

MIT Sloan

Management Review

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Achieving Deep Customer Focus

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REPRINT NUMBER 45307

Achieving Deep Customer Focus

Customer-focused transformation is producing long-term, sustainable growth through a systemic, tested process. The approach gets all employees collaborating to identify the outcomes that customers need — and to help them get there.

Sandra Vandermerwe

Today's managers acknowledge the importance of customer focus for growing a business and competing.¹ Yet the often costly customer efforts they have implemented have not led to the expected gains. The reason: a superficial understanding of what customer focus really means. Fortunately, a few organizations are going beyond thinking up new technologies, products and services and, through comprehensive organizational change, are achieving the *deep customer focus* that is nearly impossible to imitate.

Deep customer focus is not about buying customer-relationship-management software that tracks customers' purchases. It is not about designing sophisticated new products like mobile phones or iPods — or even about processes that allow a car to be built with customer-requested features. It's about an attitude that gets deep inside a company into what it is, what it does and what it prides itself on.

Many observers have suggested *what* needs to be done to create organizational change, but no one has spelled out *how* to get there, particularly how to make the changes that lead to a customer focus deep enough to become part of the lifeblood of an organization.²

Becoming Indispensable to Customers

Because companies with deep customer focus are constantly thinking about better, quicker, easier ways of doing things that customers need, they ultimately become indispensable. Whatever customers need to do (say, use information to make critical decisions differently, ensure employees' lifetime well-being, manage energy or do on-demand computing), the company with deep customer focus excels at offering the outcomes each customer seeks. Through constant innovation, customer feedback and the use of knowledge, the enterprise becomes indispensable. And as the relationship intensifies, truly sustainable gains ensue. No product or service on its own can accomplish all that.

The company's activities become so interwoven with its customers' activities that clients end up spending more money with the company on a greater variety of offerings over longer periods. Thus customers reward the enterprise, giving it many opportunities for profitable growth.³

Think about being the customer. Would you rather have, say, a new health plan with new features or would you rather have a relationship with a health-insurance company

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that is committed to solving pretty much all your health and safety problems — an organization that not only provides insurance coverage but, for example, also helps with your health- and safety-related concerns so that problems are caught before they happen and don't get unnecessarily serious or costly even as you get older? That's the kind of company Denmark's International Health Insurance (IHI), operating in 150 countries, became. But it was able to reinvent itself only after managers understood the breakthrough process and tools through which deep customer focus is achieved.

And other successful companies have learned as well. IBM Corp. might not call its approach deep customer focus, but IBM did more than turn to services when mainframes weren't selling and PCs were commoditizing: It embedded in its culture a worker mind-set focused on outcomes for customers. That's how it keeps developing innovations that help customers adapt to constantly changing environments.

Companies need a systematic process to activate deep customer focus that shapes priorities, behavior and systems. Commitment is critical. Limp acceptance is lethal for any change initiative, but especially for deep customer focus that embraces the entire organization. It is not solely the marketing group's sphere.

The process can be mapped into 10 critical breakthroughs that help delineate the stages the company must go through. Research

has shown these breakthroughs to be remarkably consistent across enterprises and industries. (See "About the Research," p. 28.)

Breakthrough 1: Create Strategic Excitement

The first breakthrough occurs when a sufficient number of the correct people within an organization become uncomfortable because they realize that the company must find new ways of doing things for customers or risk either being sidelined or missing out on new wealth and opportunities.

But people have to be helped to see and feel that. That's easy enough when the enterprise has reached a crisis point or key numbers have slackened. What's both more difficult and more rewarding is to instill excitement about a new direction before crisis stage, so people feel inspired rather than fearful. That's what Bill Pardue, then president and CEO of U.S. Corporate and Federal Markets, a unit of LexisNexis Group, did when customers (now able to access publications on the Web, often for free) began to reduce what they would pay for LexisNexis archives.

Previously, LexisNexis would have focused on cutting costs and finding innovative content. But Pardue instinctively felt that the old approach would neither secure market position long term nor produce wealth from new sources. Determined to make his division indispensable to customers, he came up with a hypothesis worthy of testing and got his senior team excited about it. The hypothesis was that professionals who had to make decisions carrying a high degree of risk or reward — say, law enforcement officers tracking down criminals, patent officials assessing a patent application, lawyers litigating a case or scientists developing a drug — would pay for information that helped them make better, quicker decisions. Pardue and his team implemented what was needed to help professional customers make decisions, and within three years his division had outpaced competitors, boosted customer spending and increased profits.

Breakthrough 2: Enlist "Points of Light"

Once executives have generated excitement about a new direction, they need people at all levels to lead the way. But both companies and academic literature have overemphasized gaining broad consensus first. Including too many of the wrong people means having to waste time and effort on individuals who obstinately resist anything new until they see it demonstrated in action.

Because deep customer focus requires new ways of doing things rather than just listening to customers and reacting, a company needs people who are open and prepared to break with the past and to move ahead even under the unnerving scenario of having no hard facts.

Such people are a company's "points of light." These leaders,

in addition to being first to accept new ideas, also energize colleagues through their actions and conviction.⁴ Eventually, their enthusiasm permeates the organization, but initially, they are the only ones who see both *how* the future must be different from the past and *why*.

Breakthrough 3: Articulate the New Market Space

Many organizations rely heavily on market research, but market research is little help in creating a future that customers have yet to imagine. “You can’t research your way into the future” is how one executive puts it. Instead, a company must define a new market space — relying partly on research but more on intelligent hypothesis.⁵

Defining the market space focuses the implementation effort on the customer outcome. It enables people in discrete product silos and disciplines to visualize how they might fit into an offering that involves contributions from all departments. Employees at LexisNexis, for example, used to think of themselves as working for one particular database or unit. They had no sense of participating in a market space to enable professionals to make better decisions, quicker or in a “high-level decision-support management” market space, the term the company finally chose. Naming the space in terms of a customer outcome gives employees clarity, direction and a common purpose.

But doing market research and asking customers to define outcomes will not work because new ways of doing things often

About the Research

This article derives from ongoing research spanning nearly 20 years on customer-focused transformation in industries such as airlines; automotive; banking and financial services; building and construction; chemicals; children’s toys and entertainment; computers and IT services; consumer electronics; consulting; energy and oil; engineering; fashion and footwear; fast-moving consumer goods; health care and medical supplies; packaging; paints; pharmaceuticals; public sector and not-for-profits; publishing; retail; telecommunications; and utilities.

The research uses an action-based methodology, founded on inquiry, analysis and testing. It aims to articulate best practices as companies deal with situations that are still evolving and don’t yet have solutions. From the literature, case writing and hands-on experience with corporations, models and tools are developed and refined in a reiterative process of application, testing and adaptation. Then through feedback from classroom discussions, executive forums and interviews with senior executives involved in the applications, common denominators are identified and used to build theory and make the concepts, tools and successful methods generic enough so they can be transferred to practicing managers.

The research has progressed in three overlapping stages:

STAGE 1

From 1986 to 1995 at IMD Switzerland, the *market-space* construct and *customer-activity-cycle* tool were developed to enable executives to identify and articulate the value they need to offer to become customer-focused. To date, this tool has been activated in more than 100 public and private enterprises worldwide.

STAGE 2

In the four years that followed at the Tanaka Business School, Imperial College, University of London, a research project was undertaken to test the hypothesis that there were common challenges and approaches in making the transition from a product focus to a customer focus and that these could be articulated and used to get better business results and potential for increasing returns.

In-depth interviews were used as well as a comprehensive questionnaire given to a sample of companies that had been through such a transformation. The companies were identified from the literature, from observation and from personal interaction. Additionally, data were gathered through continued close working relationships as well as from writing case studies on industry leaders and new entrants.

The result was a set of critical success factors and a better body of knowledge on how the customer-activity cycle could

be used as a strategic tool to find and fill value gaps and then build new offerings and the structures, technology, skills and partnering to deliver them.

STAGE 3

Building on the findings in stage 2, the next step was to identify the specific breakthrough actions needed to implement deep-customer-focused transformation in one systematic process. It had become clear that although the theorists and practitioners increasingly acknowledged that customer focus was critical to growth and sustained success, full-scale and lasting implementation was still elusive.

A 10-step process to depict the stages and the means by which implementation is achieved was developed from previous work, the recent literature (in fields such as customer focus, innovation growth strategies and change management) and ongoing personal learning from enterprises in action. The 10-step process was tested with a select group of companies, adapted and then applied more broadly. The research is drawn from that work and from feedback that was revealed during subsequent one-on-one interviews (continuing through January 2004) with senior executives from companies representing collective best practices and amenable to having their experiences published.

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conflict with previous habits and orthodoxies. Until the country manager of Baxter Healthcare Corp. Germany got employees to start thinking of themselves as doing postoperative “home-recovery enhancement” instead of merely providing postoperative nutritional products to hospitals, the norm was to keep patients in the hospital for rehabilitation. When patients returned home, the company supplied only the basics, such as nursing care or wheelchairs. Once a market space was articulated, however, a new direction could be clearly communicated to doctors, hospitals, patients, Baxter headquarters — and partners. Ultimately, the division and some partners created an innovative, lucrative business called Home Supply and Care (HSC).

Breakthrough 4: Identify the Value Opportunities

Executives who have successfully implemented deep customer focus find that the next step, identifying the value opportunities, calls for a small team comprising only the best brains, “not just those that can be spared,” as one interviewee put it. The CEO or the head of the division, country or business unit should lead or sponsor the team and ensure that it has sufficient resources, time and people (usually two or three). Extra members may move in and out as needed, but it is essential to have a leader working the next stages, says an executive, as “a day rather than a night job.”

It is not surprising that at the stage that identifies value for the customer — and ultimately for the company — executives report feeling the most enthusiastic and energized and the concept begins to take hold.

The tool that supports the value-identifying stage is the customer-activity cycle.⁶ Using it, a team is able to look methodically at the activities customers go through to achieve an outcome, uncover the gaps (the activities customers *could* or *should* go through) and fill those gaps with whatever will lead to the desired customer outcome. The country manager at Baxter Healthcare Germany successfully defined a new market space, but it was only when the customer-activity cycle revealed precisely what patients needed *pre*, *during* and *post* surgery that Baxter could specify what services it would have to offer patients and who would provide each service.

The lucrative opportunities are in the details of the customer’s activity cycle. The commercial-transport unit of BP Plc, for example, wanted to become indispensable to hauling companies in its newly articulated market space, “integrated energy

and environmental management.” The idea was to offer truckers a new way of buying and using energy to reduce costs and harmful emissions. Through the customer-activity-cycle tool, BP’s team discovered that in the *during* stage, when truckers were transporting goods, their drivers kept the engines running for warmth while they slept. Engine idling cost the hauling companies 5% of fuel costs and 20% of nitrogen oxide and other noxious emissions — and exacerbated vehicle wear and tear, which equaled 10% of overall fuel expenditures. Finding a new way to let drivers keep warm while sleeping saved the company expense and created a multimillion-dollar business opportunity for BP and partners.

Breakthrough 5: Build a Compelling Case

The customer-activity cycle not only identifies the value propositions that can make a company indispensable, it also lets the company build detail-rich stories to promote the offerings both internally and externally. Stories are more powerful than business plans and more beneficial to enterprises going through a deep-customer-focus change process. People often react anxiously or defensively to business plans, whereas a credible narrative can present an exciting picture and appeal on both the rational and emotional levels. Stories also show how the whole enterprise can contribute to the market space, whereas business plans typically set out discrete agendas from different parts of the organization and aggregate them. They neither offer a customer outcome or destination, nor suggest how to reach one or why employees should care.

Consider International Health Insurance (IHI), which serves expatriates as well as corporations that have significant overseas activities. In 2000, led by CEO Per Bay Jørgensen, IHI moved from producing increasingly sophisticated health policies into the “lifetime health and personal safety” market space.

Redefined as an enterprise devoted to customer wellness (health and safety), instead of merely insurance-policy sales and claims processing, IHI saw a 20% annual growth rate while most competitors floundered. The compelling story IHI presented to corporate clients showed how an investment in wellness could prevent employee health problems 70% of the time, increasing productivity and lowering costs. It included the rich details that emerged from using the customer-activity cycle.

Thanks to that tool, IHI knew exactly where customers had value gaps that the company could fill with offerings: health

Some companies regard modeling as an investment. Because spawning knowledge and expertise for eventual scaling up is also important, they use it as a laboratory for learning.

assessments and policy recommendations; voluntary wellness action plans for employees; monitoring of employee health; suggestions for interventions; and recommendations on the appropriate doctor or hospital wherever in the world employees happened to be. Then, to reduce the expensive failure rates of overseas job assignments, IHI incorporated advice on matching people to countries, and education and support for individuals (on issues such as jet lag, allergies, floods and terrorism). IHI also could help a company measure the wellness approach's returns to the bottom line. And when a healthier employee reduced his or her company's insurance claims, IHI rewarded the company with bonus points that could be traded for rebates.

Breakthrough 6: Size the Prize

The next breakthrough occurs when deep-customer-focus companies like LexisNexis see how much they can improve their numbers. The customer-activity cycle helped LexisNexis gauge the size of the gaps it could fill if customers could have up-to-the-minute databases that LexisNexis built, fed into customer routines, updated and maintained to allow users to ask better questions and get better answers instead of using slow manual or electronic-imaging sources. Customers could, for example, look at patent applications, not just patent acceptances, and be better equipped to decide if their own innovations justified applying for a patent. The opportunity amounted to 88% more than what LexisNexis had made from its core patent publications.

Sizing the prize also involves understanding that customers who buy new offerings build stronger working relationships with a company and often increase their purchases of existing offerings. Longer, wider, more diverse *and* deeper revenue streams translate into more wealth.

However, managers must be on guard against an ingrained corporate tendency to demand proof upfront. The only realistic way to evaluate deep-customer-focus benefits is over time, the way other corporate assets are evaluated. Companies that prefer intricate detail can use sophisticated net-present cash-flow calculations.⁷ But enterprises that see an opportunity big enough to justify moving forward will be content with looser calculations.

Breakthrough 7: Model the Concept

In the next stage, companies must give customers and employees proof that the concept works. And what better way to do that

than to have customers become part of the action and participate in early wins. Modeling is different from testing in the level of resources used. With sufficient resources, the company can get the concept right. Then confidence surges internally and externally, and positive energy accelerates adoption of the concept — in the enterprise, out in the market and back into the enterprise — in a push-pull, buy-in loop.

Note that this is not a timid toe in the water. Too often, companies do a pilot test with a representative population and deliberately give it a low profile so that if it fails, the concept can be quickly abandoned. Modeling means taking a concept or new way of doing things (rather than a single product or service) and making it work. It thus involves the best in-house resources and a small but select group of customers — the customer points of light who “get it.”

Modeling begins with a workshop done with customers in the spirit of research — not promotion. A full-blown demonstration of the customer-activity cycle gives customers a chance to validate the value propositions and indicate what they see as “hot spots,” or critical areas. Experience shows that having the presenting company's sponsoring senior executive at these workshops helps customers engage with the concept enough to proceed.

Demonstrating proof of concept with customers takes from three to eight months, sometimes longer. Some companies — for example, BP — have felt sufficiently confident about being able to start delivering value immediately during modeling that they charge customers or reach an agreement to share any gains. In modeling its fuel-savings concept, BP worked with key manufacturing customers to help them use, convert and reuse their energy in ways that reduced their overall energy bills and emission problems. The customers shared their savings with BP.

Some companies, however, regard modeling as an investment. Because spawning knowledge and expertise for eventual scaling up is also important, they use it as a laboratory for learning. IHI, for example, modeled its health-assessment and consulting component by taking it to an international airline and collaborating to develop ways to measure the impact of a well-being program on the bottom line. The learning investment paid off. The collaboration not only benefited the airline, it gave IHI a technique it could adapt and roll out to clients in other markets. Similarly, IHI collaborated with a group of expatriate couples to perfect its online health tool.

Breakthrough 8: Get People Working Together

Executives always say that *the* most challenging and perplexing part of the process is getting colleagues inside the organization, preoccupied with business as usual, to engage in a new concept seriously — infinitely more difficult, they insist, than finding outside partners. Yet colleagues must ultimately coexist, cooperate and coproduce. Closed, silolike structures, mentalities and behaviors cannot produce the desired customer outcomes.

Enlisting colleagues entails appealing to both their reason and their emotions. BP had always been renowned for its silo-based working mode. Once the enterprise decided to attempt deep customer focus, the sponsoring business units invited “points of light” from other units to collaborate early on. The invitees felt more involved and less threatened than would otherwise have been the case, and the sponsors discovered that outreach accelerates engagement.

The sponsors were able to demonstrate that no unit would lose. Even if a deeply customer-focused BP gave a customer advice on how to shrink its total energy bill, the customer would end up giving BP a bigger share of its energy spending.

Note that customer-focused internal cooperation is not the same as cross-selling. The silos must be mixed and merged to produce a genuinely unified customer experience. Consider U.K.-based Marks & Spencer. This famous, centenarian retailer rebuilt itself by providing a lifestyle experience for customers and saved itself from the brink of disaster. In the past, silos had

been built around the merchandise — say, clothing, books, furnishings or financial services. Then teams began to consider themselves responsible for a “customer-lifestyle outcome.” The difference, as one executive says, is “between delivering the perfect Christmas for a family, and putting perfect Christmas turkeys on the shelves.”

Also helpful in getting people working together is to celebrate success. When a group at LexisNexis successfully modeled a concept designed to help e-business customers make instant decisions on whether to transact with someone visiting their Web sites, all of LexisNexis celebrated the group’s accomplishment. That recognition accelerated companywide customer focus and unleashed a myriad of initiatives.

Breakthrough 9: Get Critical Mass

When enough customers respond to a company’s deep customer focus (“enough” might be 10 customers or 50 million, depending on the circumstances), the company begins to enjoy the hoped-for sustainable benefits.

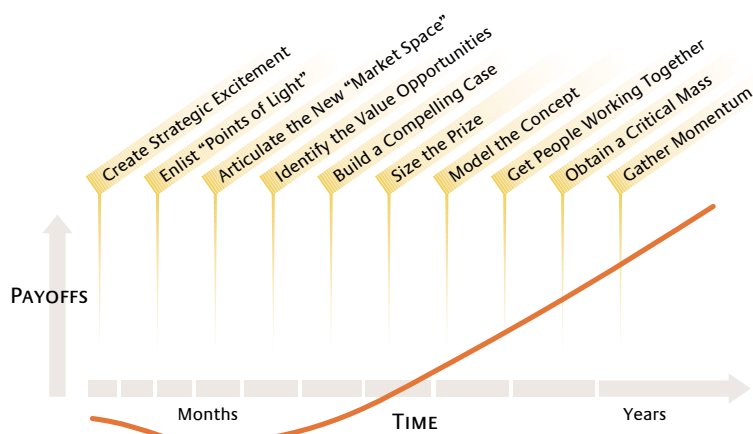
How do companies accelerate the transition from modeling the concept to acquiring enough customers to reach a critical mass? One way is to make it easy for customers to say yes. Consider a public-sector example. The U.K. government’s pharmacy-reform initiative makes pharmacists more responsible for managing patients’ medicine (thereby easing waiting and waste in the National Health Service). The initiative has taken off in

part because neither patients nor pharmacists risk being penalized by saying yes. Patients who still need to go to their physicians get rapid access. Pharmacists, more involved in their communities and good at identifying symptoms among certain groups — predispositions, say, to asthma or diabetes — benefit, too. As pharmacists work to prevent disease and help people use medications properly or pursue a healthful lifestyle, they may earn less from filling prescriptions. However, they gain consulting fees from the government and are supported with training and contract agreements to eliminate the administrative hassles of getting paid.

Another way to speed up customer acceptance and the rewards to the company is to make the initiative easy on customers’ finances. HSC, for example, doesn’t charge when checking to see whether patients have the necessary facilities and emotional support for postoperative home care. If a patient’s home setup is lacking, HSC advises on what is needed. Similarly, IBM ensures that on-demand computing is affordable enough for customers to take it up — they pay only when they actually use

Ten Breakthroughs Lead to Exponential Growth

Through a systematic process that is similar across industries, companies are taking customer focus to a new and deeper level that competitors cannot easily copy. Time taken to accomplish each of the 10 breakthroughs differs, and overall implementation takes from 18 months to 5 years, depending on circumstances. As the company models the concept, becomes indispensable to select customers and then obtains a critical mass, investments begin to pay off. Revenues go up and costs go down.



the service, just as they do for utilities such as electricity or water.

A third way is to quantify both the financial and nonfinancial benefits to customers. That requires collecting “before” and “after” baseline statistics, as well as gathering statements from customers verbalizing the intangible benefits they seek. LexisNexis asked one customer group, insurance-claims assessors, “What do you consider success?” and found out that success meant increasing the number of frauds detected and the amount of money recovered. LexisNexis used those performance criteria to measure and communicate its worth to customers.

The market needs to be created and educated all at once. If the company fails to make the new approach indispensable to key customers, it will struggle to attain “enough” and reach the critical mass. Witness Monsanto Co.’s continuing uphill battle to get bioengineered crops understood and accepted in Europe.

Old-fashioned marketing techniques with their short-term focus cannot help a concept gain critical mass. The company must make a genuine investment. IHI invested in creating a well-being university to educate both individuals and corporations on the tangible benefits of wellness. And to broaden understanding and acceptance of the concept, IHI invests in collaboration with leading global corporations and health experts on research, forums and publications, benefiting customers and company alike.

Such investments fill gaps in the customer-activity cycle, enabling quicker, better results. Says an executive from IBM, “We can see a clear correlation between investments that are lined up behind specific business values for a customer rather than those that we make across the board. The returns are not only larger, but also more predictable.”

Investments should be made as early as possible, to prevent competitors from getting a foothold. HSC invests in assessments at a patient’s home, LexisNexis in its initial consulting. IBM made a considerable investment by acquiring the consulting arm of PricewaterhouseCoopers (PwC). With the insights of 3,000 PwC researchers, IBM is better able to predict future developments in technology and how they will affect client organizations.

Breakthrough 10: Gather Momentum

As customers seeking a certain outcome begin to find the company indispensable to that end, they influence other potential customers. That’s when the anticipated financial rewards begin to flow, and an enterprise realizes the payback from deep customer focus. (See “Ten Breakthroughs Lead to Exponential Growth,” p. 31.)

Significantly, because most investments that create customer value are intangible (skills, information, knowledge, expertise, partnering), they can be used over and over without any depreciation. In fact, the cost of use decreases. Knowledge, once accumulated, can be adapted quickly and scaled up to allow an

Deep Customer Focus Success Factors

Executives initiating the transformation need to pursue specific actions to make the breakthroughs that lead to implementation of true customer focus.

BREAKTHROUGH	<i>You know you have this breakthrough when:</i>	<i>Actions needed to get this breakthrough include:</i>	<i>This leads to implementation because it:</i>
1 Create Strategic Excitement	The correct people see the urgent need to change to the new concept	<ul style="list-style-type: none"> ■ Show difference between thinking about products and thinking about customers ■ Communicate risks and opportunities ■ Set new, exciting direction ■ Cement indispensability goal 	<ul style="list-style-type: none"> ■ Triggers excitement and enthusiasm ■ Raises level of consciousness ■ Gets both rational and emotional appeal ■ Instills passion and positive energy
2 Enlist Employees Who Are “Points of Light”	A small group rallies who see the “how” and “why” and want change to happen	<ul style="list-style-type: none"> ■ Resist trying to get consensus ■ Concentrate on positive energizers ■ Formulate a hypothesis ■ Encourage use of creativity as well as discipline 	<ul style="list-style-type: none"> ■ Aligns perspectives and spirit ■ Builds a common language and understanding ■ Encourages companywide concept to be explored jointly
3 Articulate the New Market Space	Agreement is reached on aspirations, articulated as a customer outcome	<ul style="list-style-type: none"> ■ Express market space across company ■ Use research to substantiate hypothesis 	<ul style="list-style-type: none"> ■ Makes the direction concrete and easy to communicate ■ Influences through involvement ■ Turns positive feelings to action
4 Identify the Value Opportunities	Specific values are uncovered that become the potential for new wealth creation	<ul style="list-style-type: none"> ■ Choose major markets ■ Use customer-activity cycle to present holistic view of customer ■ Uncover value gaps ■ Define new value opportunities 	<ul style="list-style-type: none"> ■ Structure boosts confidence and credibility ■ Takes ideas from the abstract to concrete ■ Fosters both creativity and imagination ■ Builds traction that accelerates adoption
5 Build a Compelling Case	A story around customers unfolds and is communicated	<ul style="list-style-type: none"> ■ Substitute story for business plan ■ Build enterprisewide picture around customer outcome ■ Mirror this in a new core purpose 	<ul style="list-style-type: none"> ■ Makes visual and cognitive impact ■ Embeds language and concepts into culture ■ Allows people to see where they fit ■ Gives concept meaning and relevance
6 Size the Prize	The numbers reveal returns to warrant the investment	<ul style="list-style-type: none"> ■ Show size of new opportunity ■ Motivate investment in customers ■ Calculate returns on the basis of more new business plus reduced costs 	<ul style="list-style-type: none"> ■ Stimulates confidence and trust ■ Attracts resources and budget ■ Lines up thinking and investments behind customer value
7 Model the Concept	Key customers validate the concept and buy into getting it right	<ul style="list-style-type: none"> ■ Select key customers ■ Test, refine ideas and develop knowledge and expertise ■ Get proof of concept and early wins 	<ul style="list-style-type: none"> ■ Gets credibility and energy ■ Gets customers to influence others ■ Profiles successes to bolster buy-in
8 Get People Working Together	Silos and partners start to support the concept and work jointly and actively	<ul style="list-style-type: none"> ■ Merge silos and include partners ■ Use best resources ■ Demonstrate gains all around ■ Showcase and celebrate victories 	<ul style="list-style-type: none"> ■ Turns motivation to commitment ■ Encourages familiarity and use of concepts ■ Develops new expertise and skills ■ Enhances customer experience and value
9 Get Critical Mass	There is compounding adoption as the concept becomes contagious	<ul style="list-style-type: none"> ■ Make genuine customer investments ■ Quantify customer benefits ■ Intensify marketing 	<ul style="list-style-type: none"> ■ Converts insiders and outsiders ■ Gets more partners/developers to join ■ Compounds enthusiasm and demand
10 Gather Momentum	Rewards begin to appear with visible success and a sustainable lead	<ul style="list-style-type: none"> ■ Regard customers as assets ■ Factor in intangible gains ■ Demonstrate progress and success ■ Leverage know-how to stay ahead 	<ul style="list-style-type: none"> ■ Makes new concept the new standard ■ Demonstrates connection between deep customer focus and performance ■ Reinforces deep customer focus ■ Attracts more investment allocation

enterprise to expand into new markets and geographic areas at low cost. That differs from traditional assets.

The investments that foster customer focus also differ in being expandable. The initial outlay for, say, technological infrastructure is only a baseline cost requiring occasional refreshment. Deep-customer-focus investments do not require the expense companies pour into upgrading or replacing capital assets such as buildings, stores, factories or oil rigs.

The result? Real potential for an exponential reward. With knowledge as the main ingredient in customer value, the enterprise can keep ahead of competitors. Thus, in the gather-momentum stage of the process, the key concern of executives should not be, "Do we own 'it'?" but rather, "Do we understand how to do 'it'?" and, "Are we using, reusing and updating our knowledge?"

The trick is to capture knowledge gleaned from behavior or encounters unique to an individual customer and then reuse it by consolidating the findings and transferring the relevant pieces to other customers. LexisNexis, for one, continuously observes customer behavior to track how users link information in their decision-making processes. The company then aggregates what it learns into new value for other customers.

Equally important is collecting knowledge gained in the field from internal colleagues to create best and future practices. Thus HSC seeks to understand in minute detail which region is getting the best results — which nurse is getting the best results with which patient, why and how? The best practices are then disseminated across the enterprise and constantly updated, allowing HSC to maintain its lead as the standard in the market.

Making Customer Focus Stick

No one would call becoming truly customer focused easy. But it is the only way to outpace others, both newcomers who appear out of nowhere to seize the limelight and new wealth and those incumbents who persist in using short-term tactics and strategies to compete. When an enterprise has made the breakthroughs and customer focus gets deep into its essence, the concept will take root in behavior and shape all subsequent innovative actions. (See "Deep Customer Focus Success Factors," p. 33.)

At that point, customer focus sticks and becomes a permanent imprint in the culture. Employees become programmed to creatively and constantly innovate to keep the enterprise indispensable to customers. Successes can be repeated, and enterprises can continue renewing themselves in their quest for profitable growth in futures they themselves may have to invent.

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5. A market space is defined as a desired customer outcome. It extends boundaries beyond core products and services but also frames the new competitive arena for the enterprise. See S. Vandermerwe, "New Competitive Spaces: Jointly Investing in New Customer Logic," *Columbia Journal of World Business* 31 (winter 1996): 80-102; and S. Vandermerwe, "Customer Capitalism: Getting Increasing Returns in New 'Market Spaces'" (London: Nicholas Brealey, 1999).

6. The customer-activity cycle has three phases: *pre*, *during* and *post*, and maps the entire experience needed to get a customer outcome. Each phase has subcycles, sub-subcycles, sub-sub-subcycles and so forth to get to the level of detail that uncovers the opportunities. See S. Vandermerwe, "Jumping Into the Customer's Activity Cycle: A New Role for Customer Services in the 1990s," *Columbia Journal of World Business* 28 (summer 1993): 46-66. For the experiences of corporations using the tool as they make the transformation from products to customers, see S. Vandermerwe, "The Eleventh Commandment: Transforming To 'Own' Customers" (London: John Wiley & Sons, 1996).

7. For an example of how scholars calculate the lifetime value of customers, see E. Ofek, "Customer Profitability and Lifetime Value," Harvard Business School case no. 9-503-019 (Boston: Harvard Business School Publishing, 2002); R. Rust, V. Zeithaml and K. Lemon, "Driving Customer Equity: How Customer Lifetime Value Is Reshaping Corporate Strategy" (New York: Free Press, 2000); and R.K. Srivastava, T.A. Shervani and L. Fahey, "Market-Based Assets and Shareholder Value: A Framework for Analysis," *Journal of Marketing* 62, no. 1 (1998): 2-18.

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