# Learning from Customer Centricity in Other Industries

## A Primer

Kiendel Burritt and Tanaya Kilara

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# 1 Why Customer Centricity Matters for Financial Inclusion

Financial service providers (FSPs)[1] have long wrestled with high levels of account dormancy and customer drop-outs (with drop-outs in some cases leaving unpaid loans), limited service use, and loss of their best clients to other providers. GSMA reports that in February 2015 among the 259 mobile money deployments, only 34 percent of registered mobile money users were active users of services in December 2014.[2] High levels of service inactivity, or dormancy, are reflected across channels and products. In a worldwide study of retail banks cumulatively serving 77 million customers, Gateway Financial Innovations for Savings (GAFIS) found that dormancy rates for savings accounts ranged from 20 percent to as high as 90 percent (2013). Poor customer experiences sit at the root of many of these problems.

**Box 1. What Is the Customer Experience**?

The customer experience comprises every interaction the customer has with a brand at various touch points throughout the customer lifecycle. At the center of a customer experience is a fundamental value proposition—a product or service solution that satisfies a customer's need or want, usually associated with a short- or long-term goal, for example, a loan to buy a house. The experience incorporates the service or product packaging, its ease of use, functionality, and quality. Importantly customer experience is shaped by customers' interactions with sales staff or customer service agents that care for the customer and contribute to the quality of the experience, for example, whether it is timely and error-free. The customer experience generates positive or negative emotions based on whether or not the customer's expectations are met or exceeded and whether the customer perceives good value for money represented by the experience.

Negative customer experiences may result from poorly designed products that do not meet customers' needs, that are difficult for customers to activate and use, that do not deliver on promised benefits or features, or that are costly relative to service benefits. Poor experiences may result from frustrating interactions with frontline staff who may not understand product features or how to solve customer problems if they emerge. These experiences erode customers' trust in their service provider, discouraging further use of services. Customer may seek and find better alternatives or simply hedge their bets accessing services from a range of providers, both formal and informal, limiting any single provider's share of a customer's wallet.

Poor customer experiences translate into significant costs for the FSP. These costs include the direct costs of managing dormant, unproductive accounts and implementing aggressive and costly new client acquisition activities. Opportunity costs accrue from brand erosion when customers share bad experiences through word-of-mouth, harming relationships with existing and potential new clients. Brand erosion and poor performance not only affect the bottom line but also have a negative impact on employee morale, particularly for FSPs whose brand, mission, and vision are driven by financial inclusion goals.

Critically, poor experiences limit FSP value creation opportunities. Limited service use and high levels of drop-outs, particularly high-value drop-outs, limit revenue potential. Poor experiences hamper the development of long-lasting customer relationships that may result in higher-value service offerings or word-of-mouth recommendations that attract potential new customers.

The challenges FSPs face to acquire, retain, and grow their client relationships are not unique. Across industries, companies facing similar challenges are rethinking the way they do business because they are beginning to understand that the clients who purchase and use their services are the source of all value created for the company. Consequently companies across industries are transforming, placing customers at the center of all decision-making, strategy, and organizational design (Fader 2012). Customer-centric

[1] FSPs include banks, microfinance institutions (MFIs), mobile FSPs, and retailers that provide financial services.

[2] GSMA Data Dashboard. https://gsmaintelligence.com/topics/3363/dashboard/.
Active users are defined as users who make at least one transaction in a 90-day period.

companies create value propositions and customer experiences that support the development of enduring customer relationships. These trust-based relationships generate value for the company and its multiple stakeholders including employees, partners, shareholders, and communities invested in and responsible for the company's success.

This Primer is based on research undertaken to determine whether customer centricity could be an approach for FSPs to tackle the urgent customer and company value creation challenges they face. CGAP interviewed customer-centricity experts globally and leading companies across industries, from start-ups that embraced customer centricity from their inception to companies that have embarked on a multi-year transformation to become customer centric.

Based on our research, the adoption of a comprehensive customer-centric approach provides significant opportunity for FSPs to accelerate and sustain their financial and social value creation objectives. The customer-centric approach and the trust-based relationships that emerge support customer retention, customer loyalty, and an increase in customer spending and use. The goal to increase share of customer wallets is particularly relevant for FSPs that aspire to provide customers with a value proposition that incorporates a suite of financial services to manage wealth and risk and achieve life goals supported by full financial inclusion.

Industry achievements around customer-focused research, generating and applying customer insights, and adopting human-centered design (HCD) principles to fix customer problems and innovate customer solutions, support the differentiated customer experiences at the heart of customer-centric business models. Advances in digital technology support the customer experience by enabling customers to access financial services through a variety of channels (mobile phones, agents, internet, branches) at their convenience. Critically, information and communication technologies (ICTs) and digital channels can increase FSPs' ability to discover new customers and decrease their cost to serve customers, while providing customers with more convenient and robust value propositions.

While these advances may lead to affordable, superior customer experiences for under and unserved market segments, delivering the customer experience and realizing its benefits requires the systematic development of institutional capabilities. Importantly, providers have a significant opportunity to use customer centricity to compete in a rapidly evolving and increasingly crowded market place.

This Primer presents the story of customer centricity to readers, including organization heads, middle managers, and company employees, who by definition play a critical role in a company's ability to be customer centric and realize its benefits. Drawing from our research, this Primer highlights how companies are implementing customer centricity. While the fundamental principles of customer centricity are widely applicable across industries, this Primer also draws attention to the drivers of customer centricity in the financial services industry, highlighting issues that may have particular relevance for financial inclusion service providers. The Primer concludes with practical guidance on how to catalyze the customer-centric transformation in an organization based on interviews with those who have embarked on the customer-centric journey.

Annex 1 contains a list of companies interviewed, customer-centricity experts consulted, as well as published resources.

## 2 Customer-Centricity Drivers

**Across industries, the drive toward customer centricity has motivated empowered consumers who demand greater value for money, increased competition, advances in technology, and sustainable growth models.**

**Companies embrace customer centricity to improve financial performance and increase company value.** Research demonstrates a link between customer satisfaction and company performance (Leather 2013). Claes Fornell, founder of the customer satisfaction index (ACSI), a monthly measure of customer satisfaction across the U.S. economy, discovered that a portfolio of stocks chosen for high ACSI results out-performed stock market averages.

Similarly, Gulati (2009) demonstrated that "outside-in" companies, or those that aim to provide solutions for customers versus focusing on product sales, outperformed the S&P500, delivering returns of 150 percent while the S&P500 delivered returns of 14 percent. This research also revealed that outside-in companies experienced higher sales growth (143 percent) than the S&P500 (53 percent).

Research commissioned by QCi, the developers of CMAT™ (Customer Management Assessment Tool), which is used to measure customer-centric capabilities, showed a strong correlation between good customer management performance and business performance, including return on capital employed (ROCE), operating profit, return on assets (ROA), and other key measures (Leather 2009).

**Customer centricity has emerged from the *empowered* consumer who is more informed through social media, access to information, and peer-to-peer communications.** The near ubiquity of cell phones among individuals and/or households in even the poorest communities and rapidly increasing digital connectivity enable consumers to learn about companies and their products from many resources and to share their experiences in their communities and across social media. The empowered consumer is more demanding, has higher expectations, and is more likely to switch service providers as they actively seek a superior customer experience.

> In 2014, the managers, employees, and customers of **Market Basket** demonstrated their opposition to the firing of its CEO by staging boycotts and worker walk-outs. According to economist Robert Reich (2014), "[The CEO] kept prices lower than his competitors, paid his employees more, and gave them and his managers more authority. [In 2013] he offered customers an additional 4 percent discount, arguing they could use the money more than the shareholders. In other words, [the CEO] viewed the company as a joint enterprise from which everyone should benefit, not just shareholders. Which is why the board fired him." In this case, empowered customers and employees demanded the reinstatement of leadership that looked after their best interests. Following a six-week stand-off among employees, customers, and new leadership, the CEO was reinstated.

**A company's decision to embrace customer centricity is sometimes "triggered" by an event that signals customers' dissatisfaction.** Companies recognize that customers are buying less, defecting, or negatively influencing other customers' decisions that together translate into lower profits. The event triggers a shift toward "looking after the interests of the customer" and placing the customer at the center of all business decisions.

> **Electronic Arts (EA)**, an electronic gaming company, received a wake-up call when it "won" the Consumerist's Worst Company in America in both 2012 and 2013. Its customers, passionate about gaming and very engaged with the product, were dissatisfied with the ways some of EA's games were evolving. According to an EA interviewee, this "win" prodded EA to examine whether it was "doing the right thing for customers," which prompted the company to adopt a more customer-centric approach by evolving games with customers' wants and needs in mind, and ultimately changing the way it did business.
>
> At **MetLife,** dissatisfied customers resulted in decreased customer retention, the company's key value driver. This result was particularly alarming because clients were defecting in low-growth markets with limited new customer acquisition opportunities. According to a MetLife interviewee, MetLife embarked on a journey to transform the company by creating customer experiences that would not only retain customers but also differentiate its offerings and win new market share.

**A shift to customer centricity is taking place in the context of a more competitive global marketplace.** Globalization forces companies to build the capacity to continually innovate for their customers to stay ahead of competitors.

> "The power in the buyer-seller interaction has been moving systematically to the buyer. In many industries, global competition and industry overcapacity have given buyers more choice and they are learning how to use it."—Jay R. Galbraith, Organizational Design and Strategy Consultant (2005)

**Customer-centric practices are fueled by advances in digital technology, data analytics, and data management practices.** Enabling technologies help companies effectively curate the customer experience by better "sensing, following, and guiding" the customer through a wide range of touch points using SMAC (social media, mobility, data analytics, and cloud) technology (Accenture 2012). Some customer-centric companies, such as Zappos and Amazon, were founded with a strong customer focus and applied enabling technologies to help them better understand and serve their customers.

**Recognizing that sustainable business models are required to support long-term growth and profitability is driving stakeholder acceptance for customer-centric business models.** Customer-centric business models aim to deliver value to *all* stakeholders, not just shareholders.

> "'Our heavy investments in Prime, AWS, Kindle, digital media, and customer experience in general strike some as too generous, shareholder indifferent, or even at odds with being a for-profit company. Amazon, as far as I can tell, is a charitable organization being run by elements of the investment community for the benefit of consumers,' writes one outside observer. But I don't think so. To me, trying to dole out improvements in a just-in-time fashion would be too clever by half. It would be risky in a world as fast-moving as the one we all live in. More fundamentally, I think long-term thinking squares the circle. Proactively delighting customers earns trust, which earns more business from those customers, even in new business arenas. Take a long-term view, and the interests of customers and shareholders align." — Jeff Bezos, Founder and CEO of Amazon.com (2013)

### In the financial services industry, additional contextual factors are driving the adoption of customer-centric business models: high levels of account inactivity, advances in technology that enable providers to reach further down the poverty ladder, a more complex competitive playing field, increasing "switchability," erosion of consumer trust, narrowing margins, and regulatory pressures.

**Technology supports access to new markets and a superior financial services customer experience**. Customer-centric practices are fueled by advances in digital technology that help customers access financial services through a variety of channels (mobile phones, bank branches, bank agents [such as retailer and postal outlets], mobile network operator [MNO] agents, traditional retailers, internet, branches) at their convenience. Financial services customers increasingly expect the multi-channel experience and benefits that emerge from providers' ability to leverage digital technologies to provide convenient access, information, rewards, and richer value propositions. Critically, digital channels can increase FSPs' ability to discover new customers by leveraging customer use data and decrease their cost to serve customers. Digital channels support customers' access to information and new tools to help them make financial services choices.

**The competitive marketplace has become more complex, thus increasing competitive pressures, but also giving rise to partnership opportunities that can strengthen the customer value proposition.** The emergence of digital technologies to support financial services solutions has given rise to a more complex set of FSPs including not just traditional financial institutions, but also retailers (e.g., Walmart, Oxxo, Pep, CostCo), card companies (Visa, MasterCard), MNOs (Safaricom, T-Mobile), alternative payments platforms (PayPal, MCX), platform players (Google), and new players that efficiently intermediate using sophisticated technology platforms (Lending Club, Moven) (Lass 2014). The result is that players must compete more effectively to win, retain, and grow their share of customers' wallets. Additionally, FSPs collaborate with partners, even competitors, where such collaboration increases value for customers and for collaborating providers. MetLife, for example, has partnered with Walmart to offer life insurance from its store shelves to reach previously unserved markets.

**Financial services customers are increasingly able and willing to switch providers**. People rely on a range of both formal and informal channels to meet their financial service needs, even more so among low-income and underbanked populations. Research shows that financial services customers are prone to switch providers, with certain segments being particularly price sensitive (Deloitte 2011). As customers have access to an increasing array of new touch points that provide them access to services from multiple providers, the challenge of retaining clients and deepening relationships increases. At the same time, leveraging ICT and multi-partner collaborations to create the differentiated customer experience presents FSPs with rich opportunities to retain customers, encourage loyalty, and grow customer relationships.

**Crises in financial systems (both global and local) have damaged customer confidence and eroded customer trust.** FSPs' key value propositions are linked to a customer promise to secure and grow customers' financial assets as well as realize benefits linked to those financial resources (e.g., family members' education, property, reputation, community standing, etc.). The erosion of trust and confidence across the industry due to bank failures, incentive structures that reward management and shareholders at the expense of customers, and practices that mislead, even exploit, the customer have made the adoption of customer-centric operating models all the more urgent to retain customers, grow client relationships, and acquire new customers. The pressure is on financial institutions to demonstrate to their customers as well as communities, regulators, and shareholders their promise to enhance customers' well-being by supporting a sustainable and balanced value-creation strategy.

**Increasing pressure on margins drives financial institutions to embrace new models to identify and grow sources of value**. With margins narrowing as a result of increased minimum capital requirements, increased competition, and increased cost of funds, FSPs are seeking strategies to identify and retain the most attractive and profitable market segments. Financial institutions need to manage customer relationships to maximize value-creation opportunities that align the cost to serve customers with their lifetime value, a practice central to the customer-centric business model.

**Regulatory pressure is forcing financial institutions to adopt practices that support acting in consumers' best interests**. As a result of financial crises and poor governance, regulators have increased their focus on consumer protection, product transparency, and fair treatment of customers. Overall, new regulations have reduced banking fees and required institutions to be more transparent regarding fees. Consumer protection regulations are forcing FSPs to ensure timely and accurate information about transactions and to protect clients from discriminatory and abusive practices.

**Key Message for Financial Inclusion Service Providers**

**Digital Technology Provides Unique Value Creation Opportunities for Low-income Markets**

**Challenge:** "One-size-fits all" value propositions for low-income markets do not respond to customers' differentiated needs. Often these value propositions carry high financial and transactional costs related to inefficient and/or expensive delivery channels.

**Opportunity**: Digital technology has created new value-creation opportunities by allowing providers to unbundle and deliver services in new ways.

FSPs can create value propositions with customized prices and service features, for example, loan sizes based on a customer's unique repayment capacity and cash flow needs. Digital technology can support faster service turnaround times, more convenient service access, and lower processing and delivery costs. For example, digital technologies allow customers to apply for and access loans instantly using mobile money accounts in the amounts they need (e.g., M-Pesa's M-Shwari service). At M-Kopa, customers buy solar units by making an initial down payment followed by daily mobile payments for one year. This pay-as-you go value proposition that leverages conveniently accessed payments services enables customers to overcome barriers that prevented their access to basic services.

Critically, ICT and digital channels can increase financial inclusion providers' ability to discover new customers and decrease their cost to serve customers while providing customers with more convenient and more robust value propositions. This trend will accelerate as smartphone prices continue to drop and become accessible to low-income customers. The new digital attributes of smartphones (digital data trails, real-time customer interactions, smart and rich user interfaces, etc.) will create opportunities to design customer experiences that are more intuitive and support the existing behavior of low-income customers (CGAP 2015).

## 3 Customer Centricity Defined

**Customer centricity is a model that operates in an ecosystem of customers, employees, suppliers, shareholders, and communities that sustainably generates value for its members.**

"Customer centricity is defined as the ecosystem and operating model that enables an organization to design a unique and distinctive customer experience. This architecture enables the business to acquire, retain and develop targeted customers efficiently for the benefit of employees, customers and stakeholders."—Doug Leather, Founder, REAP Consulting (2013)

**Within this ecosystem, customers are seen as the core source of all value and growth; subsequently, customers are at the center of corporate strategy, decision-making, and organizational design (Fader 2012).**

"An organization exists to serve the customer." —Leather (2013)

"Today, nobody owns the customer. The Customer owns you." —Galbraith (2005)

Broken down into its components, customer centricity does the following:

- Enables an organization to provide a distinctive customer experience that responds to customers' wants and contributes to customer empowerment.

- Is built around a specific customer promise that the organization consistently delivers on through its customers' experiences.
- Operates in a wider ecosystem of suppliers, consumers, competitors, and community actors that critically influence the strategy for improving the customer experience.
- Is operationalized through organizational structures, processes, systems, and measures managed by skilled people with a robust set of tools.
- Is based on a customer strategy to serve segments for whom a company can create a differentiating experience and from whom it can derive value in an evolving marketplace.
- Evolves and calibrates its value propositions based on its customers' evolving needs, the cost to serve them, and their anticipated lifetime value.
- Subsequently, generates value that can be grown and sustained over the long term for the range of company stakeholders: customers, shareholders, suppliers, employees, and the communities in which they operate.

**Customers and customer equity power customer-centric firms, while product and brand equity power product-centric firms.**

Whether a company takes a product-centric or customer-centric approach, it has a similar goal—to generate profits that maximize the value of the company over the long term.

Customer-centric firms recognize the customer as the source of all value and drive company value by building customer equity, the value generated by a firm's customers over their lifetime of interactions with the company. Customer-centric firms organize its people and processes around the customer.

Product-centric firms drive value by selling more product focused on product innovation, extending product lines, and leveraging brand equity to expand into new markets. Divisions and teams are organized around product, and employees are rewarded based on their ability to create new products or sell existing products (Fader 2012).

There are no hard-and-fast rules about which approach a company should take. In fact, some companies, like Apple, may reflect a hybrid approach, growing market share by rapidly innovating products but retaining loyal customers by excelling at certain elements of the customer experience. Additionally, customer-centric companies may increase their brand equity as their reputation for the differentiated experience grows and customer loyalty develops.

**Table 1. Product versus Customer-Centric Business Models**

| Characteristic | Product-Centric Business Model | Customer-Centric Business Model |
|---|---|---|
| Strategy | Create a portfolio of products that drives growth, and identify the best customers for products; new product development | Develop a portfolio of customers that drives growth, and provide solutions that meet target customer needs; customer relationship development |
| Value propositions | Create innovative products, extend product lines, and develop new features | Create differentiated customer experiences that exceed competitors', provide a customer solution, and generate value throughout the customer journey |
| Pricing | Market-based | Based on loyalty, value, risk |
| Desirable customer | Seeks more product and more advanced product | Loyal, company advocate, aligned with customer strategy, profitable |
| Culture | Underlying values support and reward product development, increased sales, and product profit margins | Underlying values recognize customers as profit drivers and reward employees for solving customer problems and driving customer-generated value; employees seen as internal customers |
| Metrics | Focus on new customer acquisition, product sales, new product development, product profit margins, and increased market share | Focus on customer experience, customer retention, customer lifetime value, share of customer wallet, and customer profitability |

| | | |
|---|---|---|
| Employee rewards | Product development, product sales, customer acquisition, profitability | Behavior aligned with company values, quality of customer experience, fixing customer problems, increasing revenue per customer, efficiency, profitability |
| Organizational structure | Employees operate in product silos, interacting with other functions to get product to market; product profit centers | Business units linked across functions by teams or task forces that rally diverse functions around customer needs and segments; customer profit centers |
| Frontline staff | Frontline staff require higher level authority to resolve customer issues; employee performance is measured by sales objectives | Frontline staff have decision-making authority, skills, and information to resolve customer issues; performance measured by contribution to the differentiated customer experience |
| Processes | Processes created within product silos; sometimes duplicated across silos resulting in inefficiencies | Processes optimized to serve the customer; efficiencies can result in expense reduction |
| Marketing | Product managers drive marketing, sales, and communication to the their target market | Customer teams manage customer segmentation, promotions, messaging and channel strategy, and overall go-to-market approach |
| Branding | Nurture brand value to expand to new markets and promote next generation products | Brand value generated by loyal, satisfied customers who recommend a brand to potential new customers |
| Service experience | Customers learn about, buy, and receive post-purchase support through individual product channels or product experts, often managed independently. Sometimes results in multiple customer hand-offs for multi-product customers that can be confusing and costly to the customer and company. | Customers access the brand through multiple channels designed and managed to be efficient and consistent across the customer lifecycle; limited customer hand-offs from one touch point to another; value creation at critical touch points in the customer journey |
| Technology strategy | Customer data managed independently in organizational silos, often limits the company's ability to develop customer insights based on a comprehensive view of a customer's interaction with the company | Execute an enterprise-wide strategy that supports the capture and analysis of customer information from all points of contact; supports the generation and application of customer insights; enables SVC |
| Partnerships with external companies | Little or no interaction with partners once customer is handed off; limited visibility into each other's systems | Companies design join-up processes with business partners to create seamless end-to-end customer experience; access to partner IT systems to monitor performance of shared processes that affect the customer experience |

**Historically, financial services companies were community-based institutions focused on service-oriented, relationship-based approaches. They relied on deep personal and local knowledge to assess customer risk and service needs**. As the financial services market evolved to support more diversified product lines and greater geographic reach, companies' organizational structures shifted from a customer-service approach to a product approach, coupled with business objectives focused on selling higher margin products and incentive structures that rewarded short-term gains over longer-term sustainable gains (e.g., prioritizing quantities of mortgages versus the quality of mortgages).

**Having largely shifted to a product-centric approach, financial institutions, now often referred to as "the last bastion of product centricity," are among those companies that have the most to gain by taking a customer-centric approach and the most to lose by embracing the traditional product-centric approach.** In the existing competitive marketplace, financial institutions in general have limited opportunity to grow sustainably based on a product-centric approach. Financial institutions are highly vulnerable to being displaced by other providers based on products that are easily replicable and customer propensity to switch providers. Even where there is limited competition, dissatisfied customers may limit total spend and/or revert to informal channels eroding existing and future value for the company.

**The use of technology offers financial services companies the opportunities to better understand customer needs, be responsive, and predict needs that result in relationships that are not easy to replicate or be replaced by competitive providers.** Financial services companies that are not capable of leveraging customer information to improve the customer experience are at a distinct disadvantage in an evolving competitive financial services marketplace where firms, particularly new market entrants, increasingly use information and data to competitive advantage.

> **USAA** was created to provide insurance to highly mobile military personnel excluded from insurance markets. According to a USAA interviewee, as the company grew and new financial services products were introduced the company became organized around product silos resulting in an inconsistent and inefficient experience for customers who were forced to interact with multiple product departments each with different processes and requirements. The product-centric organizational structure duplicated many functions in each product silo; fragmented customer views made it difficult for USAA to cross-sell products. Poor customer experiences and expensive, redundant capabilities pushed USAA toward a customer-centric model that is organized cross-functionally, with product and customer experience groups working closely together, supported by an IT backbone that enables the Single View of the Customer (SVC). SVC enables USAA to better understand and anticipate customers' needs at various life stages to fulfill its "trusted advisor role" empowering customers to achieve life goals.

# 4 Five Pillars Support The Customer-Centric Operating Model: leadership and a customer-focused culture, operations focused on the customer, empowered people and their tools, the differentiated customer experience, and multi-stakeholder value creation.

CGAP has identified five pillars that support customer centricity, including its foundational elements, which are a committed leadership and cohesive, customer-focused culture; operations focused on the customer; and capable and empowered people that have access to a full set of tools for sharing and using information and management systems to support their performance. Leather (2013) refers to these foundations as the organizational building blocks that drive successful customer-centric transformation. At the core of the customer-centric operating model are its customers and the differentiating customer experiences that organizations co-create with their customers. The result of the customer-centric company is sustainable value creation for the company's multiple stakeholders, including its customers, its employees, its shareholders, its suppliers and partners, and the communities in which they operate. These pillars work together as a system. Companies seeking the benefits of customer-centric transformation target comprehensive, incremental change across the five pillars.

> "Short term and quick fix repairs to the fractures in the business model will not solve the problem. Instead, leaders must embrace the idea that everything is interconnected, and that their organization and all the parts within it are systemic—connected and interdependent. They should strive to build links and inspire a culture of collaboration, innovation and interconnection, with the customer at the heart of their ecosystem."—Leather (2013)

## 4.1 Build Sustainable Foundations: Culture and Leadership

**Leadership is committed to and passionate about creating a customer-centric organization driving the vision and transformation strategy to support it.** Leadership creates a sense of urgency and enlists key players to shape and buy into the customer-centric strategy (Galbraith 2005).

> "The keystone of an effective customer-centric foundation is an innovative, integrated customer-centric strategy that is driven by leaders passionate about and committed to transforming the organization while delivering sustainable and superior business performance."—Leather (2013)

According to an interviewee at **MetLife**, customer centricity was promoted by an incoming CEO alongside the global brand and marketing head as a radical solution to address growing client retention challenges. Having secured Board support, leadership launched a process to develop a customer-centric transformation strategy. First, the company created a 6-month task force to better understand customer centricity, focused on companies that were leaders in retaining loyal customers. MetLife established a Center of Excellence to carry out a comprehensive voice of the customer analysis to look at key customers satisfiers and capabilities and barriers within the organization to satisfy customers. They created cross-functional teams to map the ideal end-to-end customer experience. They created a new vision for the company based on key value differentiators in their industry and a customer promise to enable and embolden their customers. They identified key barriers to overcome and enablers to support the organizational transformation required to support their new vision and customer promise.

**The brand and vision of customer-centric companies are built around a specific customer "promise"** (Auerbach et al. 2012). The customer promise communicates a clear value proposition through relevance, respect, consistency, and a "high-contrast" signature experience (Leather 2013). The brand and vision are highly visible to all stakeholders and reinforced around actions when the customer promise is delivered (or broken) (Auerbach et al. 2012).

PEP**,** with more than 1,800 retail stores in urban and rural areas, is South Africa's largest single retailer. It provides clothing, home supplies, mobile phones, and financial service to low-income populations. PEP describes its customers as "remarkable people who on a very small budget make it possible for their families to live with dignity and pride." PEP's customer promise is to ensure it provides "the most up to date and durable products at the best prices." According to a PEP interviewee, to ensure it delivers on the customer promise, it constantly measures and assesses whether the products it carries has the lowest prices, goods are always in stock, and goods are carried in bulk so customers can rely on their availability at any store at the same price. To further deliver on its promise, when PEP's margins increase, it gives back to its customers by lowering its prices.

"For us [MetLife], we are trying to stand out in our brand promise as enabling and emboldening consumers, and to act in their financial interests, and what we're finding is that all our competitors are talking about scaring people. Scaring people into buying this product because it's something they need, and what we're trying to say is that this is in your control—solutions to help you secure your financial future and realize your dreams." (Johnson 2013). To underscore Metlife's commitment to delivering on the customer promise, MetLife employs Delivering the Promise specialists.

**Customer-centric companies have distinct cultures created around core values.** These values explicitly recognize the value of the customer, advocate for the customer, reward customer-focused behavior, and cultivate highly engaged employees. Leadership demonstrates its commitment by participating in highly visible initiatives that demonstrate their commitment to the customer. At Quicken Loans, for example, approximately 40 percent of the CEO's time is spent working on developing, sustaining, and enhancing the company culture (Emerson 2014).

PEP likens its corporate culture to a "credo" with core values, behaviors, shared language, even rituals (e.g., shared greetings) that cohesively links its people. According to a PEP interviewee, PEP regards its culture, called Sikhula KunYe (Growing Together), as a core asset. PEP asserts that employees believing in and living PEP's core values are what leads to customer and subsequently company value creation. PEP measures the extent to which its people live its core values and finds ways to constantly protect and re-energize its culture.

> Amazon founder Jeff Bezos (2013), in his letter to shareholders, reflects on Amazon's customer focus and what employees call the customer obsession, "Our energy at Amazon comes from the desire to impress customers rather than the zeal to best competitors…. We are internally driven to improve our services, adding benefits and features, before we have to. We lower prices and increase value for customers before we have to. We invent before we have to. These investments are motivated by the customer focus rather than reaction to competitors. We think this approach earns more trust with customers and drives rapid improvement in customer experiences important even in those areas where we are already the leaders."

**Clearly articulated and pervasive values guide behavior.** Leadership engages in a process to transform employee mindsets to focus on the best interests of the customer—to be customer advocates. Core values are articulated by employees and lived by every member of the company at every level.

> Quicken Loans' core values are built around 19 "isms" that guide employee behavior. Each "ism" is a distinctive practice or ideal that Quicken Loans' employees are expected to live by. As an example of one core value, employees are tasked with being "obsessed with finding a better way." "Our mission is a neverending quest to find a better way for every process and everything we touch. If it's good, let's make it great. If it's great, let's take it to an even higher level. Don't settle for less. In fact, don't settle at all. 'Finding a better way' is not something we do on the side or when we get time. Rather, it's a key responsibility for every one of our team members. It's our passion…our way of living…our obsession." —Quicken Loans Core Values

> Zappos was established in 1999 without explicit core values, rather it grew into them. According to a Zappos interviewee, when the company started growing very rapidly it decided to engage in an explicit process to define what people loved about the company and codify their values to guide them into the future. This process took a year. Employees came up with 37 values that they turned into 10 core values.

**Customer-centric companies hire employees that fit with the customer-centric culture they are creating.** Many customer-centric companies select and hire employees that are a good fit for a customer-focused and innovative culture. At Zappos, new employees take part in a four-week immersion course. If their values prove to be a poor match with the company's values, they are actually paid to resign. At Umpqua Bank, most associates are hired from customer-focused retail industries outside the banking sector.

**Governing bodies support management in their drive toward customer-centric transformation.**

"If there was one factor that more than any other contributed to ClubCard's immediate success, it was the enthusiasm for bold innovation shown by the Tesco Board."— Humby and Hunt (2003), referring to the ClubCard loyalty program that drove Tesco's customer-centric transformation

The board holds management accountable for achieving financial goals tied to satisfied customers but gives them the time horizon required to achieve sustainable and long-term results. Having an adequate time horizon is essential for executive management to secure buy-in for transforming the company, including having the room to maneuver to confront the inevitable challenges that will emerge.

**Key Message for Financial Inclusion Service Providers**

**Importance of Leaders Being "In Touch" with Customers on the Ground**

**Challenge:** Despite financial inclusion service providers' mission-related commitments focused on improving the lives of their customers and aspirations to be customer-focused, the reality of high customer drop-outs, dormancy, and low use indicates that in many cases the institutional mission and vision are inconsistent with customers' experiences. In many cases, leadership and staff are out-of-touch with customers on the ground.

**Opportunity:** Customer centricity provides an opportunity for leaders to create and/or renew a clear vision of who their customers are and what they want to deliver to these customers. Interviewees highlighted the importance of management spending time with customers on the ground.

At P&G, former CEO A. G. Lafley endlessly drove the catchphrase, "Who is your WHO?" over a period of years with senior management to engrain the importance of identifying and understanding customers. Lafley noted, "At P&G we often ask Who is your WHO? I consistently encourage P&G employees to stay externally focused on [the people] we serve. It is always eye-opening to spend time with consumers to understand why they buy or do not buy P&G products and it is always inspiring to understand their lives and how we can make their everyday household and personal care experiences more satisfying" (Lafley and Charan 2008).

PEP's target market has always been low-income families, primarily rural households. Poor financial performance led PEP leadership to recognize that it had failed to evolve over time with its customers' aspirations, dreams, goals, and expectations. PEP articulated the need for leadership, employees, and customers to be "brutally honest" with each other at that time to understand why they had failed their customers, (re)define what they (the company) wanted to be for their customers, and what was required to get there.

## 4.2 The Core: The Customer Experience

At Zappos a core value is to deliver WOW through service. To WOW, you must differentiate yourself, which means doing something a little unconventional and innovative. You must do something that's above and beyond what's expected. And whatever you do must have an emotional impact on the receiver. "We are not an average company, our service is not average, and we don't want our people to be average. We expect every employee to deliver WOW." —Zappos Core Value

### 4.2.1. For customer-centric companies, the customer experience is the product.

Customer-centric companies aim for a customer experience that is outside the norm. Commonly, customer-centric companies state their aim to "delight" and "amaze" the customer, creating a "knock-out" value proposition that competitors cannot match (Fader 2012). Gulati (2009) emphasizes that some of the leading companies are masters of subtraction, providing the most convenient and cost-effective solutions for customers, not necessarily ones that provide lots of bells and whistles.

**Designing the customer experience requires a deep understanding of a company's customers' articulated and unarticulated needs, wants, problems, and pain points.** Companies create solutions for customers that respond to customers' functional needs but importantly people's emotional needs, including the need to feel appreciated, respected, and valued resulting in an emotional connection with a company's brand.

> According to an interviewee at Elicit Insights, Southwest Airlines designs the customer experience to respond to the varied needs of each segment of traveler. As an example, while some travelers seek an experience that minimizes their anxiety around travel, other travelers look to minimize time spent on the travel process.

**The customer experience is engineered around customer touch points that, taken together, make up the customer journey, or the end-to-end customer experience.** Customer touch points include interactions with people (e.g., customer relationship managers) across various channels (e.g., call centers) through diverse media campaigns (e.g., social media and traditional advertising campaigns), both prepurchase (e.g., word-of-mouth communications from an existing customer when a potential new customer becomes aware of products) and post purchase (e.g., receiving bills). Extending across touch points, business processes enable seamless customer "hand-off" from one touch point to another. Particularly important phases of the customer journey occur at "moments of truth" when potential customers make important decisions about whether to activate, use, or terminate a service.

**Transforming customer-centric companies "shatter apart" the elements of the existing experience and reconstruct it to make it better for the customer.** Companies design blueprint experiences for key customer journeys throughout the customer lifecycle. The design process allows the company to map the ideal customer experience at every touch point, optimizing people, processes, and technology to deliver the result (Densinger and Thelen, Elicit Insights). The typical lifecycle stages of the financial services experience include awareness, product selection, account opening and purchase, product use, ongoing relationship management, extension of the relationship, and the restructuring, potentially termination, of the relationship. The experience may be designed, for example, around a customer's life events that relate to key relationships over her life span (children, marriage, caring for parents) or key life milestones at different phases of her life (education, enterprise building, or community giveback).

### 4.2.2. The customer-centric company does more than acquire a customer; it builds a trust-based customer relationship.

> "Trust is a peculiar resource; it is built rather than depleted by use." — Lewicki and Tomlinson (2003)

**The customer relationship evolves over time as the company earns the customer's trust that it will deliver on its promise and has demonstrated that it has the customer's best interests in mind.** Delivering on the customer promise results in a commitment from the customer and drives customer loyalty. Developing the customer relationship requires an ongoing investment by both the customer and the company through an interactive relationship that enables customers and service providers to learn about each other to prove their respective value to each other over time. Research demonstrates that trust builds along a continuum of hierarchical and sequential stages that becomes stronger and more resilient and changes in character as it evolves (Lewicki and Tomlinson 2003).

> With an in-depth understanding of its customer needs, preferences, and habits, and having developed a trusted relationship with clients through the loyalty programme (Clubcard) and the rewards it generated, Tesco launched a financial services business. "Tesco identified the opportunity to sell financial services to millions of card-carrying (Clubcard) members who trusted their preferred supermarket to offer them more than fresh food and chilled meals.… Indeed, Tesco was potentially more appealing as a financial services provider than the bank brands that had been in business for decades." — Humby and Hunt (2003)

### 4.2.3. Customer-centric companies empower customers to exercise control in their interactions, further strengthening the customer relationship.

**Customer-centric companies support customers to co-create the differentiated experience.** Co-creation occurs when customers interact with customer representatives in their preferred language and styles. USAA emphasized the importance of employee information portals that identify customer preferences around language and communications styles to support interactions. Co-created experiences support joint problem-solving that leads to personalized experiences (Sieljacks 2014). As an example, one retail store keeps track of which customers like being approached by salespeople and which ones prefer to be left alone. Its data indicated that customers who liked being left alone ended up asking more questions than those who liked being helped. Rather than finding this behavior counterintuitive, the storeowner simply noted that most customers want the power to shop on their own terms, choosing when to seek help and ask questions (Schrage 2015).

**Providers support customers to exercise control by empowering them to overcome barriers to product use or adoption.** Empowering clients to overcome barriers includes providing knowledge around how to use the product or service or creating a more convenient point of purchase.

> P&G, for example, co-designs its offerings with customers, initiating the process by identifying the unmet needs and barriers of its customers. According to a P&G interviewee, it creates concept statements designed to overcome barriers and test statements with customers measuring their propensity to purchase. P&G measures the quality of the customer experience using the weighted purchase intent, measuring the customer experience across a range of metrics, including value for money, how it makes the customer feel, ease of use, and the attractiveness of packaging.

### 4.2.4. Financial services customers across segments demand a multi-channel experience that bridges physical with digital touch points.

To support the differentiated experience, FSPs bridge physical and digital touch points, particularly critical for financial inclusion providers that use multiple touch points to support and connect with customers over the customer lifecycle.

> Umpqua Bank has created an omni-channel environment for its customers where they can interact with the bank anytime, anywhere, in any environment they choose that is fully integrated across all channels and devices. However, critical to the customer experience are Umpqua's retail-oriented stores where potential customers can come in to shop and browse, touch, and try on three-dimensional financial products. Umpqua Bank customers can buy a checking account cleverly packaged in a box the customer can take with her. Umpqua Bank customers can explore products using wall-size digital screens that explain products and encourage customers to try them. Importantly, customers can co-create their experience in stores where the bank solicits information from customers at each location to learn what customers would like to see and use in the store to improve their overall experience (Hayward 2014).

The multi-channel experience not only enables more customer choice but can also supports FSPs to provide a more efficient customer experience.

> Quicken Loans is an online mortgage company. Customers interact with the company through a range of channels (online or phone chat). According to a Quicken Loans interviewee, every business process required to originate and close a loan can be performed online. Quicken Loans provides tools and apps to customers to support the process—for example, home appraisal tools to minimize discrepancies in valuations that could be a potential barrier to closing a deal quickly. Quicken Loans estimates that its customers receive loans in less than half the time required by its competitors.

**Key Message for Financial Inclusion Service Providers**

**Design Customer Experience to Build Trust and Empower Low-Income Customers**

**Challenge**: In unbanked and underbanked communities, the ubiquity of cash, limited awareness of financial services offerings, and poor prior experiences with FSPs may make potential customers reluctant to test formal financial services, even though potential benefits may exceed those of using cash. In this context, the process of securing, maintaining, and growing trust in these markets to catalyze the adoption and use of formal financial services can be particularly challenging. Securing trust to promote *digital* financial services may be further complicated by customers' uncertainty about the quality of mobile operator services (e.g., uptime), whether the technology works, and lack of confidence in their ability to use the technology and resolve problems if mistakes occur (Koning and Cohen 2015).

In Brazil, for example, when customers walk into a bank, they are screened passing through large revolving doors under the scrutiny of security guards. This process is intimidating and creates a psychological barrier for customers to engage with banks.

In general, FSPs may have limited customer insights about the financial lives of low-income customers central to creating the differentiated customer experience. For example, poor people save, but saving is highly nuanced and takes a variety of forms. In Mexico, people physically divide their cash into categories such as school fees and food. In Brazil, responsible spending is a type of saving. Getting a good deal or stretching your week's wages is much the same as tucking away a few coins or bills. In Ghana, people pay fees for the convenience of having a susu collector come to their homes or offices daily to collect savings (Seltzer and McKay 2013). Understanding how customers prefer to save informs service solutions. For example, some FSPs are creating mobile-phone-based applications that allow users to mimic behaviors they have always used, creating virtual boxes in which to store cash for different purposes.

**Opportunity**: FSPs can design the customer experience to build trust, empower customers at different phases of the customer lifecycle to learn about, test, try, use, and evolve their service choices (Koning and Cohen 2015). The financial inclusion industry has developed a rich set of tools and approaches to design responsive products based on a deep understanding of customers' needs, preferences, aspirations, and goals as well as barriers to service adoption and use. These initiatives include the AIMS and MicroSave projects that developed innovative market research tools and the FinScope studies and Financial Diaries initiatives that have focused on developing a deeper understanding of people's financial behaviors.

More recently HCD for applied product innovation (API) initiatives have taken hold that use innovative approaches to unearth people's needs, desires, hopes, fears, and aspirations and leverage their participation to shape the product or service being created and how it is delivered. Seltzer and McKay (2013) address a culmination of several years of work collaborating with seven institutions to use HCD and API approaches to create superior customer experiences.

Furthermore, the industry has invested heavily in financial education and literacy initiatives aimed at building customers' knowledge, skills, attitudes, and behaviors to make informed personal financial choices.

In collaboration with CGAP and design firm IDEO, Bradesco Bank, Brazil's second largest bank with 50 million customers used the HCD for API approach to launch a mobile wallet for the base of the pyramid. Based on customer insights that emerged in the research phase, Bradesco Bank tested 14 product ideas in the market, eventually launching a new savings product as well as a strategy to guide customer behavior, drive awareness, influence behavior, and build customer loyalty. Interestingly, customer research steered the bank away from offering a credit product, rather creating savings solutions sought by customers to help customers to curb spending.

### 4.3 Focus the Operating Model around the Customer Experience

Customer-centric companies organize their operations around designing and delivering a differentiated customer experience, recognizing that every part of the organization (operations, IT, finance, marketing, human resource management, compliance, legal, etc.) contribute to the customer experience.

#### 4.3.1. Customer-centric companies organize business processes around the end-to-end customer experience.

**The customer is the starting point for developing business processes**, including those that represent activities an organization performs to provide a product or service, such as management processes that measure, monitor, and control those activities and support processes that enable core processes, such as IT and human resources. Business units develop processes to support the seamless end-to-end customer experience, understanding where their tasks stop and where others start. With the customer at the center, processes support the customer experience. As an example, key IT resources may be transformed into customer technology groups responsible for customer data collection and analysis.

**Institutions on a customer centricity journey are reorganizing business processes to support a more efficient and better customer experience.** Kumar Kanagasabai (McKinsey) noted 42 touch points that have an impact on a typical banking customer experience extending across units from the front office (e.g., branches or the web) to the middle office (e.g., risk and compliance functions) to the back office (e.g., IT or loan processing). More efficient business processes that provide streamlined, cost-effective, and satisfying customer experiences often result in efficiencies that decrease company expenses.

> According to a Quicken Loans interview, Quicken Loans routinely takes apart and rebuilds every process task by task and puts them together in a completely new way to engineer the best customer experience; it is obsessed with finding a better way. The Mousetrap team, responsible for these improvements, works cross-functionally across Quicken Loans' various business units to figure out how to make things work better for the customer and the company.

**Customer-centric companies create cultures of innovation where motivated employees are focused on constantly improving business processes to support the customer experience.**

> According to an interviewee at Zappos, morning meetings surface new ideas on how the customer experience can be improved, which result in resolutions for improvement or examples of out-of-the-box thinking to inspire colleagues.
>
> According to an interviewee at Amazon, if employees have a suggestion for improving the business, they write a short paper, present it to leadership in regular meetings, and a decision is made on the spot to implement or not.

#### 4.3.2. Customer-centric companies organize people, units, and teams cross-functionally to deliver the differentiating customer experience.

> "So when a company wants to become customer-centric, it means literally organizing around the customer." —Galbraith (2005)

**A customer-centric company builds its organization around making business processes work for the customer**. Since processes cross business functions, they require collaborative cross-functional teams that link different areas of the business. Financial institutions implementing customer-centric strategies are reconfiguring organizational structures to ensure that people communicate and work together across functions and product lines to focus on the customer. Customer teams are organized around customer segments. Segment managers may, for example, liaise among customer-facing units liaising with back office functions and product units to manage the customer experience. Solid governance structures assign decision rights and accountability clearly for the performance of cross-functional teams that cross product, operational, and channel boundaries.

> "Today we're [MetLife] organized in product silos—we've always gone to market that way throughout the 145-year history of the company. But we've begun to change." (Claire Burns in Johnson 2013). MetLife has established task forces that focus on understanding customer segments and creating customer experiences that operate across product silos. "We have a plan to shift gradually to a customer level P&L instead of by product. And over time we'll reorganize the entire company along those lines." (Claire Burns in Johnson 2013).
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> USAA brought together all of its services and sales team, the digital and mobile commerce teams, and marketing teams to become one integrated unit to deliver a differentiated member experience group. This group is responsible for understanding customers, providing differentiated and consistent member experiences, and identifying USAA capabilities to deliver them. It works collaboratively with the product units, process optimization teams, and marketing function and is responsible for enforcing member experience standards.

**Collaboration across units and teams is facilitated by information technology.** Data and information-driven customer insights usually sit at the center of cross-functional teams providing inputs that drive key decisions.

> At Quicken Loans**,** Dan Gilbert, founder and chairman, notes, "Our IT team members are the backbone of our entire mousetrap" (Brawson 2005). At Quicken Loans, the Mousetrap refers to the systems and processes that support the customer experience. A Mousetrap team challenges the status quo to continually improve systems and processes, and a Ratpack team is responsible for originating technology-based business improvements. Similarly Claire Burns, the former chief customer officer of MetLife considers the IT department to be a core partner driving customer-centric organizational transformation.

### 4.3.3. A customer-centric company collaborates with organizations in its ecosystem to strengthen the customer experience.

**Customer-centric companies incorporate external partners into their structures, systems, and processes to positively shape the customer experience.**

> Retailers such as P&G and Tesco work closely with distributors and suppliers to ensure that the customer experience aligns with customer needs. They share customer insights and work together to design shop spaces. The purpose is to sell more products and create stronger value propositions based on customers' needs and wants (Humby and Hunt 2003).
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> Similarly, according to a customer centricity expert, Merck aligned with Nike around a fitness-oriented product set as part of a customer-focused strategy to support its objective to become a trusted adviser to its customers and that is concerned with customers' overall well-being throughout their lives and intended to capture more lifetime value from those customers.
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> Cemex works with its suppliers to implement an enterprise resource planning and CRM system to create visibility in all its processes. Previously Cemex was unable to track on-time delivery because the information it needed resided with third-party logistics providers. Now, it can track performance in each process both onsite and with suppliers and service providers. These systems allow Cemex to keep customers up to date on their orders and be notified if there are problems that could lead to a delay (Paul 2012).

**Key Message for Financial Inclusion Service Providers**

**Recreating Processes to Focus on the Customer Makes Services More Affordable and Usable for Low-Income Clients**

**Challenge:** Product-centric organizational structures can result in process inefficiencies that generate high costs that reduce service affordability. Providing digital financial services may require, for example, creating business processes that link seamlessly among diverse partners, such as banks, MNOs, retailers, etc.

**Opportunity**: FSPs on the customer-centric journey are redesigning business processes and creating cross-functional teams to not only support the differentiated customer experience but to improve productivity and efficiency. Critically for FSPs serving low-income and poor markets, more efficient processes can reduce the cost to serve customers making services more affordable and accessible for financially excluded and underserved customer segments.

FSPs that partner with ecosystem entities to leverage digital channels, for example, MNOs, need to develop business processes that extend across partners and visibility into partners' IT systems to support seamless, error-free, and differentiated customer experiences. An example is an MNO and bank collaboration that enables customers to push money from electronic wallets to bank accounts to access savings and lending services and pull cash from their banking accounts to electronic wallets.

## 4.4 Empower People to Create Differentiated Customer Experiences

Customer-centric organizations provide employees with tools that support the capture, analysis, and use of customer information and insights to better understand their target markets and provide a differentiated customer experience. Customer-centric companies build employees' capabilities to improve customer interactions. Customer-centric companies invest systematically in building these assets.

"We hire great people and give them the tools and resources they need to succeed and to take care of their families." —Dan Gilbert, Founder and Chairman, Quicken Loans in Brawson (2005)

### 4.4.1. Frontline employees are empowered with trust and resources to make critical decisions that result in a superior customer experience.

At Ritz Carlton hotels every staff member, without needing the approval of their general manager, is entrusted to spend up to $2,000 on a guest to create a differentiated experience. In one example, staff built a wooden ramp for a guest in a wheel chair to dine on the beach. While management says that this discretionary spend does not get used much, it demonstrates management's trust in staff's judgment, strengthens employees' responsibility to the brand and its customers, and arms employees with a mindset and means to make customers happy. According to Horst Schulze, founding president of Ritz Carlton, "It works because it changes how employees view customers—and how customers view employees. If an employee starts off defensive, rigid, or withholding, a customer tends to respond by escalating their demands. It's a classic vicious cycle. But when employees are able to start the interaction from an accepting, flexible, and generous position, customers naturally feel inclined to be reasonable in return. The cycle turns virtuous" (Solomon 2013). This practice also reflects Ritz Carlton's focus on customer lifetime value and its belief that if it invests in customers, customers will demonstrate their loyalty with repeat business.

At Umpqua Bank, the "store" (the physical branch) is staffed by universal associates. Associates, often hired from the retail sector, develop the skills and knowledge to interact with customers on the shop floor through customized bank training. This training empowers associates to answer questions, take control, and make decisions because they know their customers best. Additionally, every employee is trained at the Ritz Carlton Leadership Center (operated by the Ritz Carlton hotel chain), which teaches companies across industries how to connect with customers (Hayward 2014).

Umpqua Bank associates, for example, are given their own budgets and decision-making power to bring to life what is relevant to their customers in their community. For example, based on customer feedback, one store incorporated community activities such as yoga, "speed-dating" for local businesses, and a "lemonaire" toolkit including a $10 loan for kids to open lemonade stands. By engaging the community, conversations about the bank moved to the dinner table and other social venues. Following the Lemonaire initiative, the bank saw a 30 percent increase in business accounts. Rather than advertising rates on billboards to promote its brand, it created authentic and relevant experiences for its customers (Hayward 2014).

Performance management systems incentivize employees to surprise and delight their customers, creating memorable experiences.

### 4.4.2. An insight engine that cuts across all functions and lines of business that empower people to generate, share, and apply insights is fundamental to the customer-centric business model.

Tools used to build the insight engine are enablers, "… a means by which it can connect with customers in a very meaningful and intimate way." —Peter Fader (2011), Professor of Marketing at Wharton Business School, referring to the use of Tesco's CRM for its loyalty program

**By listening to customers and observing what they do, data and information are transformed into key customer insights.** Companies build "insight engines" to capture and analyze information gathered from multiple sources, including frontline employee feedback, interactions captured at touch points (storefronts, websites, points of sale), and customer research efforts drawing from HCD initiatives, SVC analyses, CRM systems, NPS initiatives, etc.

According to a Zappos interviewee, Zappos focuses less on big data and more on listening to the customer, encouraging its employees to develop their listening skills to understand what the customer wants. It encourages contact center employees to identify trends around what the customers "say" so they can improve and deliver what the customer wants.

Creating the "insight engine" often involves integrating disparate technology platforms to consolidate information capture and finding ways to systematically integrate information to generate insights. FSPs on the customer-centric journey are integrating systems across traditional product, functional, and channel divisions to support SVC to uncover what drives customer behavior and financial decision-making.

At MetLife the Enterprise Data Management Platform was built to capture, aggregate, and share electronically and verbatim qualitative NPS and customer complaint data across the organization. According to a MetLife interviewee, managers use these data to improve existing customer experiences and design new experiences, create action plans to fix problems that customers report, and create higher revenue value propositions for customers by combining products across product divisions to create solutions customers want. Employee access to this information to fix problems and cross-sell has been central to MetLife's customer-centric effort.

> With CGAP and LiveLabs, Janalakshmi Financial Services created the Kaleido tool to understand and map a 360-degree view of a household's financial context, including its composition, financial condition, impact of microenterprises linked to the household, financial attitudes around earning and spending, and financial management behaviors around important life events.

**Insights are useful only to the extent to which they are applied to value creation objectives.**

> "Much to my surprise, even if an organization and its employees became consummate listeners and tried to make sense of what they were hearing, they were often immobilized to do much with their insights." — Ranjay Gulati, Professor of Business Adminstration, Harvard Business School (Gilbert 2010)

- **Insights are used to map and generate value throughout the customer experience**. By mapping value and what matters to the customers at key decision points ("moments of truth"), insights are used to not only deepen the customer relationship but manage costs to serve, thus eliminating steps that detract from the customer experience rather than enhance it.

  > According to an interviewee at MetLife, managers across product silos came together to analyze data around their customers' experiences. They then mapped the ideal end-to-end customer experience to identify the critical "moments of truth" where customer value is created and where important customer decisions are made. At MetLife, critical moments of truth occur at purchase and when claims are processed. MetLife has created a customer experience concentrating on these two moments of truth.

- **Insights are used to segment markets so that employees understand their customers and create relevant experiences for them.** Segments may be created around attitudes, lifestyles, behaviors, propensity to purchase, value (e.g., high-, medium-, low-value customers), or other relevant baskets that group customers. Relevant baskets may change over time as a company's ability to analyze behaviors becomes more sophisticated.

  > At Tesco, "the data analysts knew they had to create robust new groupings of customers, new ways to identify and predict behavior, and a new shared language for the Tesco business that could be easily used and understood to describe customers." At the early stage of building the data analytics capacity for the loyalty program, ClubCard, "…ClubCard told Tesco broadly 'who, what, when and how much, but not the why'." — Humby, Hunt, and Phillips (2003)
  >
  > "To sort out the why, the team settled on 27 different clusters which became its first customer segments. This was given the catch title of Tesco Lifestyles.... They saw that by matching the right lifestyle to the right offer, performance would have doubled, tripled, and in some cases quadrupled if the selection of customers had been made on the new basis compared to the result achieved with the original segmentation model…for the first time, its data analysis could describe groups of customers that staff in stores could relate to."—Humby, Hunt, and Phillips (2003)

- **Insights support a differentiated value proposition for different customer segments in the customer portfolio**. Differentiated value propositions enable companies to match the right offers to the right customers. However an interviewee dunnhumby, a data analytics company, recommends placing boundaries around differentiation to ensure delivery of individual propositions at scale.

- **Insights are used to empower employees to take immediate actions that support more efficient customer experiences**, **including faster turnaround times for transactions.**

- **Insights are used to predict and shape future value for customers and the company**. Transactional data may be analyzed to predict customer needs to create new appropriate value propositions that extend customer lifetime value.

> USAA uses its data capture and analysis capability to better understand and anticipate customers' needs at various life stages to fulfill its "trusted advisor role" supporting customers at important times when advice can support them to achieve life goals, for example, to save for a child's education, retirement, getting married (Ralf and Rehberg 2013).

**Key Message for Financial Inclusion Service Providers**

**New Tools and Approaches Can Empower the Frontline to Connect with Low-Income Customers**

**Challenge**: Low service use and customer drop-outs have been related to customer complaints stemming from uninformed or disrespectful treatment by frontline staff (PPAF) and service representatives who have limited information about their customers and so are unable to help them solve their problems.

**Opportunity:** FSPs can empower frontline employees (and agents) to provide differentiated customer experiences by building employees' capabilities to connect with customers on a practical and emotional level by adjusting their communication style ("talk like people talk"), developing listening skills, making products as tangible as possible, and building consistent support in the system—ensuring that customers are supported at all stages of the customer journey (Seltzer and McKay 2013).

To support employees' ability to better serve customers, FSPs are leveraging technology-driven tools to generate and apply customer insights. FSPs on the customer-centric journey are integrating information systems to support SVC intended to generate insights that result in more relevant value propositions for their customers and to support more consistent and efficient customer experiences.

KGFS wealth managers use data and insights to create value propositions that map household needs with a diverse basket of services to achieve life goals. Using Salesforce software (also used by American Express), Kenya-based Juhudi Kilimo helps loan officers manage and analyze customer information to support real-time credit appraisals to speed credit approvals and disbursement, both lowering the costs of serving clients and improving the efficiency of processes.

### 4.5. Create Value for Their Multiple Stakeholders

**Customer centricity is rooted in value creation goals.** Customer-centric companies focus on *customer* value creation to serve a purpose—to generate sustainable growth and value to benefit their multiple stakeholders.

"Over the years of building Pick 'n Pay I have often been challenged on the motivation behind our policy of caring for our people and operating on principles of consumer sovereignty. The cynical observation is that such philosophies in business are little more than window dressing disguising the real motive for trading—making bigger and better profits. On the contrary, I have always said that following the principles of consumer sovereignty and caring for people is precisely the way to make money and to be successful." —Raymond Ackerman, Owner and Former CEO, Pick 'n Pay (2001)

### 4.5.1. Customer value is created when the benefits derived from the customer experience exceeds its costs.

> "The real essence of value revolves around the trade-off between the benefits a customer receives from a product and the price he or she pays for it…. More precisely, customer value equals customer-perceived benefits minus customer-perceived price." —Leszinski and Marn (1997)

**A customer-centric company understands the value created for the customer in each aspect of the customer experience**. Institutions think of "cost to serve" but not very often about the cost to customers of accessing the company's services. These customer costs could include monetary, emotional (frustration, confusion, or other negative emotions), and opportunity (time and foregone activities) costs, particularly where needs are not met and goals not achieved. Customer benefits on the other hand include fulfilling a need or solving a problem to reach a specific goal, ease, convenience, and positive emotions. Taken together with all costs, a satisfied customer's benefits equate to good (or good enough) value for money.

Companies map value throughout the customer journey to understand where key benefits are delivered, improve value creation at "moments of truth" where customers make decisions about activating or terminating a relationship, and support pricing strategies that correspond to the value of their product benefits.

> According to an Amazon interviewee, Amazon uses three key metrics to determine the quality of the customer experience and customer value creation: whether a desired item is in stock, shipped on time, and competitively priced. The team routinely monitors other efficiency metrics (they track over 500 data points [80 percent of which are customer oriented]) but capture and measure the key drivers of customer value simply and effectively. When making a decision they come back to the same questions: Does this improve the customer experience? Does this deliver value to the customers?
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> Tesco uses the customer data it collects to provide customers with coupons for price reductions for those products that they like the most, rather than what is being pushed by the manufacturer. There may not be direct benefit to Tesco, the retailer, but significant indirect benefits may be generated from loyal customers who are "surprised and delighted" that the retailer understands their preferences and is extending their buying power by passing on price reductions around those preferences (Humby and Hunt 2003).

### 4.5.2. The foundation of a company's value creation strategy is a customer strategy built around a portfolio of customers for whom the company can create the differentiating experience and from whom it can drive sustainable value.

> Customer-centric companies "… understand in precise analytic terms exactly how their different customer relationships contribute to or subtract from the total value of the firm; because they manage their customer portfolio on this basis, they know what to manage and where to invest in order to create sustainable, profitable growth."—Fader (2012)

**Based on an understanding of the value generated by each customer segment, preferably over a lifetime of interactions, organizations make decisions about how to differentiate customer experiences based on customer needs, the cost to serve them, and the revenue they generate**. A company's customer portfolio comprises customer segments that support the company's strategy to generate value for its multiple stakeholders. According to an interviewee at Elicit Insights, some companies may choose to focus their resources on the most profitable customers; others take a "portfolio" approach, taking into account explicit social value creation or risk management strategies.

**Box 2: What Is Customer Lifetime Value (CLV) and Customer Return on Investment (ROI)?**

**CLV** is the present value of the future (net) cash flows associated with a particular customer. It is forward looking to enable companies to determine how much a customer is worth to a company over time (Fader 2012). To make CLV predictions, companies gather purchasing and other behavioral data that provide the basis for assumptions to model future cash flows. These assumptions include elements beyond just revenue, but also incorporate the value of advocacy or word-of mouth benefits generated by customers. Customer equity is the sum of customer lifetime values across a firm's customer base.

**Customer ROI** measures the profitability of customers taking into account the value generated by the customer, including customer spend, customer advocacy, and even participation in insight development exercises that create value for the company. Value generated is compared to the cost of acquiring and serving a customer. Determining the true costs of serving the customer may require the use of new tools and capabilities that enable, for example, activity-based and other costing techniques.

An interviewee at Zappos on the other hand refers to what Zappos calls the "long-tail" when discussing customer profitability rather than focusing on measuring specific customer segments. As long as it is delivering on its customer promise it asserts the financial results will follow. It refers to financial benefits of word-of-mouth advocacy that may be difficult to quantify in customer-value models. Among its existing client base it estimates that 75 percent are existing customers and 25 percent are new customers (40 percent of which have come to it through word of mouth).

According to an interview at USAA, every member is provided a differentiated experience. While USAA aims to increase CLV and create analytic capacity to calculate it, anticipating a potential 20–40 year relationship with each customer, it does not provide customers with a better or worse experience based on its existing value. Recognizing CLV and the power of customer advocacy USAA notes that "a customer who is a lower ranking officer today will be a captain tomorrow" not only increasing their business over time but recommending USAA to potential new family members over time. No member experience is compromised for another.

According to an EA interviewee, EA is able to segment its customer base by historically generated value as well as predicted future value. By analyzing how customers interact with a game in the early stages of its release, EA can predict with significant accuracy the lifetime value of the customer. By understanding interactions, EA can potentially shape buying behavior by improving the customer experience to increase lifetime value and convert nonpaying players to paying players.

**Customer-centric companies drive value by retaining targeted customers longer and often incentivizing loyalty with perks or benefits**. Companies drive value by identifying valuable and committed segments and acquiring more customers that share those same characteristics. Companies drive value by developing deeper customer relationships to increase how much customers spend or their "share of wallet" (Leather 2013).

Telenor uses a segmentation approach to divide customers into smaller segments based on their (1) propensity to attrite and (2) value addition to the organization. It identifies "savables" and prioritizes retention program investments based on their value (Taylor 2010). According to a Telenor interviewee, Telenor has also moved into related businesses that leverage their core strengths to build the fundamental value proposition for clients, including mobile financial services to increase its share of customer wallet.

### 4.5.3. Customer-centric companies measure value creation for their customers and their multiple stakeholders.

Value creation measures focus on customer experience, employee engagement, customer-focused efficiencies, customer-led value drivers, and profitability.

**Customer Experience:** Companies measure customer experience using various metrics to capture customer satisfaction, customer loyalty, customer trust, willingness to recommend a brand, and customer's intention to purchase. A frequently used metric used by American Express, MetLife, and many other companies to measure the customer experience is the Net Promoter Score (NPS),[3] which determines a customer's willingness to recommend a company to friend or colleague (Reichheld 2014).

**Employees**: Employee performance is measured by the degree of employee engagement, the extent to which employees feel a connection and commitment to a company's values and culture, and employees' success at driving a superior customer experience. Employees are sometimes scored using an employee engagement index. Companies often link employee performance measures and scorecards to customer experience measures or drivers.

**Efficiencies:** Companies measure efficiencies of business processes that support superior customer experience. Companies measure revenue enhancements or expense management related to more efficient business processes that improve the customer experience. At Quicken Loans, every aspect of a process is measured. Alerts kick in if a process does not perform within expected parameters, and specific actions are taken to address and correct problems.

**Customer-Led Value Drivers:** Companies measure value drivers that originate from the customer experience, including customer retention, increased revenue per client, increased share of wallet, and cost-effective customer acquisition.

**Profitability:** Return is the core metric of customer-centric companies whose goal is to support sustainable and profitable growth. While most companies measure overall profitability and returns, some customer-centric companies seek to measure profitability by customer or customer segments.

**Social Returns**: Some companies measure returns to public stakeholders based on development or other goals that the customer-centric business model generates.

> Royal Bank of Scotland (RBS) tracks its customer experience performance using NPS and client trust indicators, its employee performance through the Employee Engagement index, efficiency using cost-to-income ratios, and financial returns focused on ROE. RBS measures safety and soundness indicators including leverage and loan-to-deposit and capital adequacy ratios (RBS 2014).
>
> According to a MetLife interviewee, MetLife emphasizes the following metrics to link customer centricity to financial goals. To measure customer experience, MetLife tracks NPS. MetLife carefully follows retention metrics, its key value driver, and expenses to track how improving and optimizing the customer experience drives expenses down. It also measures revenue growth per customer and new client acquisition. It is planning a shift from a product- to customer-level profit and loss.

[3] NPS was created by Bain and Company, Satmetrix Systems, and Fred Reichheld.

**Key Message for Financial Inclusion Service Providers**

**Adopting New Measures and Tools to Assess the Value Creation Benefits of Customer Centricity**

**Challenge:** While customer-centric business models provide FSPs an opportunity to tackle and overcome challenges that erode institutional value by increasing customer retention, optimizing the cost to serve customers, and increasing FSP share of customer wallet, measuring success requires using different tools.

**Opportunity:** FSPs are developing new ways to measure and track value creation. New measures include the following:

- Analyzing the cost to serve client segments incorporating, for example, activity-based costing.
- Using information systems to measure retention and loyalty.
  Using tools to predict CLV and customer segment profitability.
- Measuring customer value creation.

# 5 Embarking on a Customer-Centric Journey

"… the *ends* of customer centricity may be conventional; the *means* of customer centricity, however, are radical. And in the end, putting customer centricity into practice demands a good bit of work—and a willingness to suffer a short-term hit in the pursuit of long-term gain.—Fader (2012)

**The process of transforming into a customer-centric company requires a holistic and comprehensive approach for organizational change.** Most companies go through a multi-stage, multi-year process of transformation to reach their goal of customer centricity. The process is long term and requires significant investment. Because the change is all encompassing and long term, companies may suffer a hit to the bottom line before they realize long-term value. Organizations that transform require investments in human resources and tools and time to evolve customer-focused operations and culture. However, while the company may not yield returns to investment immediately, the customer-centric organization is intended to yield long-term, sustainable profitability and value creation that would otherwise not be achievable.

**The change process engenders conflict.** Conflict is inherent to the cross-functional, customer-centric business model (also called a "front-back structure" [Galbraith 2005]) and requires decision-making and conflict resolution processes and governance structures to manage potential conflict. According to Galbraith, effective leaders legitimize conflict by making differences of opinion a normal part of doing business and lead a process that results in discussions and rapid resolution of conflicts. MetLife uses the RAPID tool developed by Bain to clarify decision rights and accountability for cross-functional initiatives. RAPID —Recommend, Agree, Perform, Input, and Decide—summarizes the key steps of the process to clarify decisions rights. Resolving conflicts contributes to confronting and removing obstacles that can endanger the change process.

While this Primer is not intended to be a how-to for creating a customer-centric business model, based on our interviews and research, we identified the following potential actions steps to catalyze a customer-centric journey. As general guiding principles to maintain momentum and support throughout the journey, interviewees recommend achieving quick-wins and delivering periodic results that show the customer-centric strategy is working, making learning a key priority, and sharing learning throughout the organization as the journey progresses. They recommend establishing goals and metrics that demonstrate the achievement of goals and reward systems that kick in when metrics are achieved.

## 1. Make the Case and Strategize for Customer Centricity

**Articulate the compelling "why" for embracing the customer-centric approach.** Identify the key problem(s) the customer-centric approach will fix that threatens the very sustainability of the organization and/or the market opportunity that the customer-centric approach supports.

**Empower your team to make the winning case.** Use learning exercises to educate the organization about what customer centricity is. This learning exercise may focus on organizations that have adopted customer centricity for reasons that reflect their own challenges. Other companies have established customer intelligence teams tasked with thinking about what to do differently to deliver a better customer experience, feeding into a more formal strategy process.

**Make a compelling business case for customer-centric transformation, ideally incorporating a value-tracking (KPI) model (**Leather 2013**).** Leadership establishes what pressing problem(s) the customer-centric transformation will solve. In some cases, organizations "size the opportunity" or determine what the organization has to gain by adopting a customer-centric business model.

**Carry out an organizational diagnostic to assess your organization's capabilities to support the customer-centric business model and barriers that inhibit its development.** The diagnostic will support the development of a strategy to support customer-centric transformation and prioritize change management activities. CGAP has developed an online diagnostic tool organizations can use to assess their capabilities across the five pillars. The tool measures the extent to which the organization implements customer-centric practices and behaviors. This tool helps organizations identify capabilities and development priorities while simultaneously providing information on best practices for customer-centric organizations, or "what good looks like."

**Develop a clear vision with the customer at the center that articulates the customer promise the company will deliver on and articulate the underlying values that will drive a customer-centric culture**. The company's vision and its customer promise differentiate the company from its competitors. Importantly, securing support for the new vision requires developing a clear picture of the future that the vision represents, is easy to communicate, and appeals to all stakeholders, including customers, shareholder, employees, and the community. Companies may catalyze the development of a customer-centric culture by promoting an exercise to define the core values of the company and what it wants to become. Zappos engaged in a process to define and understand what people loved about the company to codify its values to guide it into the future. This process took a year. Employees came up with 37 values that they turned into 10 core values.

**Develop a transformation strategy that incorporates a powerful change management plan to support the customer-centric business model.** In general, a transformation strategy should include the following:

- An analysis of key barriers that must be overcome and enablers to enlist to support the customer-centric model.
- A change management strategy that supports transformation and reinforces a customer-centric culture over time.
- A plan that defines the capabilities the organization must develop across the five pillars to deliver the differentiated customer experience, while delivering on its financial and social value creation objectives.

Change management expert John Kotter has identified key elements of a change management strategy that are required to embark on the customer-centric journey (Kotter 2007). These elements include the following:

- Creating a sense of urgency around change.
- Creating and clearly communicating a vision for the future to all stakeholders.
- Forming a powerful, guiding coalition to secure organizational buy-in.
- Empowering employees to implement the transformation strategy, planning, creating, and making visible short-term wins.

- Communicating ongoing performance improvements and rewarding behaviors that lead to changes sought after.
- Leveraging wins to institutionalize ongoing change to organizational structures, processes, and policies.

## 2. Campaign to Secure Support for the Customer-Centric Transformation

**Create a powerful guiding coalition including senior management, champions throughout the organization, and board members to drive the customer-centric campaign.** The campaign may start with a few committed individuals but should grow over time. A sense of urgency within the managerial team helps to create the guiding coalition (Kotter 2007).

**Lobby incessantly to win buy-in at all levels within the organization.** Systematically approach various groups and units to communicate why customer centricity is important for them. People won't change unless they believe that change will have a positive impact on them. To secure buy-in, leaders emphasize the need to communicate the new vision and transformation strategy incessantly and through as many channels as possible. Sooner rather than later, ensure full board buy-in. Securing board buy-in also requires getting the appropriate time horizon to yield results with the recognition that the transformation process takes time.

> "Some keys players will support it, while others will not and still others may resist. It is the task of leaders to create a sense of urgency and to enroll key players in the discussion and debates in order to have them shape and buy into the new direction." —Galbraith (2005)

**Undertake some initial efforts that will yield quick wins to start demonstrating the benefits to the business before a huge organizational undertaking.** Many organizations have catalyzed customer-centric efforts around loyalty programs. Tesco covered the cost of developing and running the loyalty program with a sales uplift directly attributable to the promotions that were created by the program. The financial results of the program drove widespread interest in using data analytics to support the business overall.

Some initial campaigning may start with "learning labs" intended to demonstrate the potential results of customer-centric efforts. P&G's campaign started with piloting customer-centric approaches with a struggling brand to serve as both a learning lab and demonstration model for the company.

Quick wins represent improvements that can be measured and demonstrated within at least 12–24 months of initiating a transformation process. Leaders emphasize the importance of visibly rewarding people responsible for the demonstration of successful quick wins and communicating performance improvements that emerge from the transformation process.

## 3. Understand Who Your Customers Are and What Their Customer Experiences Are

**Implement voice-of-the-customer initiatives to listen to what your customers (and their networks) are telling you (and their networks) about their experiences.** Many companies embarking on the customer-centric journey start by implementing voice-of-the-customer programs to gather information from various sources, including emails, focus groups, feedback surveys, blogs, social media posts, etc., to hear what their customers are saying about their customer experiences. Companies use feedback to fix customers' existing problems, create new value propositions, and find new ways of clustering and segmenting customers to meet their needs.

**Based on an understanding of customers, begin to meaningfully segment markets into discrete customer groups that share similar characteristics based on needs, behaviors, or other qualities.**

**Begin to analyze the profitability of each customer segment by analyzing the costs to acquire and serve segments relative to their revenue potential, now and over their lifetime**.

**Create a portfolio strategy comprised of customer segments that make sense given your organization's financial and social value creation goals.** Based on your portfolio strategy, consider granular strategies to drive up segment value through retention, acquiring new customers, and expanding customer relationships for each segment. Develop process efficiencies to reduce costs to serve segments, while maintaining the differentiated experience.

## 4. Make Priority Investments in People and Tools They Can Use to Improve Customer Experiences

**Prioritize the development of the insights engine to systematically generate and apply customer insights.** Identify what the application of insights may support, for example, identifying market segments, improving value propositions, improving the end-to-end customer experience, or identifying and rewarding loyal customers. Invest in tools that support the insights "engine" to address priority issues identified by the organization. Some companies create a strategy to integrate and consolidate existing pockets of data through a common platform so that information can be shared across the organization.

**Implement a capacity-building strategy that empowers frontline staff to provide a differentiated experience.** Best Buy, for example, created a customer centricity university when it embraced the customer-centric approach, while Umpqua Bank provided focused internal training and requires each employee to learn from an external bellwether, the Ritz Carlton training program. Empowering staff requires not only creating new capabilities but also encouraging risk-taking and innovative ideas.

## 5. Catalyze Organizational Transformation

**Begin to transform the way people and teams are structured and incentivized to operate cross-functionally.** The goal of organizational transformation is to ensure that cross-functional teams are communicating and working together to optimize the customer experience and that decisions that support change can be made quickly (Gulati 2009). The following are various practical initiatives that companies have undertaken to catalyze this process.

- Create customer units whose job is to learn about customers and to develop or customize offerings that create value.
- Create cross-functional task forces organized around customer segments that work across pre-existing product silos and established functions to support improvements to customer experiences and business processes. Through a consultative process, reassign ownership and decision rights for certain tasks that support the differentiated customer experience.
- Build bridges between units through shared projects so people begin communicating and understanding interlinked processes that deliver customer value. At MetLife, units co-sponsored customer experience research to understand which interactions were the most critical and how interactions played out across the company's organizational structure throughout the end-to-end customer experience.
- Create formalized customer experience groups comprised of customer-facing business units whose responsibility is to create differentiated customer experiences that links with product teams and other functions to ensure the delivery and quality of the customer experience.
- Create formal teams whose job is to talk to employees in different units and find ways to improve processes that extend across units to benefit employees. Quicken Loans has a 150-member team that constantly talks to team members and customers seeking suggestions on how to make their employees' lives better.
- Require employees to rotate through different units to get a complete understanding of functions required to deliver the customer experience.

**Using cross-functional teams, design the basic, ideal end-to-end customer experience bringing together teams from various products and functional units.** Use information and insights from various sources (e.g., VOC analyses, NPS data, customer complaint data, etc.) to conceptualize and map the ideal "basic" experience. In this exercise, employees across the company come together to map the ideal customer experience across touch points, comparing it to the existing experience. Steps are made to improve the existing experience at both individual touch points and across the entire end-to-end experience.

**Mapping experiences can create breakthrough moments for companies particularly where no single group has ever had visibility into or accountability for the end-to-end customer experience or were unaware of where the experience was going wrong for the customer** (Rawson 2013). Identify critical experiences to be managed by executive teams responsible for liaising across business functions to ensure a differentiated experience is delivered.

**Improve select businesses processes to improve the customer experience and reduce expenses.** Select a customer experience where problems have been identified and, using cross-functional teams, re-engineer businesses processes to improve the customer experience. Improve the efficiency of the business process by changing or removing subprocesses that destroy value for customers and the company. Improving efficiency of processes that create value for customers and reduce company's expense is important in the "campaigning" process to gain buy-in for the transformation process.

## 6. Ensure Accountability for the Customer-Centric Transformation Process

**Identify leaders to drive execution of the customer-centric strategy.** The CEO or Executive Committee may appoint a change leadership team with an executive-level head, for example, a chief customer officer, to drive the transformation process. In some cases, customer teams with management responsibility are created to manage key customer journeys. These managers interact with each functional group responsible for an element of delivering a specific customer experience taking on overall management and accountability for the customer journey (Rawson 2013).

**Identify key metrics to measure customer-centric transformation and understand what information is required to make accurate measurements.** Most companies start by selecting a limited number of metrics that link customer-centric transformation to improvements in value creation for the company and its customers. Leaders demonstrate and communicate the linkages between changes engendered by the transformation process and performance improvements.

Measuring success may require the development of new tools not typically used by FSPs.
New measures include analysis of the cost to serve client segments incorporating, for example, activity-based costing methods; use of information systems to measure retention and loyalty; tools to predict CLV and customer segment profitability; and frameworks to measure customer value creation.

**Shift scorecards to reflect and reward positive outcomes of customer-centric transformation.** Adjust employee scorecards to align performance goals with the customer experience or customer experience value drivers. For example, client relationship managers may be assessed based on client retention versus client acquisition. QuickenLoans employees are measured by their ability to execute the efficient processes around which customer experiences are created. Many companies measure employee engagement to assess employee behaviors that result in a superior customer experience. Management may be assessed in part on expenses saved by re-engineering business processes or customer profitability versus product profitability.

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**Amazon.com** is the largest internet-based retailer in the United States. Amazon.com also provides consumer electronics (e.g., Amazon Kindle e-book readers) and cloud computing services. CGAP's interview with an Amazon employee yielded important insights into its core focus: creating, delivering, improving, and measuring the differentiated customer experience; institutionalizing organizational and employee capability and culture to constantly innovate for the customer; incorporating technology's role in measuring customer experiences and enabling individualized, customized customer experiences; and recruiting people who fit in the organizational culture and its underlying values.

**Amex** is a multinational financial services corporation that offers card and travel services. Amex is frequently identified as having one of the most valuable brands in the world (Forbes 2015). Despite its ability to tackle markets leading with brand value, in the increasingly competitive financial services markets, Amex has embarked on a customer-centric transformation. CGAP's interview with an Amex employee and research on Amex identified key insights around the importance of the visibility of the customer in its vision and mission statement, the importance of cross-functional teams to develop customer solutions, and clear identification of ownership rights and accountability within cross-functional teams for results. Amex identified the importance of systematically measuring value drivers, including the customer experience (e.g., NPS), customer lifetime value, and loyalty. It highlighted the importance of providing employee tools, such as Salesforce, to create more efficient customer experiences, particularly ensuring that tools support employees to demonstrate to customers that they are "listened to" in their interactions and are "heard," and to enable employee real-time sharing of information across product units to create multi-product solutions for customers.

**Cemex** is one of the world's largest building materials suppliers and cement producers, founded in Mexico, but with operations in North America, the Caribbean, South America, Europe, Asia, and Africa. Cemex began transforming to focus on the customer as a result of dissatisfied customers with time-sensitive building projects not getting cement deliveries on time. CGAP's research revealed how Cemex worked with its suppliers to implement an enterprise resource planning and CRM system to create visibility in all its processes. Whereas previously Cemex was unable to track on-time delivery because the information it needed resided with third-party logistics providers, it now tracks performance in each process both onsite and with suppliers and service providers allowing it to keep customers up to date on their orders and be notified if there are problems that could lead to a delay. The importance of working with an ecosystem of partners to create seamless business processes and having visibility into IT systems that demonstrate whether a process is functioning for the customer are particularly relevant to financial inclusion providers that must work closely with MNOs and third-party service providers to provide seamless mobile-based service experiences to customers.

**dunnhumby** supports companies to analyze customer data to build customer loyalty and trust and more generally support "customer first" transformations. dunnhumby conceives of loyalty as a two-way relationship encompassing customer loyalty to the brand and employee loyalty to customers. It originally gained prominence for supporting Tesco's customer-centric transformation at a time when Tesco's financial performance was flagging. **Tesco** is a multinational grocery and general merchandise retailer that operates across Asia and Europe. Originally a grocery retailer, Tesco has increasingly diversified selling a broad range of consumer goods including financial services. dunnumby helped establish the Tesco Clubcard, its loyalty program in 1994, which transformed the way Tesco used customer data analytics to inform every part of the business supporting it to become the market leader at that time. Other prominent clients include Macy's, Procter & Gamble, Coca Cola, and Kroger. CGAP's interview with a professional at dunnhumby yielded important insights around the critical role of data analysis and its applications for customer centricity as well as the importance of measuring customer ROI to match offers to clients revenue potential enabling companies to serve diverse segments of clients profitably, not just the highest revenue generators.

**Electronic Arts, Inc.** (**EA**), also known as **EA Games**, is one of the world's largest developers, marketers, publishers, and distributors of video games purchased in retail outlets or downloaded for free. Its revenues are generated through microtransactions carried out in the process of game-playing. EA received a wake-up call when it won the Consumerist's Worst Company in America in both 2012 and 2013. This "win" prodded EA to examine whether it was "doing the right thing for customers," thereby catalyzing a more customer centric approach to building the business. Our interviewee shared important insights around segmenting markets based on attitudes or "why" customer play games to develop more responsive games as well as segmenting by customer lifetime value with the goal of acquiring more customers that share the characteristics of profitable segments and strategizing to convert nonpayers to payers. This interview also yielded insights on optimizing the customer experience to make it easy and convenient for customers to use a shorter path to purchase across a web of customer touch points.

**Elicit Insights** is a consulting firm that supports customer-centric transformations focused on insights development, change management strategies, and organizational design to support customer centricity. It was recommended to CGAP by one of its key clients, **Southwest Airlines**. Southwest Airlines is the world's largest low-cost carrier, innovating initially around short-haul flights in the United States that opened up air travel to new segments of travelers for which travel was never affordable. While Southwest often provides the best prices, it competes on customer experiences. Elicit Insights team members provided critical learnings on how companies catalyze customer-centric transformations, emphasizing the role of leadership commitment in driving long-term change and using Southwest Airline's relentless focus on culture as an example. Elicit Insights highlighted the importance of lobbying for customer centricity to secure buy-in, ensuring quick wins inside the company to prove the customer centricity case; the importance of training and investing in people to support customer-centric transformation; and the need to "shatter apart" existing customer experiences to re-engineer the end-to-end customer experience to create customers journeys that align customer preferences around key touch points that together create value for the target customer.

**Market Basket** is a US-based chain of 75 supermarkets in New Hampshire, Massachusetts and Maine. Market Basket's strategy is based on value creation for its multiple stakeholders. Market Basket customers benefit from prices that are on average about 20% lower than competing stores. Front-line employees are paid higher than competitors and are eligible to participate in profit-sharing programs. In 2014, three top-level executives including the CEO, Vice President, and Director of Operations were fired by the Board. In response, six high-level managers resigned, and protests with as many as 5,000 employees and customers were held at the various company stores. Many warehouse and corporate office workers including delivery truck drivers went on strike essentially bringing business to a halt. In August 2014, the CEO was reinstated and an agreement was reached including the sale of the majority of existing company shares to a consortium created by the CEO.

**MetLife** is one of the largest global providers of insurance (life, dental, disability, critical illness), annuities, and employee benefits programs. It initiated a highly visible customer-centric transformation process in 2011 in response to customer retention challenges, MetLife's key value driver. CGAP's interview with a MetLife representative highlighted the importance of learning programs in its early phases to identify bellwether customer-centric practices and understand key customer satisfiers (Voice of the Customer Programme) in conjunction with capabilities and barriers within the organization to satisfy customers. Our interviewee highlighted the importance of creating a new vision based around a customer promise that differentiated the company in the market as well as the participation of senior executives in highly visible initiatives to fix customer problems to demonstrate the importance of customer-centric transformation across the organization. Our interviewee highlighted the centrality of a cross-functional organizational structure to support customer centricity. Practical initiatives included bringing together teams across products and functions to imagine and map the ideal customer experience and re-engineering business processes to support it. To catalyze cross-functional teamwork, our interviewee emphasized the importance of creating customer-focused teams tasked with ensuring the delivery of a differentiated experience and of identifying key metrics to measure success at achieving customer-centric transformation.

**Pick 'n Pay,** established in 1967, is one of the largest supermarket chains in southern Africa, with 800 stores across its footprint in South Africa, Botswana, Mozambique, Zambia, Zimbabwe, Swaziland, Lesotho, and Namibia. Pick 'n Pay differentiates itself from other firms on the customer-centric journey stating that its core values have always focused on consumer "sovereignty," recognizing that the customer has a choice and the importance of developing enduring trusting relationships based on "doing the right thing" by customers to retain them. CGAP's interview with a Pick 'n Pay respondent highlighted the importance of deeply understanding customers' needs, wants, and barriers to serve them. Pick 'n Pay previously focused on face-to-face community-based relationships. However, with global competition shaking up a market formerly dominated by local brands, Pick 'n Pay launched a data analytics program (its insight engine) more than two years ago to better understand and serve customers implementing a loyalty program as a first initiative to apply data-drive insights. Our interviewee highlighted the importance of recognizing the customer-centric transformation as a long-term process (at the time of the interview it was still "making sense of the data" it had collected over two years), where every step is incremental and builds on previous learning.

**Procter & Gamble Co., (P&G)**, is a multinational consumer goods company that sells personal care products, pet foods, and cleaning agents globally. P&G's customer-centric journey was very visibly promoted by its Board and CEO, A. G. Lafley, who constantly, over several years, asked senior managers, "Who is your WHO?" until the importance of identifying and understanding customers was ingrained in their thinking. CGAP's interview with P&G yielded important insights into the need to prioritize significant and ongoing resources into customer research to granularly understand customers' needs and the importance of co-creating experiences with customers by understanding and supporting customers to overcome key barriers to product purchase and use. Also important is to partner with ecosystem stakeholders, including retailers that sell P&G products, to share information and co-design the end-to-end differentiated customer experience from back-end packaging to front-end promotions on the shop floor. This demonstrates the benefits of the customer-centric approach by establishing a learning lab to convert a struggling brand into a highly successful brand before launching widespread organizational change and aligning customer-focused metrics with the customer-centric organization.

**Quicken Loans** grew from a small lender in 1987 to become the largest online retail mortgage lender and the second largest overall retail lender in the United States. CGAP's interview with a Quicken Loans respondent provided insights into the importance of continual innovation and process improvement. Quicken Loans has 100 full-time staff dedicated to rebuilding and optimizing processes around the customer delivered by cross-functional teams, creating underlying values and ideals that drive employee practices and behavior to deliver on a the company's articulated customer promise ("to make this the [customer's] best mortgage experience ever"), providing customers with tools (e.g., home valuation tools) and apps that empower customers to participate in the customer experience that will yield expected benefits, and the importance of providing frontline staff the authority to make critical decisions and deliver experience through ongoing and highly visible measurement of drivers of superior customer experiences.

**Telenor** is one of the world's largest mobile telecommunications companies, with operations in Scandanavia, eastern Europe, and Asia. In Pakistan, Telenor established a partnership with Tameer Micro Finance Bank to offer branchless banking services, Easypaisa. CGAP's interview with a Telenor respondent provided key customer experience insights for acquiring and retaining clients in new, unserved markets, including the need to identify and break down barriers to adoption by creating easy, painless solutions, taking a systematic approach by creating the value proposition and mapping the customer journey and that is "good for the customer," and rolling out this process in all new markets. It emphasized the continuously differentiated and expanded customer value proposition to keep ahead of the competition even where it is a first mover, the importance of using big data to segment markets, for example, identifying segments that show strong signs of defection and proactively targeting customers at moment-of-truth touch points to keep customers engaged and to identify the highest value customers likely to take advantage of expanded value propositions. Our interviewee shared insights around treating employees as internal customers providing value-adding training opportunities and linking employee performance measurements with Telenor core values. Finally it highlighted the role of working with ecosystem partners to promote innovation in "open innovation systems," working with research institutions, industry, and customers to create customer-centric solutions.

**Umpqua Holdings Corporation** is a financial services group that operates in Oregon, Washington, California, and Nevada promoting a "borderless" community banking model. New leadership in 1995 promoted Umpqua to undertake its customer-centric transformation, seeing immediate results in market share moving from a distant third in its markets to first in three years. Through acquisition and growth, its footprint has grown from six to 371 branches. CGAP's research around Umpqua highlighted its prioritization of empowering employees to have the skills, knowledge, and decision-making authority to serve clients by supporting extensive training within and outside the industry. It highlighted the importance of creating a multi-channel experience for customers to access service anytime, anywhere, and importantly bridging physical and digital channels across the customer lifecycle. Our research highlighted the importance to the Bank of continual reinvention to meet customer's evolving needs; and the importance of connecting with customers authentically (that is, delivering on the bank's customer promise) and in relevant ways that respond to customer's articulated needs and support the communities in which they live (e.g., promoting local products and events).

**USAA** is a financial services group that offers insurance, banking, and investment services focused on people and families that serve or served in the U.S. military. USAA was founded in 1922 by a group of U.S. Army officers to self-insure one another when they were unable to secure auto insurance due to the perception that they, as military officers, were a high-risk group. At the end of 2013, USAA had 10.1 million members. USAA emerged consistently in CGAP's research as a customer-centric bellwether. Our USAA interviewee highlighted the roots of its customer-centric approach in a corporate culture created to serve members not shareholders. He highlighted the importance of leadership's commitment to the customer focus (the CEO repeats USAA's mission statement at every meeting and tells stories about members that reinforce this commitment). Our interviewee shared how it broke down product and functional silos by creating a "member experience group" that sits in the middle of all functions to ensure delivery of the differentiated experience and that enforces experience standards (e.g., number of customer hand-offs, etc.). In USAA product groups and customer experience groups work together, but each has clear areas of ownership and accountability. Our interviewee highlighted the central role of digital technology in supporting cross-functional organization, the delivery of the differentiated experience, and the cost savings that resulted from leveraging shared processes to deliver the customer experience that were previously replicated across product groups.

**Zappos**, founded in 1999 is a service company that sells shoes and clothing online; the company was acquired by Amazon in 2009 for $1.2 billion. CGAP's interview with a Zappos respondent yielded important insights around the development of customer-centric cultures, driving loyalty by creating the experience that exceeds customer expectations and generates positive emotions, and empowering employees to make decisions that reflect acting in the customer's best interest.

## Terminology

**Blueprint Experiences:** Companies design blueprint experiences or roadmaps for key customer journeys and segments. The design process allows the company to map the ideal customer experience at every touch point, optimizing people, processes, and technology to deliver the result. Based on blueprints, companies may pilot experience prototypes that test messages and offers to various segments.

**Brand Equity:** Value generated from a company's brand, including the company's name, logo, and reputation.

**Co-creation:** Customers co-create the differentiated customer experience with service providers. C. K. Prahalad identifies four key attributes to the co-created interaction (DART) (Prahalad 2004):

- **D**ialogue: shared learning and communication between two equal problem solvers.
- **A**ccess to information and tools.
- Consumers taking part in solutions development including the **R**isks associated with this responsibility.
- **T**ransparency regarding price, cost, and profit margins.

**Customer Advocacy:** A key value of customer-centric companies whereby companies focus on what is best for the customer or act in the customer's best interests.

**Customer Advocates**: Customers that recommend a company's services to other potential customers. Customers advocate for companies in multiple ways, for example, by providing references and referrals, blogging or even posting videos about their experiences with products, or recommending companies through participation in community or industry events. Customers may advocate for a product but might also use the same fora to advocate against a company or product. Differentiated customer experiences are meant to lead to loyalty and customer advocates.

**Customer Equity**: The sum of customers' lifetime values across a firm's customer base.

**Customer Experience**: The customer experience makes up every interaction the customer has with a brand at various touch points throughout the customer lifecycle. At the center of a customer experience is a fundamental value proposition, that is, a product or service solution that satisfies a customer's need or want, usually associated with a short or long-term goal, for example, a loan to buy a house. The experience incorporates the service or product packaging, its ease of use, functionality, and quality. The experience also incorporates customers' interactions with company employees (or value chain partners) that inform and care for the customer, and other touch points that contribute to the quality of the experience, for example, whether it is timely and error-free. The customer experience generates positive or negative emotions based on whether or not the customer's expectations are met or exceeded across the experience and whether the customer perceives good value for money represented by the experience.

**Customer Life Cycle:** The various stages of the customer journey from the time the customer first becomes aware of the brand through its purchase, use, and repurchase of services to the time the customer may decide to switch brands. A typical financial services life cycle, for example, includes product selection, account opening and purchase, product use, ongoing relationship management, extension of the relationship, and restructuring of the relationship. A provider may design an experience for a customer across the customer life cycle organized, for example, around a customer's life events that relate to key relationships over her life span (children, marriage, caring for parents), or key life milestones at different phases of her life (education, enterprise building, or community giveback).

**Customer Lifetime Value (CLV):** Customer lifetime value is the present value of the future (net) cash flows associated with a particular customer. It is forward looking to enable companies to determine how much a customer is worth to a company over time (Fader 2012). To make CLV predictions, companies gather purchasing and other behavioral data that provide the basis for making assumptions to model future cash flows. These assumptions may be based around the propensity to purchase and customer retention and include elements beyond just revenue, to also incorporate the value of advocacy or word-of-mouth benefits generated by customers.

**Customer Relationship Management (CRM):** CRM is a system usually built around an IT platform to gather data about customer behaviors and attributes gathered through repeated interactions with a company (e.g., initial contacts, purchases, service support, etc.). Firms analyze customer data and apply insights to support a range of objectives, including creating better customer experiences, customer segmentation, estimating CLV, etc. CRMs are components of the company's insight engine.

**Customer Retention:** As a metric, customer retention is the percentage of customer relationships that, once established, a business is able to maintain on a long-term basis. Companies strategize to retain customers to reduce customer defections since it is generally more profitable to retain and grow customer relationships than acquire new customers to replace defectors. Customer retention strategies start with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship.

**Customer ROI**: Customer ROI measures the profitability of customers taking into account value generated for the company by the customer, including revenue, advocacy efforts that support acquisition of new clients, and even participation in insight development exercises that contribute to service improvements relative to the cost of acquiring and serving a customer, including promotional costs. Determining the true costs of serving the customer may require the use of new tools that enable activity-based and other costing techniques.

**Customer Touch Points**: Every point of interaction a customer has with a company or brand throughout the customer experience. In the example of an airline customer, the customer may have become aware of a potential airline deal through social media or other traditional advertising campaigns. Customer planning touching points might include interactions with travel websites for ticket purchase or an airline call center. At the airport, key customer touch points includes the check-in experience either automatically through a kiosk or at the counter with a customer service representative. Customers interact with airline attendants on the plane, potentially reviewing an in-flight magazine to become aware of other deals or destinations. At the customer's destination, luggage is retrieved and customers seek support for reaching their final destination. Following the flight, customers receive notification of loyalty points earned through the airline loyalty program. Extending across touchpoints, business processes enable seamless customer "hand-off" from one touch point to another. Particularly important phases of the customer journey occur at "moments of truth."

**Customer Value Creation:** Companies aim to maximize value at each touch point in the end-to-end customer experience. In the airline example used above, in the planning phase, the customer may access various websites to purchase a ticket; value is created when the customer finds a great deal. At check in, the customer may have to wait in long lines or is charged baggage fees potentially destroying value. Because of the long lines, the customer misses her flight, further destroying value. When catching her next flight, the disappointed customer is offered a ticket upgrade to travel in a higher class of travel, creating value by exceeding expectations about the in-flight travel experience. If the in-flight service is outstanding, further value is created. When the customer arrives at the airport, she finds that her luggage was not loaded on the plane, eroding value. Her experience seeking airline support at the airport to resolve the lost baggage problem is frustrating due to unresponsive on the ground staff. However, once the baggage is tracked, the problem is resolve quickly and the customer immediately and conveniently reunited with her baggage, creating value. On her next loyalty statement, the customer finds earned points but also benefits from a promotion that earns her double the points she expected (Deloitte 2012). Through the customer journey, value is both created and destroyed for the customer. Customers and companies aim for consistent value creation at each touch point to create the differentiated end-to-end experience, but focus on moments of truth.

**End-to-End Customer Experience**: The journey travelled by the customer interacting with a company through the range of customer touch points from the start to the finish of the customer experience, which together make up the end-to-end customer experience. The end-to-end airline customer experience may be mapped across the following events in the travel lifecycle: planning for a trip, purchasing the ticket, going to the airport, boarding the plane, arriving at the destination, receiving customer support at the destination, and receiving travel awards post trip.

**Full Financial Inclusion:** The Center for Financial Inclusion defines full financial inclusion as a state in which everyone who can use them has access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, with respect and dignity. This vision couples quality (what clients receive and how they receive it) with outreach (reaching more people) as the double heart of financial inclusion.

**Human-Centered Design (HCD) and Applied Product Innovation (API):** HCD is a process built on learning directly from people in their own environments to unearth people's needs, desires, hopes, and fears and leveraging their participation to shape the product, service, or solution being created and how it is delivered. The HCD process has three key phases, including discovery (identifying the challenge the solution is being designed for), ideation (coming up with potential design solutions), and prototyping solutions, repeatedly testing and refining solutions in the field.

**Moments of Truth:** Moments of truth are critical points in the customer experience, for example, when the customer forms an opinion about a service or makes a decision to activate or terminate a relationship based on the perceived value of the cumulative experience.

**Net Promoter Score (NPS):** NPS is a customer loyalty metric and management tool that measures the willingness of customers to recommend a company's products or services to others. It is an alternative to traditional customer satisfaction metrics and is used as a proxy for assessing the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand.

**Share of Customer Wallet:** Share of wallet is the percentage of a customer's available spending that goes to a firm. Different firms compete over the share they have of a customer's wallet with the aim of winning as much of the potential customer spend as possible. Companies seek to deepen customer relationships and increase share-of-customer wallet to increase a customer's lifetime value.

**Single View of the Customer (SVC):** SVC represents an integrated view of products owned by customers and how customers make day-to-day use of their products. SVC builds a picture of a customer's attributes, behaviors, and attitudes. Creating the SVC usually requires financial institutions to integrate disparate technology platforms and pockets of data to generate insights that can be shared across the organization. SVC is used to improve customer experiences to drive loyalty and increase wallet share, value customer segments, create tailored product mixes for a segment or customer, and customize pricing based on segment value and risk.

**Voice of the Customer (VOC):** VOC is a term used to describe the in-depth process of getting to know a firm's customers. Using various market research techniques and tools, VOC efforts generate information and ultimately insights into a customer's, needs, wants, perceptions, expectations, preferences, and aversions. VOC studies are generally conducted at the start of any new product, process, or service design or may be used in an ongoing way to understand service satisfiers and what dissatisfies customers to close the gap between what customers expect and what a firm offers.