to successfully leverage customer-centric, value-added processes and capabilities." The same report said that "by 2007, marketers that devote at least 50 percent of their time to advanced, customer-centric marketing processes and capabilities will achieve marketing ROI that is at least 30 percent greater than that of their peers, who lack such emphasis" (Marcus and

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Collins 2003, p. 1). Thus, it would seem important to understand how a firm can successfully transform itself and thus reap the potential payoffs.

There are five trends reinforcing the need for firms to make this transformation—(a) intensifying pressures to improve marketing productivity, (b) increasing market diversity, (c) intensifying competition, (d) demanding and well-informed customers and consumers, and (e) accelerating advances in technology (Sheth, Sisodia, and Sharma 2000). In such an environment, companies are realizing that customer centricity provides the best means to develop close and profitable relationships with their customers—an advantage that is hard for rivals to understand, copy, or displace (Day 2000). However, as witnessed by the above Gartner Group report (2003), a large number of the companies today are still struggling to become customer-centric. This forms the basis for our motivation to explore the topic in this article.

CUSTOMER-CENTRIC FIRMS: MYTH OR REALITY?

Historically, firms have tended to be product-centric. Economies of scale and scope were central, because profits were primarily a reflection of market share (Buzzell and Gale 1987). As a result, firms were more internally oriented, with their attention focused on manufacturing superior products rather than on being oriented toward the purchasers and users of those products (Levitt 1960). In short, production efficiencies held the highest priority.

The information technology (IT) revolution in the latter part of the 20th century introduced extraordinary improvements in collecting, storing, analyzing, and transmitting huge amounts of information. Firms realized that this presented a great opportunity to invest in IT for managing customer relationships. Customer relationship management (CRM) became a buzzword and companies started investing millions of dollars in CRM software packages, database marketing initiatives, and IT infrastructure to support technology-driven marketing. These companies were motivated by the opportunity to achieve a continuing dialogue, across all customer touch points, with personalized treatment of the most valuable customers. In reality, most companies lacked the requisite customer centricity to realize these benefits.

A study by the Gartner Group in 2001 estimated global CRM failure rates to be 65% and expected this rate to rise as high as 80% in the next 2 years before falling and stabilizing at about 50% in the following 5 years (Nelson 2001). The U.K.-based Direct Mail Information Service (DMIS; 2004) noted that even though there was a three-fold increase of direct mail volume there was no perceived improvement in communication *relevance* over the past 18 years of their study. About 41% of the respondents in their study said communications were "relevant less often" compared to 11% who said they were "relevant more often." A survey conducted by Forrester in 2005 across marketers from different industries indicated that whereas approximately 70% of executives polled indicated that their companies had a centralized customer data warehouse, less than 20% of respondents indicated that their companies had a 360-degree view of each customer across the organization, and only 4% of those polled indicated complete satisfaction with their firm's customer centricity (Anderson 2005).

Clearly, despite extensive media coverage of firms declaring their commitment to customer centricity, reality more often than not reflects an entirely different picture. Managers seem to be running product-centric firms with merely a cosmetic gloss of customer focus sprinkled around the edges (Galbraith 2005). As one CEO of a company put it, "Customer focus and customer centricity is in every annual report, but who can really do it?" (Sawhney and Brobst 2002). In other words, customer centricity seems to be easy to assert but difficult to build and sustain in large organizations (Hart 1999).

In this article, we discuss the fundamental issues and challenges faced by a firm striving to be customer-centric. Much of our discussion pertains to issues and challenges encountered in the transformation from the still prevalent product-centric firm to a customer-centric firm. Based on this discussion, we propose a road map to achieve customer centricity. We conclude with a brief agenda for further research.

PRODUCT CENTRICITY VERSUS CUSTOMER CENTRICITY

As a backdrop for our discussion of the impediments to customer centricity, we begin with a comparison of the distinguishing features of product centricity and customer centricity. This comparison is summarized in Table 1, which is compiled based on an eclectic collection of research insights, theories, and methodologies offered by past researchers pertaining to areas that have contributed to the literature on product centricity and customer centricity.

The product-centric paradigm draws its foundation from the early years of marketing. The first marketing scholars directed their attention toward commodities exchange (Copeland 1923) and the functions that needed to be performed to facilitate the exchange of goods through marketing institutions (Cherington 1920; Weld 1917). Even though as early as the 1950s, the importance of customer focus in the marketing functions was recognized by

TABLE 1
A Comparison of the Product-Centric and Customer-Centric Approaches

	Product-Centric Approach	*Customer-Centric Approach*
Basic philosophy	Sell products; we'll sell to whoever will buy	Serve customers; all decisions start with the customer and opportunities for advantage
Business orientation	Transaction-oriented	Relationship-oriented
Product positioning	Highlight product features and advantages	Highlight product's benefits in terms of meeting individual customer needs
Organizational structure	Product profit centers, product managers, product sales team	Customer segment centers, customer relationship managers, customer segment sales team
Organizational focus	Internally focused, new product development, new account development, market share growth; customer relations are issues for the marketing department	Externally focused, customer relationship development, profitability through customer loyalty; employees are customer advocates
Performance metrics	Number of new products, profitability per product, market share by product/subbrands	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity
Management criteria	Portfolio of products	Portfolio of customers
Selling approach	How many customers can we sell this product to?	How many products can we sell this customer?
Customer knowledge	Customer data are a control mechanism	Customer knowledge is valuable asset

several researchers (e.g., Drucker 1954; Kotler 1967; Levitt 1960), it was not until the 1990s that research related to customer centricity gathered momentum.

For instance, there was a growing awareness of the need to increase focus on customer-related factors such as customer satisfaction (Oliver 1999), customer service (Parasuraman and Grewal 2000), customer loyalty (Kumar and Shah 2004; Reichheld 2001), and quality as perceived by the customer (Boulding et al. 1993; Rust, Moorman, and Dickson 2002). Concepts such as market orientation (Kohli and Jaworski 1990; Narver and Slater 1990), the market-driven organization (Day 1999), and market-based learning (Vorhies and Morgan 2005) were developed to enable firms to better understand individual customer needs and wants, which in turn would lead to superior performance in the marketplace.[1] Several researchers framed their discussions in terms of shifts in management paradigms (e.g., shifts from product-based strategy to customer-based strategy; Gale 1994; Kordupleski, Rust, and Zahorik 1993; Sheth 2005), product portfolio management to customer portfolio management (M. D. Johnson and Selnes 2004), and goods-centered to service-centered dominant logic (Vargo and Lusch 2004). Furthermore, recent research has emphasized the superiority of firms' financial performance by making marketing investments customer-centric (e.g., Rust, Lemon, and Zeithaml 2004; Venkatesan and Kumar 2004).

Although this extensive literature addresses numerous specific issues concerning the benefits of being customer-centered, the overarching collective insight from this literature suggests that the true essence of the customer centricity paradigm lies not in how to sell products but rather on creating value for the customer and, in the process, creating value for the firm; in other words, customer centricity is concerned with the process of dual value creation (Boulding et al. 2005).

ISSUES AND CHALLENGES

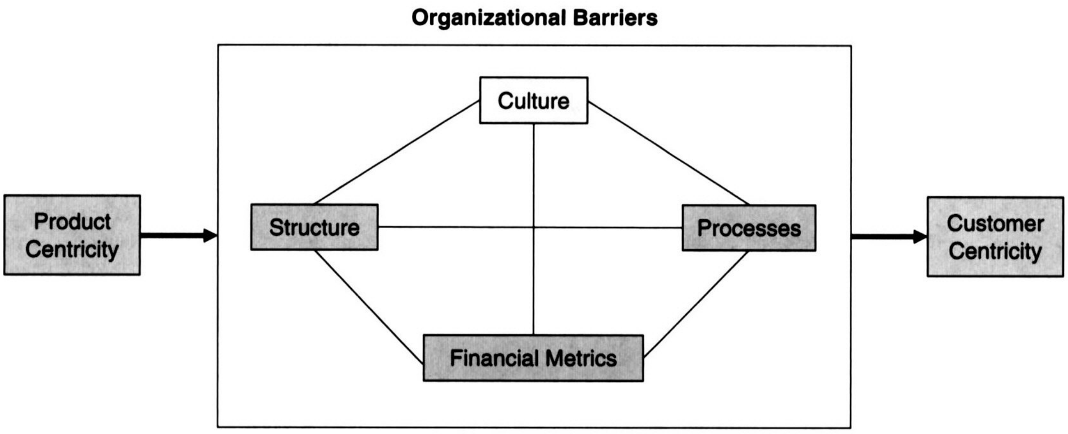
The fundamental differences in the two paradigms (as presented in Table 1) serve as a good backdrop for discussing some major issues and challenges typically faced by firms attempting to change from a product-centric to a customer-centric orientation. The discussion is organized around four broadly defined—and interrelated—impediments in the path to becoming customer-centric as illustrated in Figure 1.

Organizational Culture

Cultures have many levels and facets, which makes them very resistant to change. At the deepest levels are *values* that express enduring preferences. Customer-centered organizations are held together by a central value that every decision begins with the customer and anticipated opportunities for advantage.

A more accessible level of a culture is the *norms*, which are shared beliefs about appropriate or expected behavior. A common norm within customer-centered organizations is that employees are customer advocates. Another distinguishing norm shapes the individual employee's willingness to share information with his or her counterparts, so the entire firm is in a better position to meet customer needs. Conversely, a destructive norm found in many firms is that sales "owns the customer," which greatly impedes information sharing.

FIGURE 1
Path to Customer Centricity: Potential Roadblocks



Customer-centered cultures are further shaped by the beliefs and mental models people use to make sense out of a confusing, fluctuating market reality. Two distinctive beliefs found within customer-centered organizations are that understanding comes from living with customers and that customer loyalty is the key to long-run profitability. A further set of beliefs concerns whether marketing is an expense (implicitly to be reduced) or an investment.

The most obvious outcroppings of a customer-centered culture are the behaviors that senior managers and employees exhibit as they make choices about how to spend their time. Time spent with customers sends an important signal.

Overall, culture can be either an important facilitator of performance or a major impediment. When Deshpandé, Farley, and Webster (1993) compared four types of organizational cultures based on the degree of emphasis on customers, they found that market cultures that place the customer's interests first were the most profitable.

Cultural change follows from behavioral change. Although culture is generally the most significant impediment to change, there is no evidence that efforts directly aimed at changing a culture are likely to succeed. Culture change is achieved by altering behavior patterns and helping employees understand how the new behaviors benefit them and improve performance. So how does behavior get changed? As with any change program, there must be senior management commitment, persistence, and intense communication to overcome the inevitable impediments. But the odds of success are much improved if there is a sense of urgency and a compelling strategic rationale. Then it is possible to justify a change in the organization structure and processes and base the incentives on customer-centered metrics.

Organizational Structure

An ideal customer-centric organization implies having all functional activities integrated and aligned to deliver superior customer value. This is in contrast to a typical product-centric company that is organized around functional silos and defined by product categories or product type. Such companies will have product managers and sales managers assigned to each product or product category. As such, the organizational structure and resources will be based on the type of product(s) being manufactured and sold. Such a structure is not conducive to customer centricity as each product/sales manager may end up pushing different product offerings to the same customer without first determining what the customer's true needs are.

There is mounting evidence that organization structures are evolving toward closer alignment with markets, especially for firms that are implementing solutions, strategies, and/or with assertive customers that want a single point of contact (Day 2006). This development is being applauded by organizational theorists who endorse smaller, customer-responsive units.

The first stage of this evolution is the emergence of informal coordination activities that aim to overcome the familiar deficiencies of product or functional silos. Well-trained and well-incentived product managers can serve this role. If this is not sufficient, then integrating functions such as key account managers or segment task forces are added to coordinate all customer-contact activities. Fuller structural alignment is achieved by strengthening the customer dimension of the organizational matrix with segment managers or customer-based front-end units that work with product-providing back-end units to assemble complete solutions.

The challenge of moving from product-centric to customer-centric arises from the fact that functional differences are deeply rooted in incentives, backgrounds and interests, time scales, and task priorities. Hence, any effort to improve alignment is tantamount to balancing numerous contending forces (Day 1999). For example, one of the key benefits of a customer-centric organization structure lies in creating *accountability* for managing customer relationships. This function typically would be handled by marketing in a customer-centric firm. Not only does this imply that the function of marketing may need to be expanded or restructured, it also implies transferring the management of marketing resources from a brand/product manager to the customer manager of the firm.

Until recently, marketing (including customer-management-related functions) has had poor visibility in the corporate boardroom. For instance, until 2004, less than 50% of the *Fortune* 1000 companies had a CMO (chief marketing officer). However, in the past 3 years, several firms like McDonald's, Revlon, GE, JP Morgan Chase, and Charles Schwab have created a CMO position.[2] More recently, more than a dozen *Fortune* 1000 firms (such as Coca Cola, Hershey, Intel, HP, and JD Edwards) have created a more specialized function—*chief customer officer*—to acknowledge the importance of customer centricity related issues in the boardroom (Buss 2003). Companies that have taken this initiative are still a small minority, but they send a strong signal to their stakeholders regarding their intent to align their organization towards a customer-centric paradigm.

We believe changes in organization structure are often an important perquisite before one can address problems specific to organization processes as discussed in the next section.

Processes

The firm processes for developing and sustaining customer relationships differ from those aimed at the execution of efficient customer transactions. Payne and Frow (2005) surveyed a number of CRM executives and identified five generic processes that are essential for a firm to be customer-centric: (a) the strategy-development process that includes not only a business strategy but also a customer strategy, (b) the dual value creation process that is at the heart of the exchange process, (c) the multichannel integration process that encompasses all the customer touch points, (d) the information-management process that includes the data collection and data analysis functions, and (e) the performance-assessment process that ties the firm's actions to firm performance. Payne and Frow pointed out that each one of these processes requires cross-functional coordination, something that is a challenge for many firms.

Another key challenge concerning customer-centric processes is developing the ability to optimally match the customer's requirements with the right product/service. To achieve this, analysis should be ideally aimed at the individual customer level so that the issue of customer heterogeneity can be fully addressed. Hence, the more a company can break down its customers into different groups with different needs and expectations, the better it can serve them (Day 2003). An underlying premise of developing individual-level marketing efforts is that such personalization will generate superior response and profitability as compared to any other (aggregated) levels of customer segmentation. This was empirically shown by Rust and Verhoef (2005), whose CRM model exploited the high level of heterogeneity in customers' responsiveness to marketing interventions.

Recent advances in IT and database marketing have greatly facilitated such customer-centric processes as increased dialogs with the customer, collecting information about each of these dialogs, making this captured information available to others and analyzing the collected information to allow the firm to make more valued offers. However, firms need to be careful in terms of the level of IT-based automation employed to manage customer interactions. For example, many banks made huge investments in IT to automate and standardize numerous banking-related transactions only to find out that they were losing human interaction with their customers. By offering virtually all services online or through automated phone/ATM centers, many banks had unknowingly distanced themselves from their customers and rendered the interaction of the customers with the bank purely transactional in nature. Sensing this as a problem, ING Direct (a hugely successful pure online banking product offered by ING Financial Services) has set up ING Direct cafes in the city of Manhattan where existing and potential customers can browse the Internet for free, sip coffee, and learn more about other products being sold by ING. Umpqua bank entices customers to its branches by offering a richly designed interior and ambience to encourage customers to transact and interact in person with the bank's employees (Mount 2004). More generally, Jayachandran et al. (2005) showed that IT investments do not directly increase customer relationship performance, but instead enhance the firm's ability to perform the required customer-centric processes.

Customer-centric process changes will also require changes in marketing metrics. For instance, these metrics should be modified toward measures such as share of customer wallet, customer processes, customer equity, and customer relationship management and away from concepts such as market share (Deighton 1997). Rust, Zeithaml, and Lemon (2004) argued that even brand management should be based on the metric(s) of customer equity. For example, companies should be willing to let customers transition across different brands if it results in the net increase of customer equity. However, more often than not, companies marketing different products under different brand names end up having brand/product managers who are fiercely possessive of their products/brands and who argue that any loss of share will hurt the brand's equity. This implies that if a firm is to become customer-centric it must establish correct financial metrics to support firm processes and management practices that breed possessiveness of the firm's customers and the associated customer equity instead of possessiveness of the products/brands.

Financial Metrics

Financial metrics are not only important in motivating individual employees to be more customer-centric, they also are useful in helping marketing managers measure the financial implications of their decision making and to think of marketing expenditures as investments (Srivastava, Shervani, and Fahey 1998). This latter point is important because the path to customer centricity often involves substantial investment by the firm to facilitate the transformation from a product-centric to customer-centric business paradigm. Hence the need to measure and track the financial impact of customer orientation.

Tracking this transformation may not be an easy task. Devoting resources to a customer-centric system is tantamount to investing in the construction of a virtual factory that generates intangible outputs such as customer satisfaction, loyalty, advocacy, reduced price sensitivity, and so on (Hart 1999). The intangible outputs may be difficult to measure directly. Hence, the challenge lies in quantifying the financial impact of customer centricity by determining the optimal levels of investment in such measures as customer satisfaction and loyalty.

In recent years, customer lifetime value (CLV) and its implications have received increasing attention (Berger and Nasr 1998; Reinartz and Kumar 2000, 2003; Rust, Lemon, and Zeithaml 2004). Brand equity, a fundamentally product-centric concept, has been challenged by the customer-centered concept of customer equity (Blattberg, Getz, and Thomas 2001; Rust, Zeithaml, and Lemon 2000, 2004).[3]

Some researchers have proposed that tracking and measuring individual-customer-level value helps firms manage resources at the individual customer level, thereby making the financial orientation of the firm compatible with its customer orientation. For example, customer equity has been shown to be a reasonable proxy for firm value (Gupta, Lehmann, and Stuart 2004), implying that strategies that improve customer equity will also enhance the value of the firm.

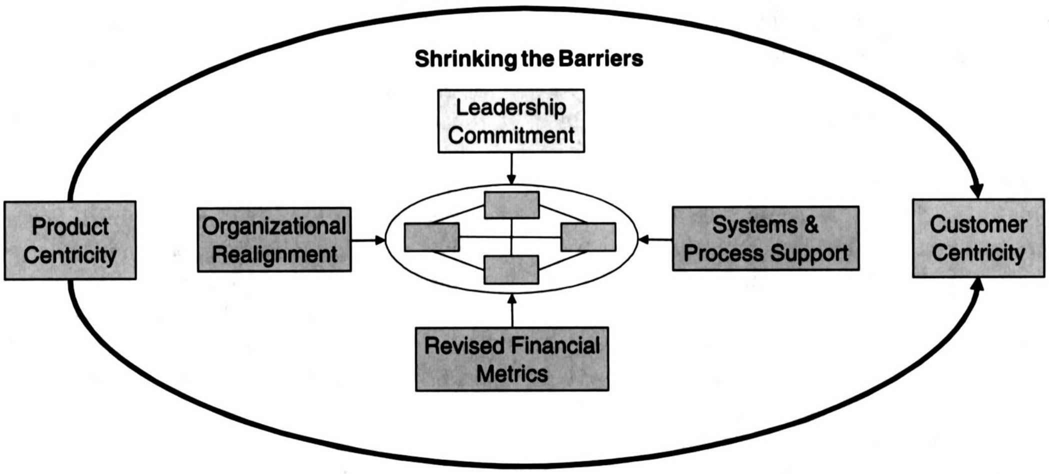
The application of customer equity as the focal point for guiding financial impact of marketing actions is apparent in its versatility, spanning several applications and instances of managerial decision making. For example, customer equity can be used as a basis for optimally allocating a firm's resources across customers (Venkatesan and Kumar 2004) or for managing brand equity (Rust, Zeithaml, and Lemon 2004). A comprehensive overview of how customer equity and other marketing assets relate to financial impact and other measures of marketing productivity is given in Rust et al. (2004).

Another important issue related to both financial impact and the challenge of achieving customer centricity is downsizing—that is, cutting costs through reducing headcounts to enhance financial performance. Cost-reduction programs (e.g., downsizing customer service staff or outsourcing customer service to a cheaper offshore location to reduce costs and improve productivity) transfer savings associated with these programs directly to the bottom line and look great on firms' annual reports. However, the apparent financial attractiveness of such cost-cutting measures and consequent propensity to adopt them hastily are a potential impediment to achieving customer centricity. Decisions to downsize or outsource should be carefully evaluated as they may result in increased productivity in the short term but may threaten future profitability if customer satisfaction is highly dependent on the efforts of the downsized personnel or quality of the outsourced functions (Anderson, Fornell, and Rust 1997; Oliva and Sterman 2001). Furthermore, the implementation of a cost-cutting emphasis (instead of revenue expansion emphasis) has the tendency to initiate unpleasant initiatives such as firing and/or loss of benefits and perks, which may lower the morale of employees who operate at the market interface (Rust, Moorman, and Dickson 2002). This, in turn, may lower customer service, customer loyalty, and sales, which lead to further cost cutting—a vicious circle (Gronroos 1984) or "death spiral" (Rust, Zeithaml, and Lemon 2000) that may seriously affect the firm's performance in the long run.

HOW DO WE GET THERE?

What then are the critical steps necessary to become customer-centric? A 2002 study conducted jointly by the American Marketing Association, Braun Consulting, and Deep Customer Connections Inc. explored the challenges faced by senior marketing executives as they led their organizations to adopt new strategies, technologies, performance practices, and behaviors for building customer value. The study found that the most formidable challenges were within the organization, in developing

FIGURE 2
Path to Customer Centricity: Paving the Way



interunit cooperation, influencing change, and leading integrated corporate-wide initiatives that are focused on building customer value (Band and Guaspari 2003). Postaudits of failed change efforts have identified numerous obstacles to overcome, including (a) absence of leadership, (b) stifling cultures, in which there is suspicion of ideas outside the status quo, (c) management turmoil during the change initiative, (d) lack of urgency, and (e) system deficiencies that mean that essential information is not available to management.

In this section we attempt to offer a broad road map that is likely to be relevant to any firm striving to become customer-centric. We acknowledge that the specific game plan for achieving customer centricity will vary from company to company based on the unique nuances of each firm and its environment. However, we believe that if any transformation is to be successful it must start with the leadership commitment and be synchronized with organization realignment, systems and process support, and revised financial metrics. As illustrated in Figure 2, these organization-level initiatives act as catalysts for shrinking the barriers to customer centricity.

Leadership Commitment

Webster (1988) asserted that "customer-oriented values and beliefs are uniquely the responsibility of top management" (p. 37). According to Day (1999), the following three actions can signal the commitment of senior management toward a "customer first" paradigm:

1. An enthusiastic emphasis on superior quality of service and customer relations, with occasional direct interventions to help solve a customer's problems. For example, Bill George, the ex-CEO of the $10 billion Medtronic (a medical device maker) required all engineers and designers to attend at least one surgical procedure a year to get live customer feedback from the surgeons while they are using Medtronic's products (Kaihla 2006).
2. Time spent visiting customers and listening aggressively for their point of view and an insistence that all senior managers spend time with these customers.
3. An emphasis on customer and market issues—trends, needs, requirements, opportunities for advantage—during strategy reviews. This needs to be supported with a willingness to invest resources in the deeper understanding of customers.

For example, Bob Nardelli, the CEO of the $82 billion home-improvement company Home Depot, requires all of his board members to make daylong visits to a dozen stores each year and report the findings to the executive management board. During these field trips, the board members typically spend time inside the store or in parking lots, chatting with customers to learn firsthand whether there are any customer-related issues. This form of direct customer feedback is then discussed with the top management during quarterly board meetings (Kaihla 2006).

In essence, leadership commitment is critical for both initiating as well as sustaining all initiatives for customer centricity including those related to organization realignment, systems and process support, and revised financial metrics.

Organizational Realignment

Organizational realignment may start with the marketing function whose role is critical in transforming the firm to customer centricity. Moorman and Rust (1999) discussed how the value of the marketing function is related to the degree to which it develops knowledge and skills by connecting the customer to the product, the service delivery system, and the financial measurement system of the firm. This may be achieved by setting up a horizontal organization structure that is less hierarchical than the traditional vertical structures. A horizontal organization is built around natural work flows and core processes, and information is readily shared between all team members. Integration comes through a shared concept of how to meet customer needs better than competition (Day 1999).

However, realigning an organization around customers may be a daunting task, especially for firms with decades of success in product-led growth (C. R. Johnson and Schultz 2004). Most firms are neither willing nor able to shift to a purely horizontal form. A more feasible approach is to adopt a hybrid structure—a practical compromise between horizontal and vertical structures. Here, integrating functions such as marketing, strategy development, and human resource management provide the mechanisms for coordinating and allocating resources to the core processes, whereas specialist functions such as research and development (R&D) and marketing research support and enhance the horizontal processes with new ideas (Day 1999).

Wells Fargo, a leading financial institution and bank, has successfully realigned its organization by creating a two-tiered sales structure where a relationship manager manages the relationship with the customer and is externally focused whereas a product specialist who is internally focused helps in providing the technical inputs for product development as well as helping the relationship manager sell the product more effectively. This sort of a matrix organization structure that seeks to strike a balance between customer and product management may be an ideal way for today's heavily product-centric firms to restructure themselves to become more customer-centric and in the process address both sides of the dual creation of value issue. Another example is firms that adopt contemporary sales force automation (SFA) systems that allow the sales personnel to be tightly integrated with production engineers.

As with most organizational changes, realigning the structure is not enough. It is also necessary to institutionalize the appropriate systems and procedures. We discuss these next.

Systems and Process Support

Consistent with our discussion of setting up a horizontal organization, firms would need to adopt a horizontal process view rather than a vertical function view. The horizontal mind-set is essential to be able to include all processes and activities that contribute toward value creation for the customer. Because these processes and capabilities would typically span across different vertical functional groups, firms may need to redefine new horizontally aligned processes that are focused toward superior value creation. Day (1999) provided a good discussion of instances where the traditional vertical (and functional) processes of a firm may be redefined. For example, the human resources (HR) function can redefine itself by managing with the philosophy that customer satisfaction and loyalty are the cause and result of employee satisfaction. This concept can be institutionalized by evaluating employees based on measurable improvements in customer satisfaction and loyalty and recruiting new employees based on their customer.

From the systems point of view, a critical component of customer-centric organizations is a centralized database. This serves as the means to provide a unified, comprehensive, and organization-wide view of individual customers irrespective of the products purchased or channels employed by the customer. This entails a substantial IT investment commitment to set up an infrastructure for collecting, tracking, and integrating data at the individual customer and transaction level. Jayachandran et al. (2005) specified several systems-related activities that can allow customer-centric firms to successfully build a viable relationship with their customers. These activities include information exchange, the capturing of this exchange and integrating the information into a database that includes all exchanges with this customer, making this integrated database accessible to those responsible for managing the customer relationship, and using the database to analyze past performance with the goal of understanding the "why" behind the customer behavior (Rust and Chung in press).

For example, USAA (United States Automobile Association) archives complete information about its customers in the form of electronic files. These files are accessible to all of its approximately 2,500 service representatives throughout the organization who can then use the information to personalize and customize each service encounter (Day 2000). This organization-wide sharing of customer information is a key contributor to USAA's impressive customer retention rate of 96%.

Revised Metrics

Realignment of an organization and its systems and processes will help infuse a customer-centric decision making within the organization. However, this has to be supported with customer-centric metrics because *what gets measured gets done*. As discussed earlier, customer-centric organizations typically rely on metrics such as customer equity, customer satisfaction, customer advocacy, customer loyalty, and so on to measure and manage the efficacy of their marketing initiatives. A recent book on customer equity (Rust, Zeithaml, and Lemon 2000) focuses on broad managerial issues related to the operationalization of the customer equity metric in a firm.

To truly embed customer-centric metrics within the organization, firms should include at least two or three of the most important customer metrics among the key performance indicators that are reported regularly to the top management and the board (C. R. Johnson and Schultz 2004). An equally important task is synchronizing the incentives and rewards system with the customer-centric paradigm. This may be as simple as ensuring that employee appraisal and salary revisions are based on clearly defined customer contact metrics or customer outcomes (Day 1999). For example, sales/account managers are rewarded for increasing the equity of their customers, relationship managers are rewarded for extending the profitable lifetime duration of the customers, and so on.

Learning and Continuous Improvement

Having set up a customer-centric organization, there is always scope for learning and continuous improvement to sustain the performance excellence and competitive advantage gained by virtue of customer centricity. Day (1999) suggested using the power of positive examples and success stories to motivate learning throughout the organization. For example, during Wal-Mart's regular Saturday merchandising meetings, managers with outstanding achievement share their success stories with other store managers organization-wide through a satellite link.

The cycle of learning and continuous improvement can often breed innovation in customer-centric firms. Past research has shown that a customer-centric culture is more conducive to an organization's innovativeness throughout its entire business system as opposed to solely in goods or services (Parsons 1991). Han, Kim, and Srivastava (1998) found that customer orientation has a positive impact on innovativeness in the technical and administrative areas of the firm as well. Thus, companies can further leverage their journey down the path to customer centricity by making continuous learning and improvement an integral part of their operations.

In summary, transforming a company from being product-centric to customer-centric is not an easy task, nor is there one way to accomplish this. With this said, it is informative to briefly document one such transformation. In the early 1990s, Continental Airlines was ranked near the bottom of the airline industry both by its customers and by its employees. In January 1995, President and CEO Gordon Bethune unveiled a four-point Go Forward Plan designed to improve Continental's operational performance and working environment for employees and achieve sustained profitability. This plan was predicated on getting the employees and upper management to trust each other and in the process create a work environment that would allow for continuous improvement where improvement was measured in terms of customer-centric metrics. The results were dramatic. By 1998, the National Airline Quality Rating ranked Continental as the most improved airline for the second year in a row, the J.D. Power Customer Satisfaction Study ranked the airline second among all U.S airlines, and *Fortune* named the airline one of the "100 Best Companies to Work for in America." Just as important, profits more than tripled from 1995 and the stock price rose from less that $5 per share in January 1995 to more than $50 per share by the end of 1998. The company was able to maintain these financial results and employee- and customer-satisfaction levels until the events of 9/11.

DIRECTIONS FOR FURTHER RESEARCH

In the years to come, the concept of customer centricity will continue to evolve as advances in technology introduce newer and better ways to collect, store, and analyze customer-centric information. The onus will be on the research community to explore substantive issues relevant to customer centricity that may offer additional insights to practitioners and the marketing field in general.

Our discussion in the preceding sections only provided a broad overview of the general barriers to achieving customer centricity and ways to overcome those barriers. There is a need and an opportunity for conducting in-depth research focusing on a variety of specific issues pertaining to each of the four types of barriers discussed in this article. For example, an interesting issue worth exploring in the domain of organization culture is whether two companies can have strikingly different organization cultures and still be able to have the same level of customer centricity. For instance, UPS and FedEx are highly successful companies that have a reputation for being customer-focused, but their organization cultures are also known to be strikingly different. What factors might account for the success of these companies despite their disparate corporate cultures? Likewise, can different organization structures (with any attendant differences in processes and evaluation metrics) be equally conducive to fostering customer centricity? There is, thus, an opportunity to explore research areas relevant to the contingency theory of organization structures in the context of customer-centric firms.

Advances in technology are introducing new ways and means of interacting with the customer. For example, the

Internet has redefined the rules of traditional business by creating an alternative channel of selling and interacting with the customers. Future research could explore how these new technological advances could potentially impact an organization from its customer centricity standpoint. This is imperative as systems and processes defined by a firm to create customer centricity in the offline (brick and mortar) business setting may not hold in the online (Internet) business setting. In such a scenario, it may be interesting to explore what kinds of changes may be necessary.

The relevance, importance, and associated benefits of customer centricity may vary across different industries. For example, customer centricity could provide more long-term benefits to a financial services firm selling multiple products as compared to, say, a utility company selling a single product. It would be interesting to research how the relative value of customer centricity could vary by type of industry or by number of different products sold by a firm.

A major research stream relevant to customer centricity is warranted in the context of exploring its financial implications. Large-scale cross-sectional and longitudinal studies that link the extent of customer centricity of a firm with shareholder value could have a major impact on the speed with which firms transform themselves to be more customer-centric. Furthermore, cost reduction in firms is generally associated with measures to improve efficiency or boost profitability. An interesting and underexplored research issue pertains to studying the negative impact of cost reduction on revenue and profitability of a customer-centric firm. A related yet different perspective could address the substantive issue of how to shift an organization from cost-reduction focus to revenue-augmentation focus. This is imperative especially in the context of customer-centric firms where cost-reduction measures could easily adversely affect the firm's ability to create value for its customers. Another promising area of research could be an empirical study to investigate how and to what extent improving retention through customer centricity impacts both growth and profitability. Such a study could help measure and quantify the return on investment on customer centricity-related activities in an organization. Finally, it is possible to study the impact of different approaches for firms to simultaneously enhance customer and company value.

CONCLUSION

Customer centricity has proven to be an elusive goal for many organizations. This is primarily due to a failure to understand and address one or more of the organization-level issues and challenges discussed in this article. However, firms that have managed to successfully traverse the path to customer centricity have reaped rich rewards in the form of superior financial performance and loyal customers. This is because customer centricity enables firms to achieve a competitive advantage that has proven to be sustainable and not easily countered by competition. In essence, customer centricity is a necessary condition for 21st-century firms to succeed in the marketplace. This article is only a modest attempt at providing a general road map for understanding and overcoming the key managerial challenges to achieving customer centricity. We hope that it provides managers with some food for thought and also serves as a starting point for much more in-depth and extensive work in this domain that is needed for enabling managers to successfully steer their firms toward a customer-centric paradigm.

NOTES

1. For the purposes of this article, the terms *customer-focused* and *market-oriented* or *market-driven* are interchangeable. More generally, the notion of customer-centered or customer-focused is embedded within the broader market orientation construct, which recognizes the need to consider competitive factors. Thus, a market-driven organization has *superior* skills in understanding, attracting, and keeping valuable customers (Day 1999). That is, a firm can be customer-centered and still not gain an advantage if the competitors are equally customer-centered.

2. See Association of National Advertisers (ANA)/Booz Hamilton Study (2004).

3. We note that Keller (1993) and Rust, Zeithaml, and Lemon (2005) actually defined brand equity in terms of customer perceptions and in this way bridged the gap between a brand focus and a customer focus.

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