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# Customer - Centricity 3.0

By Brad Meehan, Dan Musson & Campbell Packer



The business world is evolving at a frantic pace.

Billion-dollar companies are being created over years, not decades, and long-standing brands are making way for new innovative offerings that recognise and meet fast-changing customer needs.

To compete effectively, a deep understanding of customer motivations, needs and trends is a must, along with the ability to respond and adjust to changes, both effectively and efficiently.

Unsurprisingly, there has been a rise in the number of organisations who promote a strategic focus on being customer-centric. However, we believe this is still one of the least understood business strategies, with many organisations still displaying relatively low levels of maturity.

This paper outlines the evolution of customer-centricity, providing a framework for organisations to consider their current level of maturity and to identify where enhancement is needed to progress. Perhaps, more importantly, we also offer a clear definition of customer-centricity and explain how it offers the often-missed opportunity to create differentiation and measurable value, while decreasing strategic risk.



Most organisations have recognised that if you are going to orientate your business around something, the customers who drive your revenue and/or help you achieve strategic goals is probably an obvious choice. The term customer-centricity, though, is generally over-used and not well understood.

There is certainly strong evidence for a relationship between the customer experience an organisation delivers, satisfaction/advocacy and value creation. Gupta and Zeithaml present strong evidence for this in their 2006 meta-study (see following table).

**Gupta and Zeithaml:** *Customer and Their Impact on Financial Performance*  
Marketing Science 25(6), pp. 718-739, © 2006 INFORMS

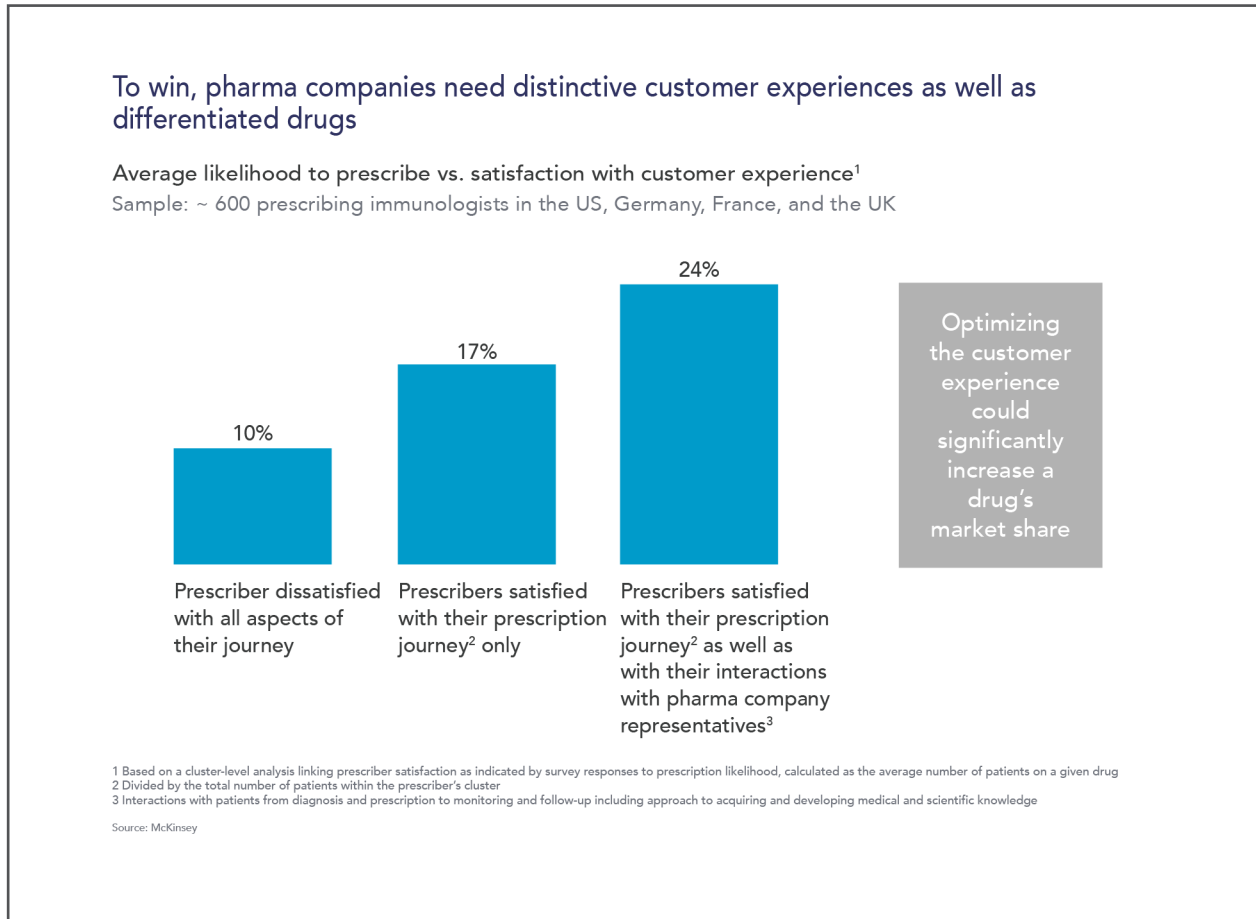
**Table 1** Impact of Unobservable Metrics on Firms' Financial Performance

Study	Data	Results
Anderson et al. (2004)	200 Fortune 500 firms in 40 industries during 1994-97 with ACSI, 1-100 scale	1% change in ACSI → 1.016% change in Tobin's q or \$275 million in firm value.
Iltner and Larcker (1998)	140 firms and ACSI index	One unit increase in ACSI → \$240 million increase in market value.
Gruca and Rego (2005)	ACSI and Compustat data from 1994-2002 for 105 firms in 23 industries	One point increase in ACSI → \$55 million increase in cash flow in the next year and 4% reduction in variability.
Anderson and Mittal (2000)	125 firms and SCSB	1% increase in satisfaction → 2.37% increase in ROI. 1% drop in satisfaction → 5.08% drop in ROI.
Anderson et al. (1997)	Swedish data for 1989-92	Satisfaction elasticity for ROI = 0.14-0.27
Anderson et al. (1994)	Swedish data 77 firms	One point increase in SCSB → 11% of current ROI or \$94 million. Short-run elasticity of ROI with respect to quality = 0.196.
Hallowell (1996)	1 retail bank, 59 divisions 12,000 retail banking customers satisfaction measured on 1-7 scale	One point change in satisfaction → 0.59% point change in ROA
Nayyar (1995)	106 firms from 68 industries for 1981-91	Increase in customer service → 0.46% average CAR. Decrease in customer service → -0.22% CAR.
Rucci et al. (1998)	Sears 1994-95	4% increase in satisfaction → \$200 million in additional revenue or \$250 million in market cap.
Nelson et al. (1992)	51 general hospitals, each with a sample of 300 patients	Service quality explains 17% - 27% of variation in financial performance of hospitals.
Rust et al. (1995)	7,882 responses over one year from a national hotel chain customers	44.6% projected return on quality.
Aaker and Jacobson (1994)	34 firms and 1,000-2,000 customer surveys over four years	Quality perceptions → stock returns.

Bain & Co also completed significant research in this area to validate their Net Promoter Score methodology, linking advocacy to growth and other value accretive outcomes.

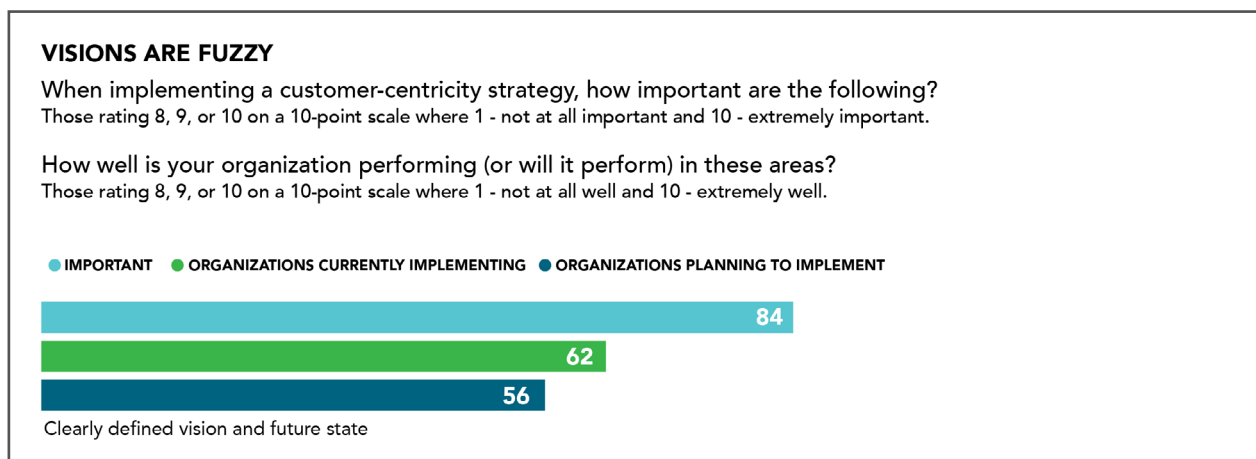


There has also been extensive research into almost every sector that links customer experience with commercial value creation. The following McKinsey study involved thousands of physicians to understand how the experience that surrounds a particular medication impacts prescription growth:



While the factors that drive satisfaction or advocacy vary across sectors, there is no doubt the holistic experience that an organisation delivers to its customers has an impact on their behaviour. But trying to improve or manage the customer experience and striving to become customer-centric are two different things.

In 2015, Strativity completed a research study in conjunction with Harvard Business Review involving over 300 senior executives from mid to large size organisations. At the time, 84% agreed that having a clear vision for their customer-centric strategy was important but only 56% were leveraging or implementing a customer-centric strategy at the time. This significant gap between intent and action was concerning.



Between 2014 and 2021 Strativity also conducted research with over 647 companies globally to understand current levels of customer-centricity across a five-dimensional model (using 25 individual questions). We recently examined the differences between the 2014 to 2017 and 2018 to 2021 cohorts and found that overall levels of customer-centricity had actually decreased as noted in the table below.

	Customer	Employee	Strategy	Measurement	Organization	Total Score
2014-2017	5.0	5.1	5.1	5.0	5.4	5.1
2018-2021	4.4	4.9	4.5	4.4	5.2	4.7
Difference	-0.6	-0.2	-0.6	-0.6	-0.3	-0.5

Our consulting experience in working with over 700 organisations across 40+ countries for two decades, coupled with multiple research studies, leads us to the conclusion that there is still more talk than walk when it comes to customer-centricity for most organisations.

At present, we would suggest that over 90% of firms in developed economies have customer-centricity or customer experience as a key strategic pillar. However, when we scratch beneath the surface, as we are often paid to do, we regularly find that many leadership teams think that promoting customer-centricity and being customer-centric are one in the same.

When we spoke to CEOs and Senior Executives fifteen years ago about the value of building a customer-centric organisation, it was a bridge too far for most. While we still believed in the value in doing this, we quickly adjusted our language to focus on the more immediate and easier to measure value that could be captured through delivering better experiences and engagement (and we proved this with many an economic model that linked experience elements to satisfaction or advocacy and then with value accretive behaviour). We believe now, though, that the time has come, and many CEOs and Senior Executives are ready for this conversation.

At this stage, it is important to define customer-centricity. This is something that few organisations do, which may contribute to the problem of achieving it. Here is our definition:

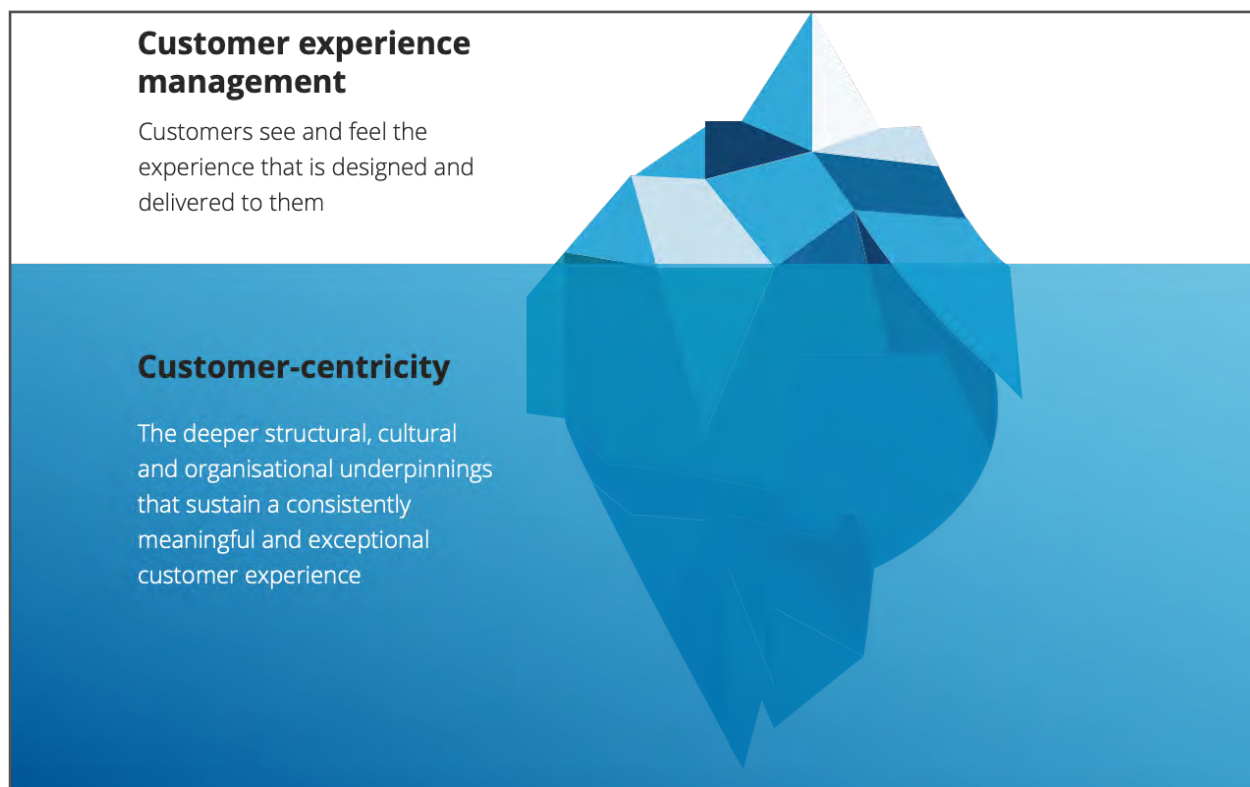
**An organisational focus or orientation that leverages a deep understanding of customer motivations, beliefs, needs, preferences, goals, challenges and differences to inform business decisions, engagement approaches, operations, practices, policies and behaviours.**

A shorter definition may be:

**An organisational focus on customer understanding to inform our strategy, decisions and actions.**

Either way, customer-centricity is not about giving every customer more for less, or about doing everything a customer wants. Likewise, it's different to customer experience management which is focused on the intentional design, delivery, measurement and enhancement of the actual experience a customer receives. Of course, the two are related, and being customer-centric certainly helps an organisation to deliver better customer experiences.

The diagram below illustrates the point. The tip of the iceberg that is seen may represent customer experience management, while the deeper, significantly larger but harder to see part, is the customer-centricity of an organisation, which effectively underpins and sustains all aspects of the customer experience.



There is an inclination, of course, to focus on the front stage aspect of customer experience improvement or innovation. What a lot of leaders don't realise, however, is that every decision an organisation makes eventually come together to deliver the experience their customers have. It is worth reflecting on this for a moment, as it can profoundly impact how an organisation approaches experience improvement.

Deep in the bowels of an organisation, in the practices, policies, procedures, decision making and behaviour, there is usually a dominant orientation. We would suggest more common than a customer orientation is a process, product, compliance or risk orientation. And these orientations are often responsible for diminishing the experience that an organisation delivers.

To quote one of our clients – the Group CEO of a leading, multi-brand, billion-dollar retail company in Australia,

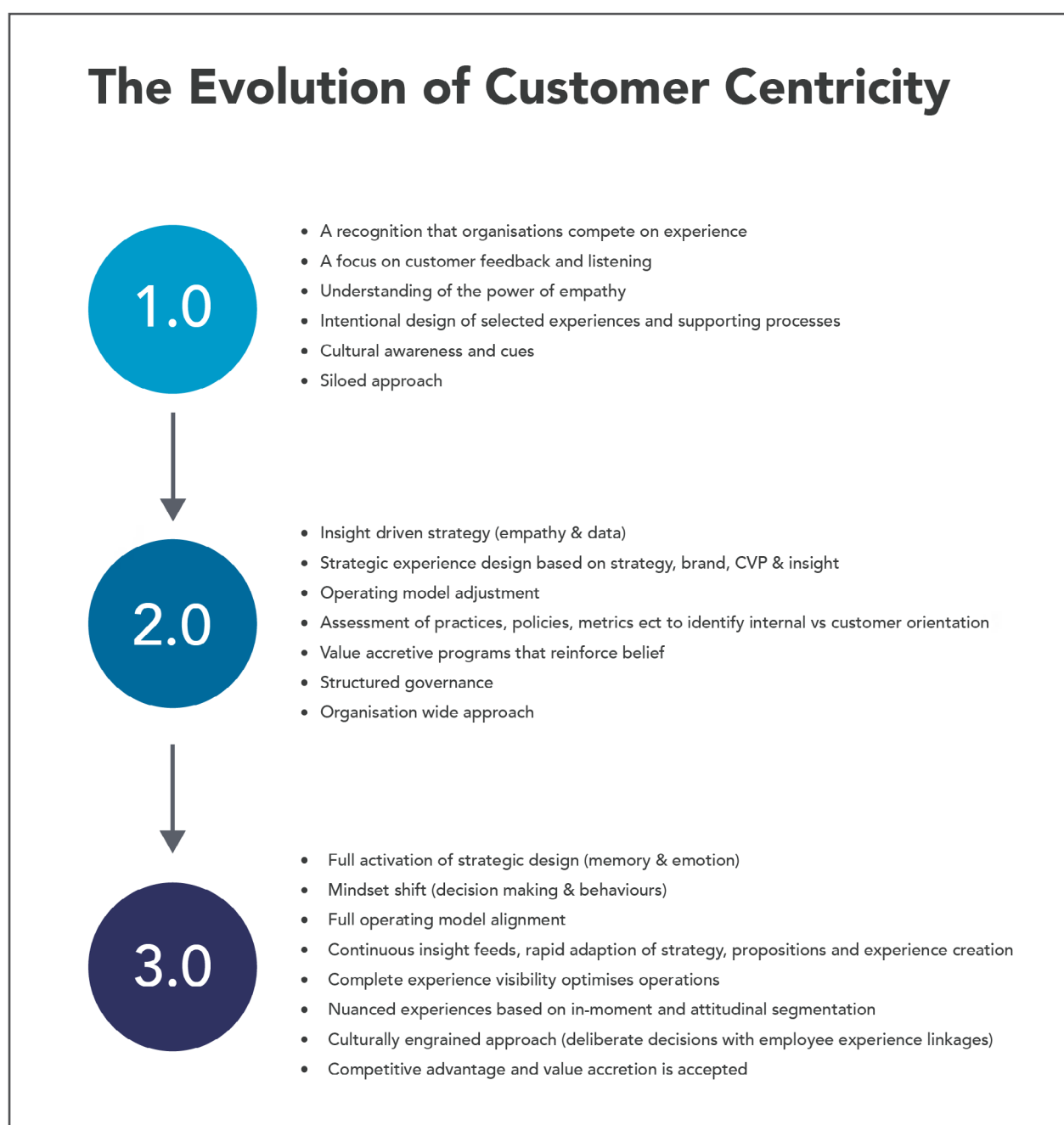


**I have thought this through. We have competitors coming from every angle who can often deliver a similar range faster and at lower cost. The only way to win is through having unrivaled intimacy with customers. If we know them better, and every part of our business is focused on engaging them in the right way to deliver holistic value beyond products, price and transactional service, we will build strong connection and we will have a competitive advantage.**

This is certainly enlightened thinking, and our starting point was not mapping the current experience or designing what it should be, but rather assessing customer-centricity across the business to identify internal opportunities for enhancement. This was then followed by experience improvement and innovation. Helping to align organisational thinking and capability with deliberately designed experiences saw an 11% jump in NPS over 18 months and more than \$30M worth of additional profit.

There has been a quiet evolution in customer-centricity over the last decade or so but only a few organisations are at the more mature level that we call Customer-Centricity 3.0.

The below graphic illustrates 3 stages of maturity.





## Customer - Centricity 1.0

If we jump back 10 to 15 years, organisations began to awaken to the fact that they needed to balance internal orientation with a deliberate external or customer orientation.

There was a recognition that organisations do compete on experience, and it is not just about product, price, distribution, and other specific elements of the service offerings, but there is a holistic experience that comes into play. And that it is an opportunity for competitive advantage if it is done right.

Listening and customer feedback became a focus, with many organisations putting in place Voice of Customer (VOC) programs and in essence transitioning from annual or bi-annual surveys to more dynamic and frequent insight capture and feedback loops.

There was an understanding of the power of empathy. To really understand customers at a

deep and human level, so propositions and experiences that provide value can start to be designed, tapping knowledge to drive innovation.

Leaders began to intentionally design selected experiences and processes using human centred methodologies. Organisations were more intentional about what they wanted to deliver, and they started to think a little about the way frontstage and backstage components come together to deliver the customer experience.

Though there was a lot of cultural awareness and posters and workshops about putting the customer at the heart, it was still a siloed approach, with customer experience strategies tending to be driven by and executed within marketing and customer facing teams rather than via a broader group of senior leaders.





## Customer - Centricity 2.0

If we come forward maybe five years, we transition to Customer-Centricity 2.0.

At this level of maturity, organisations deliberately use insights to drive their strategy, combining empathetic insight with data to build strategy.

A strategic experience design approach is adopted. This means organisations think about corporate goals, brand promise, their CVP and customer insights to build out target experience blueprints.

Some organisations start to adjust their operating model in alignment to their target experience. This then leads the way to an assessment of practices, policies, and metrics, to determine where adjustment is needed.

Value accretive programs start to reinforce beliefs. There are many instances where the customer experience has improved, and this results in positive behaviour change that links directly to commercial value creation and/or better strategic outcomes.

Organisations were starting to build that link between the experience they delivered, the perception of the customer, their behaviour, and the margins and profitability associated with that behaviour.

There is also an increasing focus on overarching governance and the adoption of an increasingly organisation wide approach.



## Customer - Centricity 3.0

If we now think about where leading companies are today, and this concept of Customer-Centricity 3.0, we see further maturing in mindset and capability.

We start to see full activation of strategic experience design. Where in 2.0 there is some fantastic design work and power point presentations flying around, they don't impact the experience delivered on a day-to-day as much as they could or should. In 3.0, this full activation means that organisations are really starting to think about what they are trying to deliver, the memory they are trying to create, and the emotion they are trying to anchor it to. Organisations are spending increased time with customers, employees, design and tech teams to determine how to deliberately create these memories and how to anchor them with the relevant emotions. There is a recognition that the margins are in the memories.



Mindset shift has become incredibly important. This is not all about practices, policies, and business stage gates, it's really about the way organisations, through every employee, make decisions. It is arguable that the way an organisation delivers its experience is nothing more than the sum of all the decisions that all the leaders and employees in that organisation make. When you think about it in those terms, suddenly the mindset and psychology and the way organisations make those decisions is very important.

There is full operating model alignment. If you think about a corporate goal like "we want to achieve x, deliver on our purpose, or hit a certain target in terms of market share or revenue growth or profitability", the way we do that is by delivering experiences and propositions that are compelling and drive advocacy and repeat usage.

A lot of operating model revision and redesign and work over the last fifty years has been about cost reduction, process improvement and risk mitigation. What is happening now in this area of Customer-Centricity 3.0 is organisations are recognising that delivering an outstanding proposition and experience consistently is what is going to create the most value. Therefore, they need to align their operating model and structure to execute consistently exceptional experiences. It is a very different way of thinking, but it creates a lot of value.

Continuous insight feeds, rapid adaptation of strategy and propositions, and intentional experience creation are more common.

### Organisations are taking customer listening strategies to a new level.

These organisations constantly collect insights about customer motivations and decision making, receiving feedback and information right across each journey stage. Strategy can then be continuously tweaked based on these insights and organisations can rapidly respond to operational issues.

## Deeper Reflection

In 3.0, customer orientated decisioning is ingrained in an organisation's cultures. Before deciding to do something, from leaders to front-line workers, they pause and ask "what insight from customers have we used to inform our thinking? Is this decision going to move us towards or away from our target experience? If all our customers were told today about the decision made, would we feel more proud or more embarrassed?" These are great questions to ask at every level of the organisation before deciding a course of action and infuse a customer perspective into the decision.

A deep understanding of the linkage between employee experience and customer experience is also prominent at this level of maturity. Recruiting for mindset and attitude is integral and employee experiences are engineered and monitored to ensure they align with an organisation's brand promise and EVP. There is an inherent belief that positive employee experiences drive engagement and brand advocacy and this significantly impacts the experience they deliver, playing their role as either an experience creator or an experience enabler.

Another aspect of 3.0 is the recognition and full acceptance that being customer-centric helps organisations deliver better experiences, decrease strategic risk, achieve competitive advantage, and create mutual value. These organisations now spend far less time selling the concept of why they should adopt customer-centric strategies and instead get on with making it happen. This assists greatly with making progress and stretches the gap between 2.0 and 3.0 organisations even further.

Coming back to our iceberg analogy, real maturity in terms of customer-centricity moves beyond supporting processes and practices. A great question for the CEO or Senior Executives to ask is "what are the mindsets and underlying beliefs that radiate throughout our organisation and may inhibit genuine customer-centricity?" Another variation is "what are the mindsets and underlying beliefs we need to establish to support exceptional experience delivery?"

Aligned with the graphic below, we would suggest starting in the middle and working your way out. The middle three to four elements provide the platform for the later two.

Aligned to the below model, let us share two examples of how impactful mindset and a focus on memory creation can be.





## The power of mindsets and beliefs

Strativity worked with a large university who had already invested significant dollars and resources into analysis, research, design, and change programs to move the dial on student satisfaction. They recognised the link between student satisfaction and their propensity to remain in a course, enroll in additional courses and advocate to friends, so wanted to pull this lever. Yet despite significant investment and effort they had not seen any change in student satisfaction. They asked Strativity why this was.

We did not start by reviewing every piece of collateral but instead we started by talking to employees. This organisation had thousands of employees and we wanted to understand the mindsets and beliefs that were most prominent.

Within the first ten minutes of the first meeting the problem was obvious. Several phrases kept

popping into the conversation. When we asked employees about their roles and probed in different areas, we heard things like this: “I mean, we are not here to hold students’ hands of course”, and this, “We are a very prestigious university, one of the best in the world, they are very lucky to be here”.

Unfortunately, while the executive team was trying to drive consistently exceptional experiences to deliver on their strategy and KPIs, many employees believed it wasn’t their job to even help students! Those kinds of beliefs are going to hold any organisation back. We suggested they stop creating power point slides of what they wanted the experience to be and instead started to work with employees to reframe perspectives and beliefs as the foundational challenge.



## The power of memories and emotions

Strativity worked with a Life Insurance company and analysis had shown that when people called in to say they had been diagnosed with a life-threatening condition, the third most common response was, "That's great, can I grab your account number please?".

This seems almost unbelievable in terms of a lack of compassion, but this was triple checked and entirely accurate. The reason for this style of response is that most people at work default to a process and task orientation. And when they are in a process and task orientation and someone approaches them with a process or task they can complete, they say "great, let's get started." They want to do the right thing. Unfortunately, this does not come across in the best way to the customer! There was a discussion about scripts and KPIs, but we suggested a different path.

We designed an approach and spent a few hours with all employees, immersing them in the world of someone who had just been diagnosed with a life-threatening illness. We leveraged our insights and some videos we had developed through working with many healthcare and pharmaceutical companies. We showed them people in great distress, crying and shaking and sharing their most intimate thoughts. We discussed how it feels to be diagnosed with something that could take your life, and this gave them a real connection and empathy and understanding. Then we said to them, if you were in that situation, now that you can appreciate how that may feel, what would you want if you called in to talk to your

life insurance provider? What is the memory you would want to hang up that phone with? After thinking about it for a while, the memory the group decided on was 'you actually care about me'. We then discussed the kind of emotion we would want to feel as we completed the call. We landed on 'confidence'.

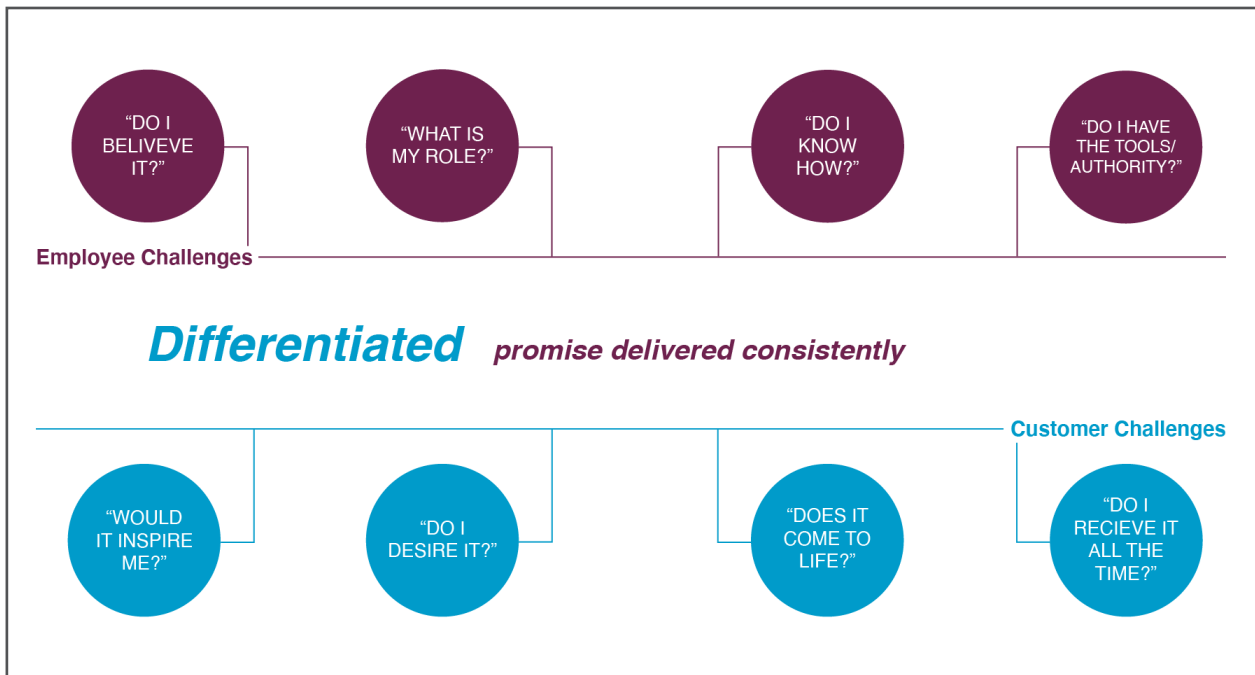
Our final message was: when you get a call like this, put aside KPIs and scripts. Your only role in your own way is to create that memory and elicit that emotion. Keep it front and centre.

Without any scripting or further policy or process adjustments, everyone just went back with a different mindset and a different understanding of their role. The results were rapid and amazing. The same employee who said, "Can I grab your account details?" shifted her approach completely with an initial response of "I am so sorry to hear that, I can't even imagine what you must be going through, your head must be spinning. Just so you know I have been here a long time and I am going to make sure you are looked after. Is there a support person you would like on this call with you? I am happy to chat now or perhaps I could ring you back later at a time when you have someone with you?" You cannot script that, but what has happened is this front-line employee has focused on creating a particular memory and eliciting a particular emotion and ultimately their behaviour changes and they feel more fulfillment in their role while the customer has a far better experience.



The concept of customer-centricity started largely as a marketing strategy however it has now evolved to focus as much on employees as customers. At the heart of every business there is an employee challenge and customer challenge.

Most organisations want to craft a differentiated promise and deliver it consistently. But to do this, employees need to be engaged in what you are doing, they need to understand their role, they need to know how to do things and they need to have the tools and authority to deliver for customers.



At the same time, organisations often need to inspire customers to engage with a solution they desire, and they need their promise to match the reality every time.

**At the heart of it, what you are really trying to do is to align organisational purpose with individual purpose.**

Leadership needs to set a vision and strategy and provide a platform and a supporting environment to enable employee success.

If done well, individuals can then bring their passion, confidence and commitment and we achieve true alignment and position ourselves to deliver exceptional experiences and strategic outcomes.

This is relevant for every leader and employee. At Strativity we believe everyone in your business creates an experience or enables an experience. You need passion and motivation from both groups of people and we need to give them the ability to practice and discuss what an exceptional experience could look like. It is important to differentiate between merely good and truly exceptional across a wide variety of everyday scenarios. Truly customer-centric organisations move beyond complex frameworks that are appropriate for management and operationalise these concepts in practical, real-world ways.



## A framework to assess and enhance customer-centricity

There is no doubt that most organisations are operating in an experience economy with rapidly rising customer expectations, channel proliferation and the need for agile work practices that blend the best of people and technology to deliver exceptional outcomes.

We believe that beyond high quality customer experience design and ongoing management, a deeper level of organisational orientation is required to compete and/or perform optimally. Here are some of the questions we use at Strativity to assess customer-centricity. We then consider best practice, gaps and likely impacts to prioritise focus and then look to sequence improvements in the right way.



## Conclusion

There is no doubt that the way your customers experience your brand has an impact on their behaviour, which will either enable or restrain strategic goal realisation. It is also likely that your organisation's efforts are more focused on the frontstage experience that customers receive rather than the mindsets, practices, policies and capabilities that enable that experience. In some contexts, this is entirely appropriate. But for many organisations, this restricts your ability to achieve strategic and commercial outcomes. We would suggest a renewed focus on customer-centricity, separate to customer experience improvement which will yield more significant and longer lasting results while decreasing strategic risk along the way.



## About Strativity Group

Strativity Group is the world's leading boutique customer strategy consultancy (Forrester 2019). We partner with like-minded organisations to deliver meaningful change and quantifiable results. Our team are passionate strategists with operational experience, bringing a unique blend of research, analysis, commerciality, empathy, design and pragmatism. Every client comes with a unique context and opportunity. We move beyond generic frameworks and standard methods to identify the barriers and enablers of strategic change, and then help our clients re-imagine the future and rapidly progress towards it. Over the last 20 years our work has seen organisations achieve their purpose, realise strategic goals and create over \$3B in commercial value.

Learn More

[www.strativity.com.au](http://www.strativity.com.au) | [@StrativityANZ](https://twitter.com/StrativityANZ)

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