

▶ Thinking from the customer's point of view

Eight steps to a successful customer-centric business model

Customer Centricity

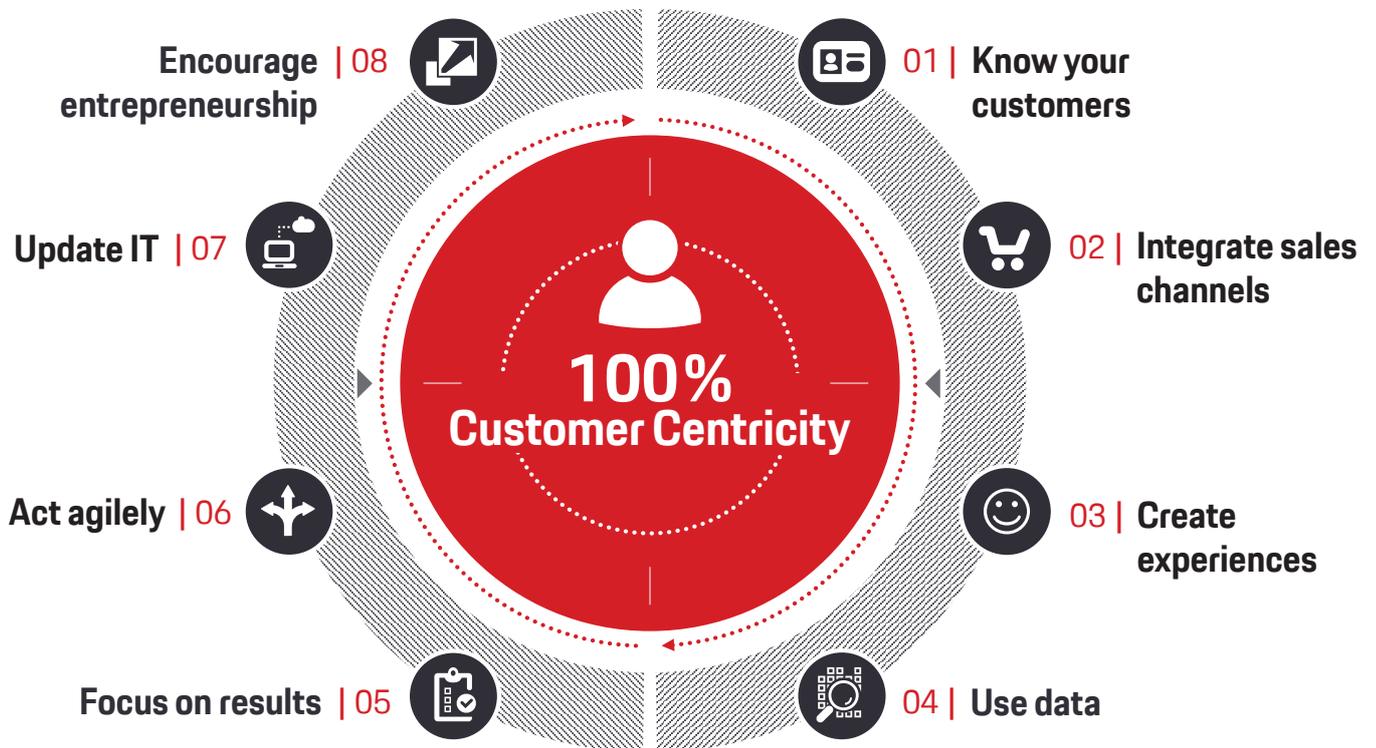
Eight steps to a successful customer-centric business model

Remember the Blockbuster video rental shops? The American chain was the largest of its type in the world. In 2008 its CEO Jim Keyes said, "Neither RedBox nor Netflix are even on the radar screen in terms of competition." Two years later, Blockbuster filed for bankruptcy. Keyes probably still regrets having turned down the offer to buy Netflix in 2000 for US\$50 million.

Netflix's on-demand video streaming service transformed the old, analogue world of renting movies. In all sectors of the economy, we are witnessing the erosion—at breathtaking speed—of business models that used to be considered invulnerable. People often think that new technology is what triggers disruptive

changes of this type. But digital champions like Netflix, Spotify, and Zalando, as well as Chinese technology groups such as Alibaba and Tencent differ in another crucial way from TV stations, banks, and clothing stores. Their business models take a radically client-oriented approach. This premium on the customer's perspective, a crucial factor in transforming business models, is known as customer centricity.

In this paper, Porsche Consulting presents eight components of successful customer-centric business models to facilitate transformation before disruptors can take over the field.



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Figure 1. Eight elements of success



01 | Know your customers

IDs for customers instead of products

Few companies succeed in providing truly individual service to their customers. Most companies use unique identification numbers for products and invoices but generally do not manage to identify customers and provide personalized services when in dialogue with them.

By contrast, customer-centric companies track each customer by means of a single and unique ID. Successful companies use customer relationship management (CRM) systems in connection with loyalty programs (e.g., Miles & More) or payment services (e.g., PayPal or Apple Pay). They create portals that receive and process customer reviews in real time. They foster loyalty by means of communities, and even encourage customers to design new products themselves.

This approach gives companies an ongoing stream of valuable information about their customers and enables them to offer targeted, customized solutions—right when the customers need them. It turns the classic customer-product relationship into an extensive customer support service within a comprehensive and unique ecosystem.



02 | Integrate sales channels

Customers use omni-channels to make their own decisions

Sales and marketing departments often take the following conventional approach: they construct customer types and define customer journeys when designing sales channels. The problem is that customers simply keep straying from the predetermined routes on the sales map. They want to decide when and where to get information, how and from whom to buy their goods. An omni-channel sales model offers unlimited ways of getting information and purchasing and using services. One thing is clear: customers need to be able to chart their own courses—not be confronted with a provider's rigid options.

Customer-centric sales departments seamlessly integrate three sales channels: online, brick & mortar, and IoT-based options such as mobile devices, vehicles, and smart wearables. Customers want to interact, find information, and buy services at any time and any place on an ad hoc basis. From their point of view, this has long been standard.

But how do companies develop sales models with this degree of flexibility? One approach is with a software that gives customers an overview—in real time—of how to navigate all the channels. It allows for continuous reviews and immediate optimizations to omni-channel sales models. This ensures that customers at all points of contact are served equally well, from the initial search for information to the decision to purchase and on through to support services.



03 | Create experiences

An ecosystem with customized experiences

The design of service portfolios is too often still too product-centric and based on the conventional division into pre-sales, sales, and aftersales. Businesses need to resolutely center their range of services around their customers' needs instead.

A key initial step consists of knowing which customer will have which needs in which situation. That yields a completely different type of segmentation, because it comprehends customers not only in terms of their income level or place of residence, but also their lifestyle, emotions, and life situation. Companies can now tailor a product or service experience in ways that perfectly engage the individual customer. The aim is to provide services for all customer needs with the help of a customer ecosystem.

If companies cannot provide all the services themselves, they incorporate external partners into the ecosystem. It is not a matter of selling the customer only in-house products, but rather an overall package that offers the customer superior added value and builds the greatest level of loyalty.



04 | Use data

Know what comes next

The key to understanding customer needs is data. Studies show that organizations manage huge volumes of data but hardly put them to use. Reasons include inadequately structured data, a lack of customer consent, insufficient data-analysis skills, a lack of infrastructure, and inadequate integration of the data into the corporate strategy. If you want to know your customers, you need a full and coherent picture of your customer data. This has to be recognized as an integral part of business strategy.

All available customer data must be traceable to the respective customer ID. Automatic consent management now ensures that everyone complies with the General Data Protection Regulation (GDPR). A structured and automated process for gathering, processing, cleansing, and analyzing data, as well as deriving appropriate measures, is the target level of development for a customer-centric organization.

The optimal result is the ability to make data-driven decisions every time a customer has contact with the company. What is the next best action? What is the next best offer? Ideally, smart decisions are made on a predictive basis, even before customers request them.



05 | Focus on results

Concentrate on what counts

Many companies are extremely focused on monitoring and optimizing their processes. And that is no wonder. Many managers like to make quick efficiency adjustments that improve business results over the short term. There is also the “volume push” mantra: sales and turnover figures have to rise in conjunction with the continuous improvements in efficiency.

But what is the point of exhaustively measuring and optimizing processes if the output does not offer superior value to the customer? Companies are therefore well advised to concentrate not only on their processes but also on the output for their customers. Process standards that do not generate added value should be minimized, which frees up resources that can be put into customer-relevant initiatives. Reducing committee structures to the essentials fosters rapid and targeted decisional paths. The intensity and frequency of monitoring and controls need to be based primarily on the performance of the respective business units and product teams.



06 | Act agilely

Interdisciplinary teams with wide-ranging responsibilities

Many large companies are structured according to highly specialized departments. Thinking in terms of divisions and departments leads to silos; there is no uniform appearance to customers. This type of structure frequently features multiple customer IDs, online shops, mobile apps or redundant products

and services. Companies that want customer-centric business models require teams that can make their own operational decisions, while also being integrated into a cross-functional control system. Employees occasionally shift to interdisciplinary project teams to work with experts from other areas on concrete products or services. The advantage: they very rapidly develop functional pilot solutions and stabilize and expand them in iterative developmental steps known as sprints.

It is crucial that these independent product teams are responsible not only for budgets but also for profit and loss results. This necessitates developing a suitable accounting logic that handles funding in proportion to profit/loss and cost centers. When setting up this type of product organization, it is important to maintain the purely operational activities in the form of classical department work. The balance between cross-functional and classical department work has to be centrally orchestrated.



07 | Update IT

Scalable and high-performance IT beats legacy systems

Many companies continuously expand their IT infrastructure while retaining their legacy systems. This makes everything more complex and is often no longer entirely manageable. These monolithic systems represent a major risk for companies because the entire system has to function for the organization to perform. What companies need instead are immediately scalable and high-performance IT landscapes in which all data and applications can be networked with each other across all functions and steps in the sales process, ideally during ongoing operations, in a markedly user-friendly way, and with real-time data. Companies require professional system solutions that enable interfaces, updates, and upgrades.

And they already exist: data and analytics platforms in the form of cloud solutions can meet the relevant requirements. These types of IT infrastructures can also be easily interfaced with the systems run by partners in the customer ecosystem.



08 | Encourage entrepreneurship

Employees shape the transformation

Even after companies take steps one through seven, they might not have reached their goal. Their employees, leadership personnel, and other stakeholders must also be willing to change their behavior in order to master the transformation. Companies attempt to achieve this by investing large amounts of money in change management programs, many of which do not succeed.

Porsche Consulting has identified the factors needed to carry out change management initiatives successfully (see the article “Nine Recommendations for Change Management”¹) and establish a culture of transformation sustainably (see the article “The Success Formula for Winning Corporate Transformations”²).

It is important to strike a balance between coordination, control, and creativity. First of all, the new course needs to be clearly charted and secured by a transformation road map and strategic guidelines. Once a minimum of directives are established, the operational side of the transformation is in the hands of the employees. This requires a high degree of individual responsibility, self-organization, risk tolerance, and if needed, intervention by leadership personnel. In effect, the employees act as entrepreneurs and bear responsibility for sales and results on the work level. Project teams do not present reports on a routine basis to supervisors, but rather present event-driven project descriptions as pitches, even to top management. Key employees act as disseminators, reporting on their projects to colleagues—and ideally inspiring them. The point is for employees themselves to become the shapers of change.

Conclusion

- ▶ Disruptive business models currently changing entire industries are invariably customer-centric.
- ▶ New players are using direct customer contact. They maintain this contact via service models that also ensure steady revenue.
- ▶ Above all, they embed consumers in powerful ecosystems, where they should remain as long as possible.
- ▶ There is a growing need for action in order to stand out from the competition as a customer-centric company.

These are the steps to a successful customer-centric business model: Customers must be individually recognized and served by means of customer IDs valid throughout the organization. Customers must be able to define their own routes through the sales channels. The array of services is derived from customer needs, not departmental structures. Better decisions can be made based on data and supported by high-performance IT. Management and success measurement must always be focused on customer value. Establish agile and cross-functional teams to sow customer-centric seeds that, when combined with greater decision-making capacities, both drive and anchor the transformation in the company.

1 https://www.porsche-consulting.com/fileadmin/docs/02_Erfolge/erfolgsgeschichten_leistungsangebot/files/de/180306_07_SAP_Change-Management-lowres.pdf

2 https://www.porsche-consulting.com/fileadmin/docs/01_Leistungen/Themenkompetenz/Unternehmensentwicklung/20181031_The_success_formula_of_winning_A_Porsche_Consulting_Paper__C__2018.pdf

See also



Nine Recommendations for Change Management



The Success Formula of Winning Corporate Transformations

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Porsche Consulting

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Strategic vision. Smart implementation.

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