

How organizations can promote customer centric experiences?

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Abstract

This study explores what are the main capabilities organizations need to develop to be able to adopt a strategy focused on customer centric experiences. We interviewed top managers of organizations of diverse industries, including a consulting company, and investigated what they understand by customer centric experience, how their organizations are structured to offer this kind of experience and what are the challenges they have faced. We identified that organizations that want to promote customer centric experiences must reflect this mindset in the organizational culture and strategic decisions. But, to be able to achieve the expected results, they need to develop dynamic capabilities that allow them to be connected with the network, able to rapidly adapt and change. They need to share customer information real time along departments; to organize in flexible multidisciplinary teams; to involve supply chain actors in a customer centric mindset; to monitor 'personas' in a dynamic and iterative process; and to follow metrics that are able to collect customers' feedback on the experience.

Keywords: customer experience; customer centricity; organizational capabilities

Track: relationship marketing

1. Introduction

Customer experience has evolved along the decades driven especially by technology advance (Lariviere et al., 2017). However, organizations have struggled to adopt a customer centric strategy, providing multi-channel experiences that are integrated along the customer journey (Lemon & Verhoef, 2016; Bolton et al., 2018). Studies on customer experience can be categorized into three areas: customer journey process; measurement of outcomes: satisfaction, value, quality; and organizational capabilities to offer customer experience (Lemon & Verhoef, 2016). Considering the scarcity of studies on capabilities needed to implement a customer centric experience (Lemon & Verhoef, 2016), this study investigates organizations of different industries that position themselves as customer centric firms. We developed in-depth interviews with top-level managers of six large companies in Brazil, in which we could identify what capabilities have contributed to a successful implementation of a customer centric strategy. Organizational culture, organizational strategy, prioritization of demands, structure to attend demands, identification of personas (customers profile) and metrics are main topics that managers mentioned to consider when developing capabilities to implement a customer centric mindset. So that a customer centric mindset can be adopted, these areas need to be supported by incentives allied to customer centric view, customer information being shared among departments, multidisciplinary teams focused on solving customers' demands, a dynamic process on identifying personas and metrics that focus on processual insights to help decisions.

Next, we present a literature review that supported our investigation, then we present the methodologies for exploratory investigation, main results and conclusion.

2. Literature Review

The idea that what people really desire are not products, but experiences, is not new in marketing (Levy, 1964). During decades, different schools of thought have contributed to advance the understanding of how market actors relate to each other during transactions, changing the focus from a relationship based on exchange to a relationship based on experiences during the customer journey (Howard & Seth 1969; Sheth & Uslay, 2007; Seth & Parvatiyar, 1995; Verhoef et al., 2009).

Customer experience has been defined in many ways in the literature, we adopt the most accepted definition, being customer experience a multidimensional construct composed by different elements: customers cognitive (think), emotional (feel), social (relate), sensory (sense) and physical (act) responses to organization offering along the time and through many

points of interaction (Schmitt & Zarantonello, 2013; Bolton et al., 2018). The way organizations have dealt with customer experiences evolved along the decades from a transaction-based exchange, to a relationship marketing perspective and more recently to a customer centric perspective in which customers have an active role in the process (Berry, 1995; Gronroos, 2011; Vargo & Lusch, 2004).

Traditional economic interpretation of transactions focused on the exchange of products and services between the company and the customer, considering the company offering allows a value extraction by the actors at the point of the interaction (Gronroos, 2011; Prahalad & Ramaswamy 2004). Dominant in the 1990s, the relationship-marketing concept brought the customer to the center of the relationship, defending the identification of solutions and reconfiguration of products and services based on a deep understanding of customers (Berry, 1995; Prahalad & Ramaswamy, 2004) but the offering of products or services was still the focus of organizations. Relationship marketing allowed providers to become more knowledgeable about customer's needs, facilitating the customization, and introduced the concept of marketing to existing customers leading to increase companies' retention rates (Berry, 1995). But products and services were still the focus of the experience.

Customer engagement concept was incorporated to relationship marketing discussions, expanding the focus from exchanging goods and services to uses and experiences of existing or potential customers along the process (Vivek, Beatty & Morgan, 2012). Engagement involves the development of emotional, cognitive and behavioral attachment to the organization that is conquered through marketing routines (capabilities) that make the customer feel an authentic interest in making him/her competent in his/her choices (Brodie et al., 2011). Customer engagement represents an element necessary so that organizations can get greater interaction with customers. Engagement can be considered a motivational state (Brodie et al., 2011) reflecting customers disposition to participate with firms during interaction along their journeys (Fehrer et al., 2018). The organizational focus turned from exchange-centric to experience-centric, being value determined upon the experience (Vivek et al., 2012; Vargo & Lusch, 2004; Prahalad & Ramaswamy, 2004). Firms now consider the customers role in the experience and aim to engage their customers as active actors in the process (Vargo & Lusch, 2004). Also, with rapid technological advance, service encounter is no longer represented by a dyadic relationship between customer and provider, it can be now represented by complex network in which people and technology interact with each other assuming active roles (Lariviere et al., 2017).

Since 2000, organizations have debated how to organize strategically in order to offer customer centric experiences (Sheth, Sisodia & Sharma, 2000). The ability to move from a product centricity to customer centricity focus depends on companies principles and capabilities of generating data to support customized marketing activities, involving customers in marketing and innovation process, and coordinating organization to manage and share information about the customer all along the touch-points on interactions (Lamberti, 2013). To be able to organize and offer a customer centric experience, organizations also need to deepen their understanding of customers' expectations of interactions along their journeys. Lemon and Verhoef (2016) consider that customer experience research can be categorized into three areas: 1) customer journey process; 2) measurement of outcomes: satisfaction, value, quality and 3) organizational capabilities to offer customer experience. Studies on capabilities organizations need to develop to offer a customer centric experience, are still scarce (Lemon & Verhoef, 2016), especially studies in industries other than services (Homburg, Jozic & Kuehnl, 2017). This exploratory research proposes to empirically investigate which are the main capabilities firms need to adopt so that they can move towards a customer centric approach.

3. Methodology

We developed an exploratory investigation through semi-structured interviews with top-level managers of different companies in Brazil to be able to get a more complete understanding of the research problem (Creswell, 2014). The interviews aimed to explore what these organizations consider to be a customer centric approach, what they have been doing in this matter and what are challenges they have faced to offer customer centric experiences.

We interviewed six top managers of companies from different sectors, see Appendix A for details. We choose companies of different industries, including a consulting company, in which we could get access to marketing professionals. The sample was purposively selected. These companies were chosen due to their maturity in implementing a customer centric strategy in comparison to the Brazilian market. Each interview lasted from 30–50 min, conversations were audio-recorded and transcribed, totaling 57 single-spaced pages. We followed a protocol during the interviews. The software NVIVO 12 was utilized to support the data coding and analysis.

4. Results

Our first insight is that for an organization to adopt a customer centric strategy, this mindset needs to be reflected in the vision, mission and values of the organization (Homburg et al., 2017; Lamberti, 2013): “To start with, it is to put the customer in the center. It is to have the customer as the reason to exist for an organization” (Consultancy). It must be embedded in organizational culture and all actors involved in service system should aim to promote a better customer experience: “... goal and culture of solving all customers problems. A strong culture that everything that is done internally affects the customers” (Financial - fintech)“... we understand that this [customer centric view] must be embedded in all firm departments.... our reason to exist is the customer” (Retail).

But, so that these values can be part of the organizational culture, they should be translated into strategic decisions (Homburg et al., 2017), such as the ones related to evaluation and rewarding system within the company. As mentioned by some traditional firms that are adopting new initiatives focused on incentives to gradually achieve this cultural change.

“ We spread [along the firm] all initiatives putting the customer at the center through indicators ... when we are going to make a prioritization, because we have a lot of products ... The main driver is the customer. For instance,... reduction in delivery time. Everything is prioritized based on the customer... all company top managers gets an indicator in their incentive plan....I do not have a goal that is only mine. I share my goals with other departments at the company” (Retail)

The successful implementation of these strategies seems to be supported by dynamic capabilities that allow organizations to share customer information along the different departments and points of contact in real time (Homburg et al., 2017).

“The cultural aspect in a huge organization is that you do not change from day to night... Now, obviously to reach a cultural change, you have to change the incentives system of the firm... The incentive system today is product oriented. It is not customer oriented. Along the time it will get there... Today I would say that technological restriction is smaller ... you can have a “data lake”, it does not matter where the information where generated, but you can have a complete view of the customer [journey]. These are barriers easily overcome nowadays, the cultural one is harder...” (Financial - traditional)

Another strategy to promote a customer centric perspective that was possible by technological advance (Lariviere et al., 2017) is related to organizational arrangements in multidisciplinary teams (squads): “the decisions are made in squads, the same ‘power’ for all departments.

More conflicts, but if you believe that conflicts lead to a better solution to the customer “
(Financial – fintech)

Squads focus on problem solving, but organizations need to develop capabilities to disseminate real time information to these teams so that they can promote consistent prioritization of multichannel solutions, for instance. The prioritization of projects that provide better customer experience reflects that a firm was able to understand their customers journey having information about customer experience independently of the point of interaction.

“The sales mobile device was implemented in all our stores where the seller has a cellphone device and he can make the sale through the cellphone. This reduces the sale time... from 45 to 3 minutes. Then, it was a prioritized project ...” (Retail)

Capability to organize the collaborators in flexible multidisciplinary teams seem an advantage in offering customer centric experiences.

“We create squads for specific projects, so the area defines the problem [they will work on], ... we choose collaborators from different departments from the organization, we allocate to this squad ...’you will work in here for two, three weeks, one month to bring the solution’. We are evolving to have a substantial part of this company in this model of work, these people do not have their jobs, they are working for the company to solve immediate demands” (Consumer goods).

Also, it is clear the importance of capabilities that integrate all supply chain along a customer centric perspective.

“When I have a complaint of a customer who could not find a product in one channel, I have to consider that something may be happening at my factory. Is there a real reason for this customer not be able to find the product? Because of that, the multidisciplinary team is very important” (Consumer goods).

It is clear that, despite the availability of information, and adoption of multidisciplinary teams, organizations that are not able to implement dynamic routines (capabilities) that allow them to quickly react to changes and new demands such as identification of demands and inclusion of new offerings to its portfolio, will not be able to keep a customer centric view.

“Organization structure is not by customer, we started with only one product, our challenge is to expand becoming a multiproduct company and keeping the customer centric view... today, with many products we have a challenge because the information is not by customer... we may be sending communication related

to credit card and also to checking account independently for the same customer at the same time, without alignment” (Financial – fintech).

This organization has a customer centric culture, is organized by squads, has customer information available to all departments, why does it still communicate with customers following a product centric perspective? Organizations mentioned they have adopted the concept of ‘persona’ to build what they hope to be a more holistic and empathetic view of their customers (Dion & Arnould, 2016).

“If you work with ‘personas’, you would identify that their journey is affected by many channels. The important is that if you change a ‘literal’ in the checking account report displayed at the website, you will impact other channels. But if you do not identify the ‘persona’ [you are serving]... you solve the problem at that specific channel [in which the customer requested]. But the customer interacts with the company through multiple channels...” (Financial - traditional).

The identification of ‘personas’ is an important step in understanding their customers, but organizations should have dynamic routines (capability) that allow them to evolve and adapt not only to new demands, but also to new ‘personas’ (Eisenhardt & Martin 2000).

Organizations will not benefit for isolated initiatives on customer centricity, they need to adopt routines that allow them to be connected with the network, rapidly reacting to demands and changes.

“When we started to introduce new products, the checking account for instance, a new profile of persona happened, a more transactional and not a saver and we did not come back to reveal these personas [we were serving]” (Financial - fintech).

Organizations need to invest in dynamic systems which are able to provide information necessary to decisions on prioritization, for instance - “you need to have data, you need to have an organized system, these things are expensive, so when you are starting [a business] it is expensive, mainly at the medium-term... but it has a value... (Consultancy).

Additionally, measurement can be considered a critical source of insights to the firms (Lemon & Verhoef, 2016), and maybe a starting point for changes. Metrics on customer experience can be categorized in perceptual measures, such as satisfaction, perceived quality, or behavioral outcomes, such as repurchase, customer retention (Gupta & Zeithaml, 2006).

Companies mention that metrics guide decisions if adopted not only as an indicator, but also as process for feedback. For instance, NPS is a very simple concept, but it is not only another manner to measure customer satisfaction; it is supposed to be a business philosophy that helps organizations to implement a customer focus along their processes (Reichheld, 2003). It

supposes that, additionally to the score, companies must have routines that allow them to collect feedback from promoters and detractors, learn from these feedbacks and improve its process and daily operations (Reichheld, 2003).

“The NPS, it gets after the product was delivered... It is a dialog. We have some questions... the customers report everything that happened at his journey and afterwards he gives a grade. Because, it is not enough to know the grade, we need to know where to take any action... what do I need to solve/change... (Retail)

5. Conclusion

Through the interviews, we could identify some important capabilities companies may adopt to promote a customer centric perspective. They are related to dynamic routines that allow the company to integrate in the network, having quickly reactions to market changes, internal changes and customers' needs (Homburg et al., 2017).

- to share customer information along departments and points of contact in real time,
- to organize the collaborators in flexible multidisciplinary teams,
- to integrate all supply chain along a customer centric perspective,
- to identify market changes and new demands, also monitoring personas (customers profile) in a dynamic and iterative process,
- to follow metrics that generate not only scores but enable organizations to collect on-going feedback, learn from these feedbacks and improve its process and daily operations

This research contributes by promoting insights on what are the main capabilities the organizations need to have to adopt a customer centric experience. The identification of how the investigated firms are organizing themselves in dynamic and flexible structures, focusing on knowing and promoting better experiences for their customer, with the supported of technological tools (Lemon & Verhoef, 2016) contributes to guide decisions and investments of organizations that aim to adopt a customer centric strategy.

This is an on-going research, and for next steps we plan to develop further empirical investigation so that we can validate and even expand the findings. We plan to develop more interviews; first, including more firms, from different industries, that claim to be adopting a customer centric perspective; second, including organizations that are struggling to adopt customer centric perspective. Also, considering that relationships are now represented by complex networks (Lariviere et al., 2017), we plan to explore how customers interactions into this complex network affects the outcome of firms' initiatives.

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Appendix A - Profile of interviewed participants

<i>Company Sector</i>	<i>Company's size (2018)</i>	<i>Interviewee Role</i>
Financial Services - traditional	US\$ 42,7 bi	Marketing Vice President
Retail	US\$ 4,5 bi	Marketing Director
Consultancy	US\$ 4,5 bi	Partner
Consumer Goods	US\$ 60,6 bi	Marketing Vice President
Technology	US\$ 136,2 bi	Business Development Manager
Financial Services - fintech	US\$ 293,6 mi	Marketing Leader