The Soul *of* Strategy

Building Customer-Centric Organizations

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Customer Centricity

"What the producer or supplier thinks the most important feature of a product to be—may well be relatively unimportant to the customer."

—Peter Drucker

Introduction

Since the term customer centricity was introduced in the 1970s, there have been more than 3,000 journal articles and more than 100,000 popular press articles on the concept. Indeed, while the term was introduced in 1978,[1] the notion of building a business around the customer can be traced to Drucker, who noted in 1954 that "it is the customer who determines what the business is. What the customer thinks he is buying, what he considers 'value,' is decisive—it determines what the business is, what it produces, and whether it will prosper" (p. 37).[2]

Fast-forward to today, and it is difficult to find an organization that does not strive to be customer oriented. Indeed, many Fortune 500 companies now have customer centricity as part of their corporate values. One of Merck's core values is to put patients first. They note, "We are all accountable for delivering high-quality products and services. We aspire to improve the health and wellness of people and animals worldwide and to expand access to our medicines and vaccines. All of our actions must be measured against our responsibility to those who use or need our products."[3] USAA, the financial services firm built to serve the military, has a credo of "putting the member first," which reflects their dedication to providing exceptional service and financial products tailored to the unique needs of their military market.[4] Intel's first company value is "customer first." This customer first philosophy is comprised of three activities. "We listen, learn, and anticipate our customers' needs. We deliver to our customer commitments with simplicity, clarity, and speed. We nurture partnerships and foster growing ecosystems."[5]

The rationale is that customer centricity is the most straightforward and reliable route to sustainable economic performance. Researchers and thinkers have made the case that customer centricity drives profitability, margins, market share, and competitive advantage.[6] Furthermore, it has been argued that customer centricity increases customer satisfaction, loyalty, and referability.[7] Finally, organizations that are customer-centered also have more engaged and enabled employees.[8]

Despite this body of work, there is little consensus on what exactly is customer centricity.[9] For example, some authors argue the starting point is the choice of particular segment; others contend that segmentation is now irrelevant and that customer centricity is about one-to-one relationships; and still others hold that the organization should focus on segmentation and on one-to-one relationships, by focusing these resources within a segment. To take another example, some authors contend that the key to being customer-centric is the creation of value for customers, whereas others assert it is mutual value creation for customers and the organization. More recently, authors have claimed that all stakeholders in a given ecosystem must benefit.

Given this lack of clarity, we begin the chapter by providing a clear definition of customer centricity. This is followed by an overview of the three-phase market intelligence process that enables an organization to be customer-centric. We conclude with some general observations about the journey to be more customer-driven.

Definition of Customer Centricity

Customer centricity is an organization-wide effort to serve target segments by making evidence-based, market choices that create mutual value.

We have learned over time how important vocabulary is within organizations. While this is certainly true of global firms where English is a second language for many employees, it is important for every organization. Take the concept of "value"—if we talk to folks in finance, they think in terms of shareholder value, whereas if we talk to salespeople, they think of customer value. Our intent in this section is to discuss each element of the preceding definition so there is no ambiguity in the meaning of customer centricity—each of these dimensions is a choice that organizations need to consciously make when being customer-centered.

The Target Segment

Firms either implicitly or explicitly serve target segments. For Amazon or Alibaba, there are multiple segments reflecting both their B2B (e.g., Amazon web services) or B2C focus. Within B2C, Amazon has a variety of ways to classify its target customers (e.g., Prime vs. non-Prime). The choice of target segment is not as straightforward as some authors argue. For example, there has been a debate regarding whether to include future customers, noncustomers, and the "right" choice of segments. Some argue that there is one right choice of segment—those customers who provide highest lifetime customer value. While we explore this issue in more detail in Chapter 5, it is important to stress at this point that organizations need to prioritize and select key segments. While there are exceptions to the rule, the vast majority of successful organizations have focused on a segment or a small number of segments to constitute their core business. They do not serve the entire market—and they make it clear to everyone in the organization the segments that they do not serve. We refer to these groups as "spillover segments" to reflect the fact that some sales come from nontarget customers, but are not the focus of the organization.

Organization-Wide Effort

Customer centricity is an organization-wide activity. It is not restricted to the marketing function or even the commercial function. As Drucker noted, "Marketing is the distinguishing, the unique function of the business. It is not a specialized activity. It encompasses the entire business seen from the point of view of its final result, that is, the point of view of the customer. Concern and responsibility for marketing must permeate all areas of the enterprise" (p. 39).[10] The notion here is that every primary function of the value chain and every support function (e.g., IT, human resources, accounting) must be able to justify its choices, actions, and resource allocation based on the customer. This approach stands in stark contrast to other approaches to strategy, where the focus is often on the support function first. Justification can be direct (e.g., how billing is done from accounting) or indirect (e.g., IT supports billing software to enable timely, accurate billing).

Evidence-Based Decisions

Decisions are based on the voice of the marketplace, not management judgment or intuition. We had the opportunity to work with a cosmetics client several years ago. The target segment was young girls in the United States who were just starting to use cosmetics—in particular colorful nail polish and other "fun products" within the cosmetics line. The client believed that the solution to their organic growth challenge was either celebrity affiliation or social media. These seemed like reasonable hypotheses to test. In the course of our field research, we discovered something very different. If these young girls did not sample the company brand at the point of purchase display in the store, they bought the company brand 11 percent of the time; if they sampled the company brand, they bought it 76 percent of the time. The result was market-facing choices that related to trial of the brand—taking the cosmetics out of blister packs, making them easy to try on, with mirrors to "see the look," and prices that made sense for teen girls. Importantly, this quantitative evidence was critical for the decision—since conventional wisdom would have suggested a different route (e.g., allocate a significant portion of the marketing budget to social media). In some cases, the evidence can be qualitative; it all depends on the "burden of proof" that is necessary to facilitate decision-making. The role of market intelligence is the focus of Chapter 9, where we dig deeper into how organizations develop market-based insights.

Keep in mind that the evidence can also drive internal choices, not just market-facing ones. Since customer centricity is an organization-wide activity, all functions need to understand how to allocate time and resources to the voice of the marketplace. Looking again at teen girls' cosmetics, we can imagine a number of internal choices (e.g., do we organize our product teams by segments, such as the teen girl segment?) that follow from this customer insight. If the teen segment is a priority segment, how do we allocate more resources to this segment and decrease resources in less important segments? Our message is that every function needs to see this evidence and ask, "what can we do to support this customer insight?"

Market Choices

When authors identify decisions that are "customer-based," they often focus their attention on the organization's offerings and associated value propositions. This makes perfect sense since the aim is to offer products at a price point that is seen by target customers as better than the next best alternative. This product choice is one key element of the overall marketing mix choice (e.g., the organization also needs to communicate the value proposition of this product to the chosen segment). However, there are three other choices that reflect a customer-centered organization. The second choice is related to segment prioritization. The reason you collect customer insight is not just about the marketing mix; it also includes the selection of priority segments. The third choice is related to shaping the market—not just accepting customer behavior as a given, but leading the customer into new behavior/choice patterns (e.g., Netflix and Amazon Prime driving binge-watching of streaming programs). A final choice is related to abandonment of markets, products, and value chain activities that no longer reflect the evolution of market needs. We provide a deeper treatment of these four choices later in this chapter.

Create Mutual Value

The aim of a customer-centered organization is to create value for the enterprise and outperform competition. The reason companies want to deeply know about customer needs, preferences, and desires is to "capture value" for the organization. The more customer-oriented they are, the more money they can make and the more they can stay ahead of competition. Customer-centered organizations make a lot of money because customers "can't wait" to buy and use their products. Think Costco and Trader Joe's as two customer-centered firms that drive significant firm value. Obviously, there is an interplay here—the higher the customer value, the higher the firm value. The more companies can leverage unique customer insights to drive the four choices, the happier the customers and the happier the shareholders.

In summary, customer-centered organizations are driven by the unique, novel insights that can be deployed to create both customer and organization value. Often this is an exercise driven by marketplace "pilots" and "experiments." Organizations do not have to go all in on the four choices related to being customer centric; they can run selective pilots to test the efficacy of a key decision.

Three Core Activities

Now that we have established a definition of the customer-centered organization—one that uses customer evidence to make key market-facing choices to create value for both the organization and customers—we need to articulate the flow of intelligence that is necessary to support these market facing decisions. We will describe the flow of intelligence in three phases. In the first phase, the organization generates market intelligence from outside the organization's boundaries, and brings it into the organization. Once the intelligence is collected, the second phase involves "making sense" of intelligence and reaching conclusions. Per the definition, this is an enterprise-wide activity. It is not relegated to the commercial function. Finally, this intelligence is used to make four key choices. We explicate this three phase process in the following sections and explore more fully in Chapter 9.[11]

Phase 1: Market Intelligence Generation

The essence of market intelligence is going deep with customers to get beyond the obvious insights that companies can deploy to outperform competition. As we have learned over the past couple of decades, it is also important to understand the context of the consumer and how it impacts their attitudes, beliefs, and decisions.[12] The result is that customer research often needs to include insights related to competition, distribution channels, substitute products, and evolution of core technologies. This broader market intelligence enables the organization to gain a broader understanding of the evolution of the market. While books have been written on this topic, we want to make a few key points specifically related to customer centricity.

Table Stakes versus Unique Insights Over the years we have seen hundreds of market research reports that have been conducted by well-meaning, talented executives. These reports have been rigorously designed, the sampling was precise, and the findings were valid. The catch however is that the vast majority of reports produce findings that create the following reaction, "Yes, this confirms our expectations," or "Great, we already know this." Does price matter to the market? Yes, apparently it does. Do customers want their product delivered in time? Yes, apparently they do. Do they want a full refund if they return their product? It seems so. In effect, the majority of research that we have seen "confirms" what is already well-known. Not enough research is exploratory—to learn new things about customers that others do not know. Indeed, the best of this research provides compelling, rigorous evidence that challenges the status quo, surprises the executives, and forces debate.

The Essence of Unique Insights When judging unique insights, companies should apply three lenses to the intelligence. First, and key to acceptance, is that the research findings must be defendable on scientific merit. When findings emerge that challenge the status quo, the first reaction is surprise, and the second is "that cannot be true." Indeed, something must be wrong with your research methods. As we know, people anchor their beliefs and it is hard to challenge beliefs that are strongly held. Thus, the research must be airtight—a topic we dig into further in Chapter 9.

Second, the insights must be differentiated. While it can never be known with certainty, there must be a view that the firm uniquely knows this particular customer insight. In our cosmetics example above, there was no guarantee that others did not know the overwhelming evidence about the role that trial played in brand choice. That said, when the firm launched its campaign—with the best "trial-friendly" displays in the industry—sales rose significantly, and it became one of the top five "cool" brands for teens.

Third, the findings must be deployable in the field. That is, it must be easy for the firm to act on the findings. Again, for the teen cosmetics brand, the changes that were made were easy to implement. The brand was priced near $11, which was the average spend for teen girls and the colors were fun and lively. Furthermore, at the point-of-purchase display the teen girls were shown photos of various complexions and how the color can match different skin type. The product design choices were very clear. Also, it was very clear what products to abandon—such as cosmetics that required more knowledge to apply, were too costly, or designed for a more mature skin type.[13]

Time Horizon In general, there is a bias toward the collection of market intelligence that has immediate application to today's marketplace. This makes sense for a variety of reasons: (1) the pressure on the organization to produce results in a quarterly timeframe, (2) the ability to secure funding for research where companies can assess the return on investment in a short time horizon, (3) the average length of time within a particular role is often around three years, so companies want to impact results "now," and (4) it is much more challenging to design research focused on future customer needs as compared to present where products and their competitor sets are quite clear.

However, per Drucker's viewpoint that 20 percent of executive time needs to be spent on the future, we advocate for more balanced research funding that combines the present and the future. To the extent that the organization can paint a picture of the future—how it will evolve, key players who will influence the transition, and how customer behavior will change—the organization is better able to allocate resources well in advance of events unfolding. Too often, we see organizations conduct scenario planning exercises that enable executives to avoid the responsibility of predicting or creating the future. The future can unfold in many different ways—let's wait and see what the future brings. This is in sharp contrast to the Drucker view, which advocates that the best way to predict the future is to create it.

Noncustomers There are two types of noncustomers—those who are part of the target segment, but do not buy from the organization and those who are not part of the target market. Depending on the situation facing the organization, either or both of these audiences may be the appropriate source of customer insight. It is perhaps more obvious to focus on target customers who are not buying or buying from the competition. This group needs to be examined on a regular basis. If competitors have a significant share of wallet, the company needs to focus on comparative research to see why customers are making this choice versus the focal company. The less intuitive group are those who do not buy from the focal organization or the competitors, but nonetheless have an expressed need that is similar to others in the target market. This is where the "openness" to hear and understand is so critical. Are customers doing it themselves? Doing without? Waiting for a better time to purchase? Or simply finding another route to meet the particular need?

Research Methods While covered in more detail in Chapter 9, we wanted to make a few comments that are central to the generation of customer insight. First, there is a proliferation of research techniques that have emerged for both mobile and online customer behavior. These include web analytics, social media listening, A/B testing, customer reviews, and others—many of these methods are easily accessible with the help of AI agents who can write code for you. This does not mean that the classic qualitative and quantitative techniques are no longer relevant: they are highly relevant depending on the research question. Interviews are a wonderful tool to ask "why" questions related to a range of consumer behavior decisions. Observation methods are of great use when customers are not able to articulate their specific actions and behaviors in a retail context.

While there are exceptions to the rule, the vast majority of successful organizations have focused on a segment or a small number of segments to constituent their core business.

Newer web analytics techniques—such as data scraping and data mining—enable companies to get big data insights to go deep and broad with a range of consumers. Our key timeless point is that the research method needs to fit the particular "knowledge gap" that exists within the organization.

For any research approach, there is a burden of proof question. The burden of proof is related to the size of the potential opportunity and the risk profile of the organization. The key here is to establish the burden of proof very early in the design of the research project. There are two examples that represent ends of the burden of proof continuum. The first was a global energy services firm that competed in a highly contested market for vary large, multimillion dollar contracts. Here we mapped more than 900 buying situations and uncovered a unique insight that enabled the firm to generate tens of millions of incremental revenue. For this firm, a large body of quantitative evidence was needed to change the fundamental direction of its go-to-market strategy for the executive team to be convinced, and only a large sample would do it. For a medical device firm launching a slight modification in its product line, the approach was to interview a small number of surgeons and supplement this data with more in-depth conversations with field sales reps. This combination led to an alternative marketing strategy. Indeed, we posited the evidence as a "working hypothesis" that would be confirmed once the marketing strategy was launched. As such, the burden of proof for the evidence was quite modest.

Finally, for all projects, companies need to meet the decision-making unit "where they are" in their journey. Some teams simply want the evidence since they have limited knowledge of the customers in the market, while others need to resolve a debate with the firm regarding the right course of action. The key here is that companies need to understand the "decision needs" of the particular group who is accountable for the go-to-market decisions.

Phase 2: Sharing and Reaching Conclusions

Once the evidence-generation stage is complete, it then needs to be shared with other stakeholders inside the organization. This results in a series of conversations with all key stakeholders to solicit their view on the results. These sessions could be termed "joint sense making" of the marketplace. The key is having a diverse set of stakeholders (e.g., R&D, operations, finance, marketing) provide their perspective on the findings. What additional data can each group share to provide deeper insight into the consumer behavior? At the end of this sharing, discussion, and debate process, the group should summarize the key observations concerning the research. These observations need to be an organization-wide perspective and not focus on one functional area of the organization (e.g., product design).

This organization-wide lens is often difficult to achieve, since there are forces at work in any organization that get in the way of an enterprise view. First, most organizations have siloed functions, geographies, and franchises and, as a result, do not communicate on a regular basis. Second, functional areas may have a vested interest in a particular outcome that favors their function. Third, organizations always operate under uncertainty and with imperfect consumer insight. As a result, companies can always find limitations regarding the consumer research. That stated, the clash of opinions, debate, and even "devil's advocate views" are all important parts of the sense-making process and should be encouraged and reinforced.

If the idea is to generate defendable, differentiated, and deployable insights, the list is not likely to be long. And that is actually good news. Think back on the girls' cosmetics story—it was one key insight that drove the entire go-to-market strategy. Our experience is that organizations often try to collect "a lot" of data, have many conclusions, and draw recommendations. The result is a diffusion of opinions and a spreading of resources to multiple initiatives. Look for "big insights" and drive resource allocation around those insights.

In summary, the second phase of the intelligence flow is to make sense of the intelligence and reach conclusions—ideally on just a few critical consumer behavior insights. That stated, at this point, the organization has not acted. All that has happened is general agreement on the findings from the lens of the entire enterprise. In the next section, we explore four actions that can be taken based on customer insight.

Phase 3: Using Intelligence to Make Four Choices

Lots of organizations collect and share customer insight—and then surprisingly do not use most of it. There are a variety of reasons why this is the case. For example, it is not unusual for an organization to have regular reports on such measures as NPS or customer satisfaction where they are not tied to decision-making. A similar issue applies to regular secondary market research reports on industry trends, competitive trends, and customer dynamics. They are all interesting and informative, but the ties to decisions are indirect at best. In this section, we describe four choices that customer-centered companies need to make using the market intelligence evidence gathered in Phase 2.

Choice 1: The Design of the Marketing Mix (the 4Ps) There are four marketing mix choices that result from customer insight. Everyone tends to identify the obvious choice—design of new products and services. However, the other three marketing mix choices—choice of channels, marketing communication routes and content, and pricing. These are all tied to the customer insight. Let's discuss each in turn.

Customer insight is most often used to design new products or modify existing offerings. This is not just the product itself, but it relates to the services, intelligence that can be exchanged between organizations and consumers, nature of the relationship, and the transaction itself. The aim here is to provide the building blocks for the right value proposition for the whole offering. There is a tendency for organizations to go deep on "features and functions" of the offering and spend less time on the "outcomes" or "benefits" that customers are hoping to realize. Indeed, the value curves proposed in the Blue Ocean approach often include a mix of features, services, benefits, and outcomes.[14] Certainly, this is one way to look for differences in offerings that could be desired by a particular target segment. However, during the product design phase, we recommend that companies focus first on benefits, since they are less historically dependent than product features. So, begin with a benefit comparison and then move on to features.

In the final analysis of product or service design, the key is to look for customer insights that enable companies to "significantly" improve a key benefit that matters most to its target audience—or ideally introduce a new benefit to the marketplace. The introduction of Wi-Fi service by airlines is an example of a new benefit.

Customer insight should also be used to make the choice or modification of routes to market. The challenge today has been termed omni-channel, since market routes have increased exponentially. Companies need to examine channel choice from the perspective of the customer rather than the company. Many organizations would love customers to buy directly from their company website; however, Amazon's dominance of the marketplace has forced many firms to offer their products through Amazon. The reason is simple. Customers strongly prefer the easy access, reliable service, and overnight delivery offered through Prime. Again, our key point is that the target customer preferences should determine the choice of channel.

Customer insights are also used to design and shape market communications. The nature of the communications is, of course, strongly linked to the value proposition. For Safelite Autoglass, the core value proposition is that they will come to you—at a time and place that works for you—to replace cracked or broken glass. They accomplish this through 5,000 mobile repair "shops." Customer communication readily extends to the nonprofit space, where donors and beneficiaries can both be seen as "customers." One organization, charity: water, responded to the insight that donors care about transparency and made the decision that 100% of public donations go to projects (overhead is funded separately). They provide "proof of impact" by communicating GPS coordinates and photos showing completed water projects.[15]

Finally, the pricing decision also requires customer insight. Customer willingness to pay is a function of the organization's offering relative to the next best alternative. It is the customer who determines what is the next best alternative and how well the organization's offering stacks up against competition. For Uber, surge pricing reflects a simple demand–supply issue. In these situations, Uber algorithms provide a surge pricing offer to potential customers. Customers then have the option to purchase or decline the surge offer. The customer may also check Lyft or Alto pricing, consider driving themselves, or even delay the trip.

Choice 2: Selection and Sequencing of Segments The second choice is the "where to play" choice. In many ways, this is a more important choice than design of the product itself. Our experience in many B2B markets is that segmentation is often a "check the box" exercise. That is, customers are classified into some form of large, medium, and small accounts. And some B2B firms further classify the customers into industry verticals (e.g., government, automotive, education markets). This is highly problematic since it means that competitors then compete on offerings within those segments. However smart organizations realize that segmentation is a source of competitive advantage. If they can see and classify markets differently—due to unique customer insight—they have a longer runway to gain competitive advantage.

IKEA, TI calculators, Emirates Airline, and NVIDIA all began with a relentless focus on a single segment that competitors either did not see or simply ignored. The ability to spot a segment that is underserved or not served and design an offering specifically to that segment can create a lasting source of competitive advantage. Back in the late 1970s, no calculator manufacturer targeted middle or high school students. Everyone was focused on the corporate market. Indeed, it was seen as almost ludicrous that the secondary school market would be viable. Fast-forward to today, almost every U.S. high school student owns a TI graphing calculator. While specific numbers are hard to come by, the graphic calculator market has been estimated to be $1B and TI has been estimated to have 80 percent of the market share with very high margins.

The ability to spot a segment that is underserved and not served and design an offering specifically to that segment can create a lasting source of competitive advantage.

The lesson we have learned is not to accept the industry wisdom on segmentation. Doing so means companies are forced to compete head-to-head on offerings. Customer-driven organizations use customer insight to "see the market" differently and therefore they attack the market in unique ways.

Southwest saw a market for short haul travel; Amex Black saw a market for invitation-only, bespoke services for a high net-worth segment; Zip cars saw a market for short term, hourly car rentals; and many other firms have taken this route.

A second lesson is to focus on a single segment at the start of a journey. It may feel like it is risky just to select one segment. However, a riskier strategy is to spread resources across several segments. This rarely works in practice. The rationale is that the organization is spreading resources across several opportunities—all of which may be legitimate—so they should be funded. However, targeting multiple segments often slows down time to market, enables competition to attack weaker segments, and deprioritizes the most important segments. Our view is that organizations need a foothold in the marketplace to prove the concept. Often this means starting with a segment that strongly desires your product and is willing to take some risk. Think of the early users of Waymo, the driverless car services.

A third lesson is to plan a sequential roll out of segments. Some authors have argued that the key to customer centricity is to focus on a segment of consumers who have the highest lifetime value of customers. Certainly, this is one strategy. However, there are many other options that an organization can pursue. For example, an organization may decide to focus on a segment in which it can easily test a new product concept or a segment that creates the best references for future work in the category. Or it may focus on a segment where competition is nonexistent or weak. Our key point is that choice of segment needs to fit the strategy of the organization and the industry context in which the organization operates.

Choice 3: Shaping Markets This third choice uses the market and customer insight to shape markets. Figure 4.1 shows a simple 2 × 2 diagram that identifies both "market-driven" and "shaping markets" strategies. The basic idea is that one axis is the structure of an industry (take industry structure as a given or try to change market structure) and the second axis is the behavior of stakeholders within the industry (accept all behavior of actors as a given or try to change one or more actor behaviors).

The bottom-left quadrant (accept the structure as a given and accept the behavior of actors as a given) is a customer-centered

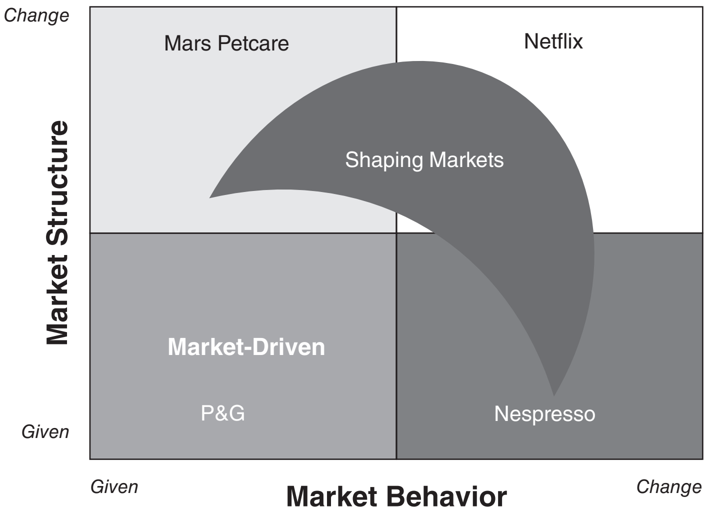

Figure 4.1 Shaping markets.

organization that takes the existing conditions of the marketplace "as is" and competes with those constraints. This represents the "baseline" state of an organization simply attempting to compete against known competitors with existing customer preferences and behaviors. A good example is any consumer packaged goods companies competing for supermarket shelf space. Or Cisco competing with Huawei in the routers and switches market. These are typically well-contested markets with a clear known competitor, and the consumers have stabilized their buying criteria.

The other three quadrants are shaping strategies since they alter the structure and/or behavior of key players. In the upper-left quadrant, we observe an organization that first focuses on changing the industry structure, often with the notion that subsequent behavior of players will change. Any roll-up strategy in an industry is fundamentally a "change the industry" structure play. This could also be a player who wants to offer "the full product line" within an industry. So they acquire various product lines to complete the portfolio.

Within the bottom-right quadrant, the aim is typically to "lead the consumers" into a new set of behavior(s) that change the basis of competition. A good example here is Resmed, which embedded a chip inside of their sleep apnea equipment to allow patients to obtain sleep scores and diagnostics information each morning (e.g., how many apnea episodes, how long did you wear the mask, any technology issues). Physicians also have access to the scores—so, they could have more evidence-based conversations with patients. Distributors saw their labor costs drop by 50 percent—they could do much more remote servicing of equipment. Finally, payers could now observe compliance data and reimburse accordingly.

In the top-right quadrant, both the structure and behaviors of players is shaped. Netflix changed the players in the industry and the behavior of customers (e.g., binge-viewing, reliance on recommendations). Every industry has examples of this shaping behavior. Banking apps (e.g., mobile bill pay, mobile check deposits), payment apps (e.g., Venmo), and navigation apps (e.g., Waze) have all focused on new customer behaviors through technology-enabled services. All electric automobile manufacturers have shaped industry structure (e.g., no gas stations) and the behavior of consumers (e.g., charge the vehicle).

Choice 4: Systematic Abandonment The final choice using the customer and market insight is to abandon products, services, brands, work activities, channels, and other actions that no longer are valued by the marketplace. Our observation is that most organizations do not think of this activity in any systematic way. Firms have organized and structured systems for innovation, but not for abandonment. However, customer insight should be used to inform what products, services, and activities should be discontinued. Firms are often forced to do this by external forces, such as the conversion to designing and selling electric cars by traditional car manufacturers. Since this concept is so important, we elaborate on abandonment in Chapter 10.

As Drucker noted in 1954, "The first step in a growth policy is not to decide where and how to grow. It is to decide what to abandon. In order to grow, a business must have a systematic policy to get rid of the outgrown, the obsolete, the unproductive."[16]

Summary—The Big Idea

It is the speed and effectiveness of the *cycle* of getting intelligence, reaching conclusions, and taking action that is the source of competitive advantage for a customer-centered organization. It is not a one-time event—it is a continuous process, like H&M and Zara do. Firms that can excel in this activity can continually stay ahead of the market and shape not only customer behavior, but competitor behavior as well.

Conclusion

The foundation of customer centricity is evidence-based decisions that are based on the needs, demands, and wants of the organization's target segment(s). Employees need to see the "line of sight" that decisions are not based on management judgement or intuition, but on a rigorous, fact-based understanding of the marketplace and, in particular, the organization's customers. We also introduced a three-phase approach—generate, share, and use customer intelligence. In many situations, organizations collect customer intelligence but do not share nor use it. Organizations need to excel in all three phases to be customer-driven. Finally, it is not a one-time event—the big idea is that organizations need to speed up the cycle of intelligence so that they lead—and not follow—the evolution of their industry.