

Chapter 16

Strategic Imperatives for Customer Centric Approach

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ABSTRACT

Organizations have been forced to transform themselves from “product-centric” to “customer-centric” for various reasons. Becoming customer centric is one of the most important aims of any organization. Customer Relationship Management has attracted the attention of both marketing practitioners and researchers over the last decade. Despite, or maybe due to, the attention drawn to the subject, a clear agreement on what CRM is and especially how CRM should be developed remains lacking. It is now commonly understood that CRM involves technology, drives marketing, sales, and customer services, and is often approached as a business strategy to create value for an organization through the creation of profitable long-term customer relationships. Significant progress has been made in identifying and researching the components of CRM individually. The roles of CRM applications, customer knowledge, customer satisfaction, and a customer-centric strategy have all been subject of research lately. However, to the best of the author’s knowledge, no comprehensive research has been conducted to identify and understand the strategic imperatives for developing customer centric approach, and that is the core objective of this chapter. Moreover, the advancements in society and technology leading to convergence of information, communication, and technology, coupled with acceleration in globalization, competitive environments, and changing customer’s preferences have created new challenges as well as opportunities for leveraging knowledge about customers. Also we have yet to find research that shows a relationship between strategic imperatives and customer centric approach.

DOI: 10.4018/978-1-61350-089-7.ch016

INTRODUCTION

In a globalised world with consumerism at its peak it becomes imperative for organizations to work out their strategies in such a way so as to achieve not only their goals of business but to survive, compete and grow. This to a large extent would depend upon the approach adopted for doing business. In particular, customer knowledge is a key strategic resource and distinctive core competency to gain sustainable competitive advantage in a global market. Before we go further, let's define customer centric. It can be defined as putting customer focus at the heart of everything done, in order achieve customer satisfaction and loyalty'.

The chapter consists of five parts. The first part which is introduction and will describe the objectives and general perspective of the strategic imperatives for customer centric approach, the second part gives the background, broad definitions of the terms and include literature review, the third part focuses on identifying the strategic imperatives for customer centric approach, the fourth part evaluates the identified strategic imperatives, and the last part gives the conclusion.

BACKGROUND

Strategy refers to long term plan while as the term strategic refers to the approach and the term "imperative" refers to something that is "not to be avoided or evaded; obligatory; binding; compulsory". It is derived from the Latin word imperatus and the past participle of imperare, to command. It basically relates to the will to influence the behavior of another which means there is a power to restrain, control, and direct and also which is not to be avoided or evaded, which means that it is necessary or even a duty. Imperative thus refers to "a moral obligation or command that is unconditionally and universally binding"

What businesses today needs are customer service standards. For an organization to be 'market-

led' it must be 'customer-driven'. The only way to embed customer service into the culture of a business is through a 'management-led' obsession for being 'customer-driven'. In that sense, there is a strategic imperative for organizations and businesses to adopt customer centric approach. Businesses need to understand that customers are not something who is bolted onto a business at the end of a process. They are rather the vital core element without which the business would not exist. To survive and grow, a business needs to make profit. In order to make profit, the business should be able to find people who are willing to pay more for the products and services than they cost to avail them. Thus, it clearly means customers are the profits of a business.

This may look very simplistic, but its implications are meant to be understood. If all profits of a business come from customers, then it makes sense to focus business on and around this source of profit. Looking at this process, one can deduce that the employees of a company create and add value directly or indirectly to the product or the services so that the customers are willing to pay the price they pay to avail them. We can thus say that if an employee is not serving a customer directly, then he surely is serving someone who actually is serving the customer directly. Directly or indirectly all employees in an organization are actually serving the customer. This leads to the customer centric organizational structure of an enterprise (Figure 1), which from a macro perspective should consist of two main layers:

1. Of people who serve the customers directly, and
2. Of people who serve people, who serve the customers directly (i.e. people in layer 1).

Once we have the organizational structure of a customer centric organization in place, what we next need to do is start estimating the lifetime worth of a customer. The organization should estimate how much the customer would spend

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