

Customer Experience and the Customer-Focused Organization

A Roundtable Overview

Roundtable
on Digital Strategies

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Thought Leadership Roundtable on Digital Strategies

*An executive roundtable series of the
Center for Digital Strategies at the Tuck School of Business*

The European Chapter convened for a discussion on emerging issues and new approaches to developing better customer visibility, data management, monetization and business leverage. This Roundtable on Digital Strategies was hosted by Nestlé in Vevey, Switzerland. CIOs were joined by business unit leaders and colleagues in sales and marketing to discuss challenges and best practices. Executives and academics from ABB, Air France KLM, BMW, BT Group, Hilti Corporation, Holcim, the International Institute for Management Development, Misys plc, Nestlé, and the Tuck School of Business at Dartmouth participated.

Key Insights Discussed in this Overview:

- Vastly expanded volume of data and greater numbers of access points now tilt the balance of power to your customers. Make sure they love you2, 8, 9, 10
- Customer-centric IT and data management are becoming a significant source of competitive advantage—just don't overdo "data capture" and alienate your sales force5, 7, 9, 13
- Nothing is the same now: Changes across customer, consumer and channel structures demand new approaches to data, systems, processes and organizations.....2, 9,12
- Customer intimacy and the comfort of "owning the customer" may protect your business from being thoroughly dissected. Or, maybe not.3, 6
- Intelligent management of the entire span of customer engagement channels is key to customer engagement, operating efficiency, and more-content customers.....4, 5, 10, 13
- Facebook by the dashboard light? Customer-centricity can generate significant product and delivery innovation, and even create entirely new categories5, 6, 8
- IT has a big role to play in repurchase rates, retention, loyalty programs, Net Promoter Score (NPS) programs and other sources of recurring revenue...unless your customers already tattoo your logo on their bodies!.....7
- Don't be irritated, just engage: Web 2.0 and social network platforms won't go away, but forthright and transparent responses to flammers really do pay off8, 9
- Are data quality, privacy and control keeping you up at night? Good11
- Ready for that 3 A.M. video conference? Customer-centric leadership is deeds, not words .12, 13

Customer-Centricity: The Center of Business Gravity

Hans Brechbühl of the Center for Digital Strategies at Tuck opened the Roundtable by setting the customer-focused organization in context.

“If you look at the history of business,” he said, “early on the power was with the person who could dig out the raw resources. That power has passed through steadily advancing manufacturing and services capability. And along the way, over time we’ve gotten to the point where it seems that much more power now resides with the end consumer than ever before.”

The day’s conversation would focus on how to generate a virtuous cycle out of this reality. Brechbühl offered three reasons for the shift of power toward end consumers over time:

- 1) The increase in information availability, which has dramatically changed what customers can do.
- 2) The emergence of global markets, with a significant effect on how enterprises of every kind must operate.
- 3) A deep and sustained focus in recent years on efficiency, on lowering costs, and on operational excellence.

“In the end,” he said, “one has to pull one’s source of differentiation and competitive advantage from someplace. And it appears to be pointing toward the customer, where the availability of unprecedented quantity and quality of information is creating an enormous opportunity.”

Emerging Competitors: Some Commoditize, Some Compete, Some Cheat

There was general agreement among the executives that emerging market customers are becoming increasingly key factors for future growth. And that the nature of both customers and competitors in these emerging markets is very different than in more mature markets.

Bruno Walt, Executive Vice President of Southern and Central Europe for Hilti Corporation, said “the big change in the customer platform that we see is that, first, influencers have a much more relevant role and power in demanding services. They specify what’s going to happen on their project sites. And second, globalization has led to construction activity which is about one third in Europe, one third in Asia, and about one third in the western hemisphere, North and South America.”

“So we’re not only maintaining and growing our core businesses in Europe, but especially focused on the emerging markets. We have specific strategic initiatives to grow disproportionately in these underrepresented, untapped markets.”

A different point of view was offered by Axel Kuhr, Head of Group Account Management and Group Senior Vice President at ABB. “Really, ‘how your customer base is changing’ isn’t our biggest challenge. Our challenge is what the competition is doing. In China right now there is tremendous local competition. And they are very fast. We discuss things twenty times up and

down, but the Chinese, they just go. And this is where we have the problem right now. The growth in China is causing us some kind of headache. The point is, how do we position us against this aggressive, upcoming competition?”

Hilti’s Walt responded, “We have an absolutely 180-degree different view on this. We know what the competition is doing. But as long as you own the customer, that’s where your strength is coming from. So we try to watch and understand, we look in detail, we have radar organizations in our strategic development department where we track what they do. We focus on being the best partner for our customers.”

Do We “Own” the Customer? Or the Other Way Around?

Kuhr of ABB answered, “I think for many of us, emerging markets are a challenge because we don’t own the customers as much. Many of the competitors have a different view of business ethics generally. If they decide to do business according to their own rules, they do it. Those are rules that we do not want to follow and we are not allowed to follow either.”

In the game of growth, however, it was generally understood that whatever the means undertaken by competitors to secure customers in all-important emerging markets, their end results were notable.

Al-Noor Ramji, Executive Vice President and General Manager, Banking for Misys plc (and until recently CIO of BT Group and CEO of BT Design), noted that emerging market players “are very market share-oriented”, with a very different understanding of what acceptable growth is. He called to mind a mold-breaking example in telecommunications. “Perhaps six or seven years ago,” he said, “there was no Reliance Telecom. They were at zero. There was no knowledge of telecommunications in that group.”

“But look at them now,” he marveled. “They are number one in India. Out of nowhere. And along the way, they have completely changed the price structure of mobile phone calls in India. They price per second. Nowhere else in the world are you priced per second. Why do they do that? Because they do what the customer wants.”

Ramji didn’t see Reliance as setting out to “own” telecom customers in emerging markets, per se. “They were just buying cheap goods,” he said. “They’re basic traders. Buy low, sell high. We’ve forgotten that. We debate this complicated stuff about strategy, but they just buy cheap stuff and sell it. They buy cheap and sell high. With Reliance, now everybody buys it because of the price. Nobody wanted, you could argue, a very low-cost telecom service. But here they are.”

Haider Rashid, Group Senior VP and CIO for ABB, offered a countervailing example. “In the chemical industry, the Germans invented the reactive dyes. When the competition started from Japan and from China, the reaction was, ‘We have to own the customers.’ So the German dyes industry invested very heavily in training customers, teaching them how to use dyes better, all of that sort—and they owned the customer.”

“But within the space of five years, the customers took all the advice from the Germans and then bought the dyes from Korea. Today there’s no German dyes industry any more. They really will dissect you. In the industrial market, customer intimacy is no defense at all.”

“In terms of who owns the customer,” said Ramji, “we used to debate that quite a bit in BT. Because initially every marketing/sales guy leaps up and says, “Me.” If you say, “The following incident happened and it’s all gone wrong, who do I blame for this?” Then one way or another they find a way to blame the system, blame the CIO. But it actually was a good thing that they blame us because there is really nobody else that cuts across all the functions. The CIO, like it or not, tends to be in that role.”

Assistant VP for Business Excellence, Marketing and Sales at Nestlé, Greg Hicklin countered, “all right, I look at it a bit differently. If I’m a consumer and this is my brand, who do I complain to when the cap doesn’t work or the water tastes bad or I don’t like the way you’re handling the plastic in the environment? If it’s the consumer engagement I think it has to be the brand manager. The brand manager owns the relationship with the consumer.”

“Whether he’s got a multi-function team that supports him or whether he’s able to engage the resources on the back end,” Hicklin continued, “he has to have enough commitment from his organization to be able to actually own the customer and own the customer problem or opportunity.”

Edouard Odier, CIO and EVP, IT of Air France / KLM added, “The definition of who owns the customer has to be the person who feels responsible for answering to the customer’s interests, priorities and complaints. He who answers the complaints owns the customer.”

Different Customers, Distinct Channels

The conversation turned from the premise of customer ownership, to varying means of influence.

Hilti’s Walt asked, “Do they use the salesman, which is very expensive, or do they use internet? Do they use the phone, customer service? We have found that the most loyal customers use all channels. So we’ve started focusing on developing all channels, and a mix of channel usage with our customers, by really having specific incentives for them to switch from the direct consulting channel which is the salesman, to the repetitive business channel which is ideally the internet for us, or our shops. It’s a very, very important to meet them where they are.”

Hicklin of Nestlé agreed. “We separate customer and consumer. There are customers we have to manage through, who service our ultimate end consumers. And we have so many different kinds of routes to market to get to the end consumer.”

He continued, “For an espresso consumer who never goes to a retail shop, we talk to her on the phone one-on-one, and send her product via the mail or the post. In emerging markets, for the first time in history, Central West Africa is in the top ten. That’s remarkable. And our challenge is how we serve this consumer that is entirely different. They can’t buy the packets you and I would see in the supermarket. So when we sell to them, we sell off tricycles and bicycles and in little kiosks.

Once we understand the consumer, then we can do a better job saying, “What’s the route to market? Is it a retailer, a distributor? Do we need a new channel?”

“In Brazil, we have about 5,000 women who go into the favellas, the slums, with little pushcarts. The local crime of the favella won’t let organized business in, but they’re quite comfortable allowing one of their own to push a pushcart up and down the street to sell. There is no generic consumer. Consumers are very local.”

Haider Rashid, Group Senior VP and CIO for ABB, spoke to the breadth of orientations in the group assembled when he said, “I think what we see is this wonderful diversity because we are such diverse companies. We in ABB that sells one project for \$400 million, and you sell one sachet for a few cents. So what we call the customer is totally different.”

Consumer-driven IT Reflects Core Competence

Accordingly, much of the Roundtable’s focus was on different models of customer engagement—and how IT can exploit the firm’s core competence and distinct value proposition from a customer perspective.

Martin Koschat, Professor of Marketing at the International Institute for Management Development (IMD), offered specific examples. “One way to look at customers,” he said, “is based on the amount of customer engagement. And I think this has implications for what IT can do, or should do.”

“ALDI is a company with low customer engagement that has very little IT behind it. And then at the upper end, there are any number of companies. Oreck is a company we have studied extensively, with extremely high levels of customer engagement and technology to support that level of customer engagement. Either model can work.”

Ramji of Misys plc answered, “Which company makes more money? At the end of the day, if you’re not making money, this is a redundant discussion. You guys are successful because you know your customer. If you build a product and you’ve spent a lot of money and they don’t come, you get into trouble. How fast do you adapt to customer behaviors? That determines, I think, the degree with which you need to interact with customers.”

Hilti’s Walt agreed, saying “That, in the end, is the decisive factor. You have to match the customer needs with an understanding of the competencies of your company—which is a fundamental strategic question.”

How Customer Insight Generates Innovation

There was general agreement among the executives that customer focus has to be the source of innovation and market success.

“On the consumer side,” Nestlé’s Hicklin noted, “each of our brands does an enormous amount of insight work to try and understand what the consumer wants. Sometimes the consumers don’t know

what they want, but if you spend a lot of time understanding their needs, that can change an entire category. Coffee is a good example for us. If we go back 15 years, Nestlé was only about what you bought in a jar. Portion coffee today is the most profitable segment of the entire category, and that took a dozen years to invent. There was a whole bunch of science around it, but now the consumer has become very used to paying much more per cup than for what you get out of the jar.”

Koschat of IMD called out Apple as a world-class example of innovation driven by customer insight. “Apple is a \$33 billion company,” he said, “and of those \$33 billion, about a third comes from direct engagement. The \$6.5 billion in revenues they make in their stores becomes pivotal to their understanding of their customers.”

The difficulty of translating insight into innovation in more capital-intensive industries was noted by BMW Senior VP and CIO Karl Probst. “We have a real ongoing discussion within BMW,” he said, “about whether we go for more volume, or less volume and higher prices. If you start to build a car, it takes about six years until this car is on the road. So rapid prototyping isn’t easy.”

Stefan Wolfensberger, Head of Commercial Services for Holcim, said “Japanese automotive managers went to the US, to live with American families. Three to five kids, the father plays golf, and so on. They went in to anticipate what the ideal car for an American family is. And what came out was the van, with lots of space for the dog in the back and for the golf bag. I think that’s an important aspect—how to anticipate needs?”

Odier of Air France / KLM added, “When the mobile phone was invented, it did not come from people who understood the need. Louis the XIVth never requested a phone, because he couldn’t know it would exist. But if I’d proposed it to him, he’d have said, ‘I want to have it now.’”

Intimacy out of the Box

The business and IT leaders had some lively exchange about the basis for developing real customer intimacy.

Bruno Villette, Head of the Business Technology Centre for IS/IT Nestlé, said, “Every little touch point between the product and the consumer has to be an experience in itself. The customer focus is at the center. When they open a box of Nestlé chocolate, with the first bit of paper they open up, they’ll hear the nice ‘kwips’ sound. And the first thing they should think about is, “Oh, it’s fresh.”

Said ABB’s Rashid, “I think the media gets a little bit into this touchy-feely sort of thing, about how you have to closely relate to each and every single customer. And I think this is where people say we need to be customer-focused, you need to have customer relationships. Ten years ago, it was really all about market analysis. You needed to understand what would work in a market and how to be successful in that market. To do that, you don’t necessarily have to have a relationship with each and every customer in that market.”

“We should always separate,” he counseled, “the market and market analysis and market understanding from things like customer loyalty, customer focus, customer interaction. These are entirely different dimensions.”

Is Loyalty a Function of Intimacy...or Better Data?

The group of executives—keenly aware of the business value (and higher margins) associated with recurring revenue—seemed intently interested in loyalty programs.

Koschat of IMD said, “The loyalty programs are an IT solution for doing a precise job of generating customer loyalty. You give the consumer a financial incentive to come back to you, and nobody else. So what have all of you here observed to be working?”

BMW’s Probst had data on the results of an effective program by Lufthansa. “They established a loyalty program, black cards they issued a few years ago for the top priority customers,” he said. “Everybody wants to have one, because it’s a prestige thing. And with those cards, Lufthansa increased their top customer segment 30 percent per year for the third year now. That represents some real money.”

“I once got once a letter from them myself,” he said, “saying ‘Mr. Probst, if you fly in the next six weeks twice to America, you get 50,000 points extra.’ I threw it away. But it happened that I had to fly within four weeks twice to America. So I called Lufthansa, telling them I threw the letter away... They had all my data, with just the right incentives geared precisely to my behavior. They use the customer data very cleverly. It’s great. They are just using the data they have anyway.”

The application of third-party data in pursuit of high Net Promoter Score (NPS) customers was of distinct interest. Wolfensberger of Holcim said “We measure loyalty biannually, per country. We use AC Nielsen data to measure the brand equity, and we assess NPS based on the question, ‘Will you recommend Holcim to a friend?’ You can measure and manage NPS score by transaction, every action. We really want to drive our companies to work much more on customer loyalty.”

Rashid of ABB asked the group, “Do you know the company which has the highest NPS worldwide? It’s Harley Davidson. Ninety percent of their customers would recommend Harley to a friend.”

Prof. Eric Johnson of the Tuck School of Business at Dartmouth augmented, “I once heard their CEO talk about this. He was arguing that their customers are way up at the top of the pyramid, way up at the fanatic level. ‘We love our customers,’ he said, ‘because they tattoo our logo on their body.’ Once you’ve done that the switching costs are really high!”

Walt of Hilti considered a less tangible assessment. “We measure loyalty in a very simple way,” he said—“how frequently the customer is repurchasing. If it’s at least every two months, he’s loyal. Based on our knowledge of our one million customers, 990,000 are small guys that do kitchens or similar small projects. So it takes them on average two months to work on the project. We aim to be with them for the next one, as they take on supplies.”

There were even examples where the products themselves become rich sources of customer data.

“We know every car by SIM card, even by IP address, so we can build up a connection and stream of information from the car immediately,” indicated BMW’s Probst. “What kind of driver is he—a speed guy or a more comfortable guy? Where is he going? In our cars you can press a button and

say, “I need a hotel,” and a voice will say, ‘Axel, good afternoon. Since you’re in Geneva I could recommend this hotel.’ Most of our customers even have a credit card from our bank. Which means being careful about how much data we use, directly or by permission. It’s my sense that a lot of customers will say, ‘Yes, you’re allowed to use it’ because they get direct advantages. So we are building up a new kind of database.”

The Web 2.0 Customer

The services industries seemed as focused as many product companies on attaining new levels of customer engagement enabled by technology. Odier of Air France KLM said, “We created an experiment by building a sister network we called ‘Blue Unity,’ with links for frequent flyers in that database where they can share their travel experience with others.”

“You can share things with passenger you will take the same flight as you,” he said. “You might decide to share a taxi with another passenger or more. We launched this two months ago. And I think in almost any industry, you can have this kind of social network where, under your umbrella, you let your customers discuss what matters to them together.”

BMW’s Probst agreed. “At a recent innovation fair we hosted, a young man from Nanonations stood on stage and said, “Hey look, guys, if I want to have a car, of course it must be cool. But the real important thing is, if I enter my car, I switch it on, and there should be a screen—because I’m active on Facebook, everybody knows what I’m planning to do this evening—so on the screen there should be a map, where all my buddies who are planning to do the same this evening must be displayed. And anybody who’s within two miles, that’s my buddy for tonight.”

“There was a time,” Probst added, “when people were attracted to cars based on their horsepower and design. In the future they’ll be looking for a seamless connection between office and private living. So we have to adjust our customer data—because the earlier set of customer data we had, which allowed us to optimize our business before, won’t be the data we need for the future.”

There was a clear consensus that—managed well—social networks have become an indispensable (if at times challenging) source of customer intimacy.

Hicklin of Nestlé explained, we had an interesting case a couple of weeks ago, where an Espresso consumer in the UK was complaining on Facebook about how her two machines didn’t work. We were able to take the Facebook response and marry it up with the CRM solution. So within a half a day, the consumer got a telephone call. ‘We understand you’ve got a problem with your Nespresso machines,’ we said. ‘Can we send you a temporary one while the two machines are being fixed?’” “And then for the next week,” Hicklin continued, “she couldn’t say enough nice things on Facebook about how this big multi-national company was actually responding to her. ‘They listened,’ she said. But it’s only through being able to take all of these touch points and bring them into a database, that we could even begin to do it.”

Where negative or hostile messaging on social networks is concerned, Ramji of Misys plc agreed, “The key is to get the original guy to Tweet or message back when you set things right. A human has to step in and say, ‘Oh, I’d better tell everybody of the good outcome.’ You can’t respond

automatically. But you can detect automatically. And only the original guy is believed. So the trick there is to get the complainer to put up a new message about the positive outcome.”

IT and Web 2.0 Governance: Are You Still in Charge?

Nestlé’s Hicklin expressed the challenge of governance with boundary-less social networks this way: “Somehow our IT world is learning how to bring all this stuff together, so we can put search engines or Web trends kinds of tools on top of these various sources, to help the business figure out what’s out there.”

“And that’s becoming a real challenge for us,” he said, “because our IT environment is resisting wanting to put some of these social media environments into our environment. We don’t want our brand managers playing with Facebook or Twitter or whatever. There’s concern that it will create risks to security, or the stability of our systems. But the fact is, these social networks are becoming so entwined in the brand. We have to figure out way to bring them into the IT world.”

Kuhr of ABB concurred. “If we don’t start to manage this actively,” he said, “even if it is done in all good faith, you have no control over it.”

Tuck’s Johnson said, “This story is consistent. In fact, we just finished a case on Dell, where early on they tried to take down some negative postings. It was like dumping gasoline on a fire. Huge uproar. It’s certainly a best practice, pretty well understood now, that you don’t take negative things down. Because it almost always blows up.”

But the group generally agreed that by taking a transparent and consistent approach, the energy and exchange on social networks can be enlisted to positive effect.

Brechbühl of Tuck said, “I remember hearing a story from the head of communications for IBM, John Iwata, a couple years back. There’d been a rumor of a big layoff at IBM, many tens of thousands. This rumor got out there, and started propagating. It happened to be on a blog. The response by people from within IBM buried that erroneous blog posting, far outstripping anything that he could have possibly said or done. The public hearing directly from the employees was such an incredible benefit, and turned the rumor into a non-issue inside of 30 minutes.”

Some of the executives even had examples where Web 2.0 customers are becoming more useful to each other than any customer service operation. Said Ramji of Misys plc, “A help desk of customers helping each other is very powerful. The IT community starts this up naturally. And they love it, because one customer’s IT guy answers another customer’s IT guy. They don’t complain about BT any more, they start talking about real problem-solving.”

Challenges and Best Practices in Customer Data Usage and Management

With so many touch points and interactions with prospects and customers, the members of the Roundtable were asked how they ensure that their organizations are improving and getting smarter

with every customer interaction. The ensuing discussion covered a range of fronts—from sales and service, to data quality, privacy and regulation.

Sales

Walt of Hilti noted that customer data drives every aspect of their sales operation. “Based on our understanding of the customer universe,” he said, “we design sales areas. Sales regions optimized for engagement and productivity. That in itself is a huge value creator. A territory should have so much sales potential, and based on the detailed knowledge of the construction industry, the companies, where they are, what they do, we design the territories in a much more clever way today than we ever could before. So that’s the first big value step.”

“Then,” he continued, “the organization within the assigned territories is in a better position to help our salesmen set priorities based on the business they can do. They then take the potential sales potential information, the actual history of customers in that territory, prior buying behavior, their product program—and then they can see the gaps, where the best potential is to add business.”

Service

The service side of the equation was widely acknowledged to be more challenging. Ramji of Misys plc said, “I once made the top 70 people in BT go to our call center. They saw how often the calls were complaints, not sales—simply because customers were upset with us. Often for simple things, like delivering a mobile phone with the SIM card. For anyone from overseas who’s used to getting the card in a separate mailing for security reasons, there’s a risk of throwing away the SIM card and waiting for a second mailing. You’d think if we can put them in the same box, we could insert them in the phone, ready for the customer. So customers accidentally throw away the SIM card. And the catch is, you cannot buy a SIM card separately. Too many calls are like that.”

“The call center guys don’t want to be out of work, so they never told us any of this. I spent years analyzing things, speeding up my systems, tuning GUIs, getting the call center to work faster, reducing call ending times. And after three hours of observation, I thought, “Oh, heck. If I’d just done this simple thing.” But that’s the power of direct observation.”

“We spend in excess of £100 million a year on systems development every year,” he said. “What we forget is that these guys are paid \$10.00 an hour. They change jobs twice twice a year. So the technology has a crucially important role, to carry knowledge forward.”

How IT can carry information threads forward uninterrupted, particularly in services, was an area of keen interest. As CIO Martin Petry of Hilti Corporation put it, “When a customer has a demo of a new application, for example, and then calls customer service, customer service should know which demo they saw, and be able refer to it directly—and certainly not explain the same application again. Otherwise the customer thinks, ‘this is a complete waste of time,’ and you generate the opposite of intimacy and recurring revenue.”

“Information sharing across channels in the multi-channel environment,” Petry said, “is absolutely key from our point-of-view.”

Data Quality

Hilti's Petry underscored a theme the executives felt crossed every facet of IT and customer-centricity, saying "Another critical challenge for us is data quality. Data quality needs to be very good. Because otherwise, that fragile step changing from prospect to customer to recurring revenue source is basically stopped cold by bad data. Lack of quality data can kill credibility immediately."

Hicklin of Nestlé summed up the data quality conundrum this way: "If it doesn't help them do their jobs, they're not going to do it. We often focus on what we want the sales person to do, and wind up creating something that works for somebody else in the company but not for the sales person."

Ramji of Misys plc concurred, saying "If I find myself doing it, and realize it's only useful to you, sooner or later I'm not going to put it in, no matter how much discipline there is."

"I've seen the design of a database," said Air France KLM's Odier, "which was created by young guys and ladies coming from university with nice degrees in marketing. They feel they will better understand the customer by crunching a million data elements. Maybe in universities they should be more taught about the difficulty of *acquiring* data."

Holcim's Wolfensberger endorsed lower-cost approaches. "Our CRM solutions get data from different sources," he said, "mainly planning and building permits. We'll get alerts for a given territory, that there might be a school or an office building going up. And very often, we know it before the contractor knows it. So we help them to acquire that business hoping, of course, that ultimately he will give us the contract for the supply of cement or concrete or whatever it is."

Data Privacy, Regulation and Control

The emergence of cloud computing and social networks, for all of their utility and potential for customer intimacy, has clearly brought new challenges from a data management standpoint.

Said Urs Bleisch, Senior VP and CIO at Holcim, "I have two binders of signed contracts, to see to it that as a company we handle data legally. You have to ask your customer to please sign an agreement that they understand where their data is. And they say, 'Are you kidding?' And then the sales reps say, 'Because of those IT guys, we're losing customers now.'"

For Ramji and BT, "It's a big issue, because the whole point of a cloud was not to know where the data was. But it's a huge job now, to figure out data control. If you don't have the customer approval on file, in the event of a disaster recovery, we may not know where the data is for a few hours. Now, nobody's sued anybody yet, so nothing's happened—but it's already in our plans that we have to handle this. The law doesn't distinguish, unfortunately, between what you intend and what really is. In Singapore, Germany and the U.K., those three countries can put you in jail if you do anything wrong."

Odier of Air France KLM agreed. "Probably all corporations are not cautious enough," he said. "Awareness of compliance is not really enough today." But Odier took the privacy issue beyond

that of compliance, to the effect it has on the end customer—and whether in fact it’s possible to have too much of a good thing, where customer-centricity is concerned.

“You have to be very conscious about the way your employees use it,” he said. “If you go too far, and know too much—even if the customer is being served with that knowledge—the customer may not like it.” Bleisch of Holcim concurred, with a story about CRM being overdone. “On a customer visit, a rep learns that the guy had just broken his leg. And entered it into the system. While, by the time the third rep from that company is asking the guy, months later, ‘How’s your leg?’—somebody he’s never met before—he’s got to start wondering, ‘What else do these people know about me?’”

The Customer-Centric Culture and Organization

In an environment where the sheer volume and practical application of customer data has been expanding by the year, Johnson of the Tuck School noted that “the interesting thing is how much opportunity we have to define the organizational basis for applying that data. We’ve had a lot of data, and not a lot of organization to intelligently apply it.”

Tuck’s Brechbühl returned to this theme later in the discussion. “What organizational changes would enable us to be more customer focused, develop better relationships with customers?”

“Your organization has to be in line with your customer segmentation and your channels strategy,” offered Air France / KLM’s Odier. “Ultimately, whether you have a brick-and-mortar travel agent, an independent travel agent, a call-center travel agent, a web-based travel agent, you have to have an organization that reflects and supports your customer base.”

Hicklin of Nestlé agreed that structure matters. “The first issue has to do with our traditional functional structures. Functions build KPIs; they build organizations that don’t always align with other functions. And if your organization is trying to be customer-centric, then I think the structures sometimes get in the way. They can make it harder to cross the bounds of functions to ask, ‘how do we win with customers?’”

“The second issue,” he continued, “is around measurement and KPIs, and the rewards we deploy inside those functions. So if a customer call center watches KPIs on the number of calls per day, you might not be very customer-centric. That’s one of those productivity measures that has nothing to do with adding value to the customer. We have a CEO who’s really passionate about our customer-centricity, but it’s surprising how often we get into internal debates over whose KPI is more important than whose.”

There was a clear consensus that customer-centricity can be led from the top. “At BT,” said Ramji, “the CEO does actually respond. And initially the volume was so high we were tempted to outsource it, but 20 of us did it internally. If you anticipate, if you proactively do it, you actually win instead of losing.”

Rashid of ABB agreed. “It’s not just what they say. It’s what they do. We are a major account for IBM, and last year they had their account meeting at our headquarters. The executive sponsor [of

ABB] from IBM was up and was in the office at 3:00 in the morning on the video conference, listening to the ABB people making the presentation. It's really not just what they say, it's how they behave. It sends a strong message."

ABB's Kuhr said, "Our CEO sets a very good example here. In his first year I actually counted the hours and days he spent on customers, and it was considerable. He was jumping on planes and investing huge segments of his calendar to time with customers. He'd say, 'This is important to me.' And he'd come back and tell us, 'I visited, and I heard this and found that, I'm concerned about this and I'm impressed with that.' And the messages really got through."

BMW has another way of walking the talk, according to Probst. "Every two weeks we invite one regional manager to come to us on Monday. We just listen to them for one hour. Three levels below us, and they're invited to just tell their story. What hinders us from doing a good job, what does the customer say about us, what our problems are and what to do differently. It's a sign about how we want people to behave."

Petry of Hilti pointed to a different outcome, where customer focus there is now supported by information technology in ways that a strong internal culture previously hadn't. "It used to be," he said, "that somebody with 30 years of experience on the job made inventory decisions," he said.

"But we put in place a system to make those inventory decisions which, ultimately, demonstrably performed better than subject matter experts who had been on the job for decades. While the outcome may have served customers more effectively," he said, "it was extremely difficult to find acceptance for these solutions, because people were challenged. They were threatened in what they did—and as it turned out, rightfully so."

Customer-Centric IT Means Customer First

These executives shared substantial optimism that evolving IT innovations and practices will continue to enable a better customer experience, greater customer visibility and intimacy, and more effective execution across their firms.

Hicklin of Nestlé reflected that sense of optimism, as well as the commitment needed, when he said "It's been a long road the last ten years. For the first three years, our efforts were still seen as an IT project. Not a business project. And then in the last seven years we've been hammering away, but it's now clear that it's fundamentally changing the whole business model."

Hilti's Walt summed it up, "We'll continue to make a conscious effort to ensure that the interface where Hilti meets the customer is a truly excellent experience for the customer. In part, that means making sure we don't overdo it—with what our accountants want to know, what our marketing people want to know, what our IT people want to know. Every touch-point in that interface needs to be for the customer, first."

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