

STRAT 7 Advisory.

# Reinventing Customer **Centricity**

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**Making your business more responsive  
and profitable**



# Foreword

Our world is changing, presenting businesses with exceptional new challenges and prospects. Yet there is a deep, often systemic, flaw in the way many organisations are adapting: the failure to embrace a true customer-centric model.

Undoubtedly, the evidence shows that more conventional models, primarily centred around production or financially-driven approaches, have grown inadequate in an era where technology, culture, economics, and shared global challenges are rapidly – sometimes radically – reshaping customer demands and behaviours.

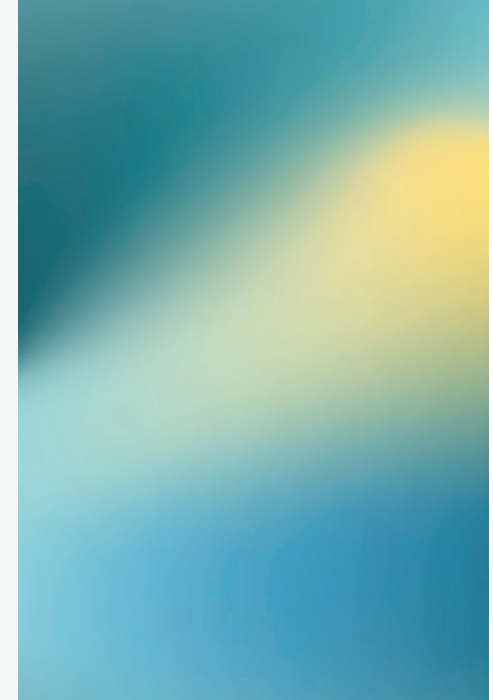
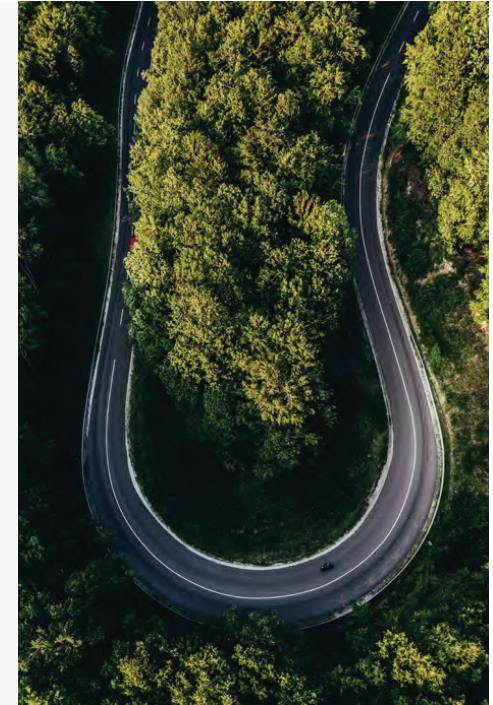
Adopting a customer-centric approach should, therefore, be viewed as at the very least a survival strategy, and really a way of getting ahead. Yet perhaps it's not as well-ingrained in business culture because it can be hard to

implement, often requiring a fundamental shift in mindset and corporate organisation.

In this e-book, we delve into the myriad reasons why businesses must embrace customer centricity to thrive in times of profound change. Through real-world examples, actionable insights, and proven strategies, we aim to illuminate the path towards creating sustainable success by aligning your business with the ever-changing needs and expectations of your customers.

Your journey to customer-centric excellence begins here, so prepare to question the status quo – and reimagine your business for the future.

Björn Dufwenberg  
Managing Director  
STRAT7 Advisory



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# The change challenge – and the pivotal role of customer **centricity**

01

## Defining customer centricity today

Change can be a nebulous thing, particularly in the world of business, but that does not stop it from happening all around us – and with increasing speed, regularity and impact.

From hospitality and transport, to retail and financial services, practically every sector is experiencing some form of change. It has become the default state and can be triggered by a variety of factors, from

geopolitical events, competitive or economic shifts, new technologies, cultural shifts, or changing consumer preferences.

For business leadership teams, change is certainly a concern – but many face challenges adapting to it. [Research by Alix Partners](#), for example, shows that while 98% of CEOs expect to overhaul their business model in the next three years, 72% worry about their team's capacity to handle this transformation.

Change fatigue has also emerged as a common problem, with businesses left increasingly on the backfoot and unsure

how to tackle so many challenges all at once, leaving them at the mercy of more agile and adaptable competitors.

Now, with transformative technologies such as AI accelerating the pace of change and reframing customer needs across a host of markets, the stakes are high. Indeed, a recent global [PWC survey](#) shows that 56% CEOs cite changing customer needs and preferences as the biggest challenge to profitability – and implicit in this is their perceived inability to effectively manage it.



## From challenge to opportunity

The last decade saw no shortage of businesses that both succeeded, or failed to capitalise on changing customer needs. Those that leaned into change, such as Netflix, AirBnB and Uber, now dominate their markets, while once-huge brands like Blockbuster and Kodak are relics of a bygone era.

Failing to respond to evolving customer needs simply puts your organisation in jeopardy. Competitive prices or a good quality product aren't enough to stand out anymore. Survival and success depend upon embedding a much deeper understanding of your customers and aligning all aspects of decision-making to their needs, which often means transforming how your business is structured and how decisions are made.

Yet get this right – as the world's most valuable brands do – and businesses can both survive and thrive as they leverage change to their advantage, or even instigate it themselves to leave competitors on the backfoot.

## Customer centricity is key

Evidence suggests the most successful businesses tend to adopt a deep customer-centric culture, and an analysis of FTSE 100 and 250 companies, conducted using [strat7.ai](#), shows that more customer-centric PLCs have experienced significantly greater stock market returns over the last three years.

Moreover, rather than being merely reactive to changing consumer needs, the best performing

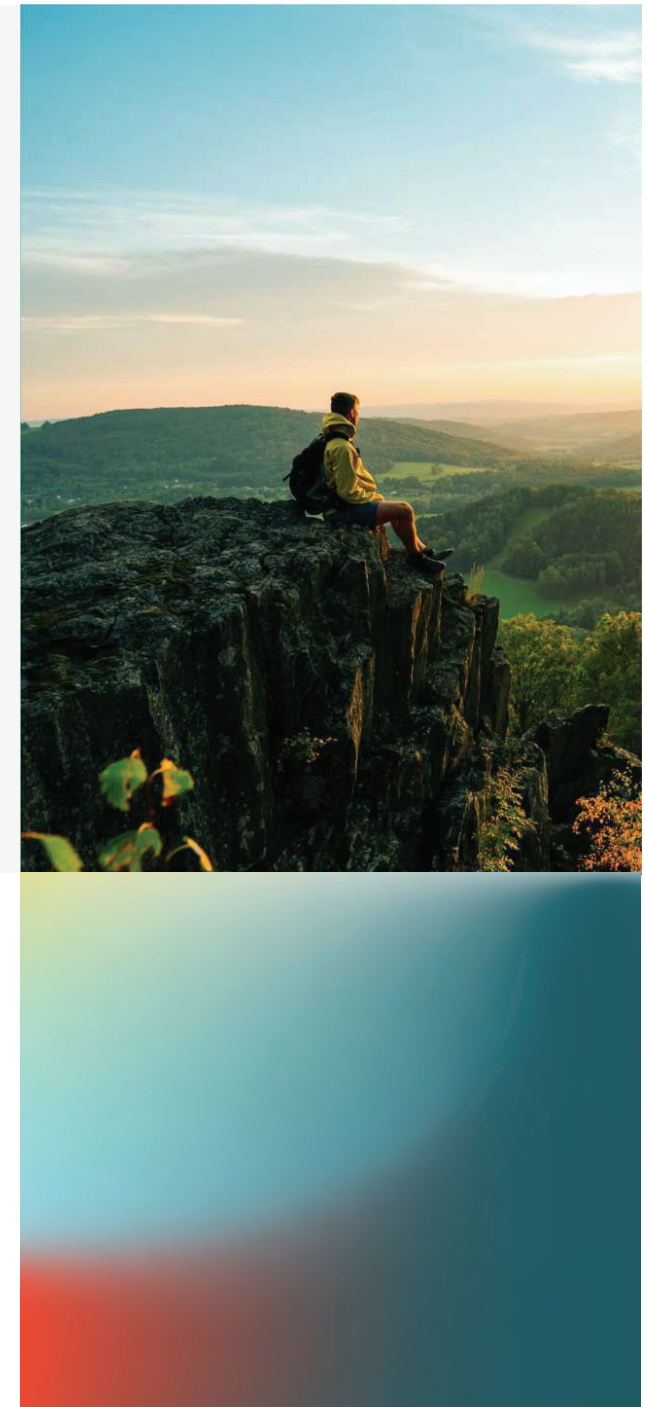
organisations take a more offensive stance, actively seeking ways to leverage emerging trends and customer preferences to their advantage.

Customer centricity plays a central role in change planning by enabling an organisation to anticipate customer needs and preferences. Using the best available tools to closely monitor and analyse consumer behaviour enables the best performing businesses to gain valuable insights into emerging trends and adapt their approach accordingly.

By deeply understanding their customers, it becomes possible to identify pain points, uncover unmet needs, and predict future demand, enabling businesses to proactively develop products, services, and experiences that resonate with their audience.

## Customer-centric companies are 60% more profitable than their financially-driven counterparts,

according to research by [Deloitte](#). Enduring success lies in making the customer experience your point of difference.



## Risks and rewards

— Organisations that fail the customer centricity test are more likely to face risks, including:

**1. Loss of customer loyalty, retention, and the risk of negative reputation:**

A lack of customer centricity can result in dissatisfied customers, leading to increased churn rates and loss of loyal, valuable customers. It can also trigger negative word-of-mouth, poor online reviews, and damage the

**2. Missed revenue opportunities:** Customer-centric strategies involve understanding customer preferences, behaviours, and pain points. Without this understanding, businesses might miss opportunities to upsell, cross-sell, and introduce new products or services that align with customer needs.

**3. Competitive disadvantage:** In today's competitive landscape, customer-centric businesses are more likely to stand out with their experience, relationship or products / services. Those that don't could lose out to competitors who have better understood their customers' needs and have

**4. Innovation stagnation:** A lack of understanding of customer needs and feedback will often result in failures of innovation. By only looking at lagging transactional data, or failing to take into account the direction of trends, opportunities to develop relevant products or services will be missed.

**5. Difficulty in adapting to change:** Customer-centric businesses are more agile and adaptable because they have a deep understanding of their customers' evolving needs and behaviours, and an ability to act on this understanding. Without these capabilities, businesses will struggle to pivot in response to market changes.

+ Organisations that pass the customer centricity test are more likely to reap rewards, including:

**1. Enhanced customer experiences:** A customer-centric approach improves loyalty, retention, and customer lifetime value. Understanding needs, delivering exceptional experiences, and offering tailored solutions lead to repeat buyers who positively contribute to the business's reputation and value over time.

**2. Competitive advantage:** In a crowded market, customer centricity sets a business apart from its competitors. Offering experiences better attuned to the varying needs of customers effectively positions the business as a preferred choice for more people, helping it stand out and reach new customers.

**3. Impactful innovation:** Through a deep understanding of needs and behaviours, businesses can create offerings that resonate with customers, addressing their pain points and desires more accurately.

**4. Positive reputation and brand image:** Customer-centric businesses often earn a reputation for excellent service and value – since value is in the eye of the beholder different groups of people will value different things. This strengthens brand and credibility, attracting new customers, driving word of mouth, and building trust in the market.

## 02

# Challenges to becoming truly customer- centric

## Identifying your weakness

Adopting a lasting and meaningful customer centric model involves overcoming significant challenges - these typically include departmental silos, resistant cultures, limited influence of insights and marketing teams, and underutilised segmentation.

Before we look at successful strategies for adopting a customer-centric model, first check if your business falls victim to any of these common problems...

## Siloed departments

Independent departments operating with separate objectives and different understanding of who the customer is hinders the organisation from acting in a joined-up way. Breaking down these silos and making customer centricity something that all parts of the organisation should have on the agenda fosters collaboration, and enables a unified view of the people and market you are working with. While challenging, this change is essential for true customer centricity and requires C-suite support



## C-level resistance

A short-term profit focus may overshadow customer relationships in the boardroom. Short-term gains could be prioritised over long-term customer loyalty, ironically leading to long-term loss of market share. Leaders must therefore recognise customer centricity's role in long-term growth and champion cultural shifts in its favour. Involvement in customer activities and integrating audience metrics into evaluations can shift leaders' perspectives.

**64% of companies with a customer-focused CEO are more profitable than their competitors**, according to a global survey by the Economist Intelligence Unit. But unless customer centricity is directly linked to profit or growth, the customer perspective often struggles to get air time in the boardroom.

## Limited influence of insights and marketing teams

Although crucial for understanding customer needs, these teams often lack influence due to barriers like capability, scope of responsibilities and data silos. Addressing these issues empowers them to play a more strategic role in driving customer-centric growth. Leadership support and recognition enhance their impact.

## Underutilised segmentation

Achieving true customer centricity is virtually impossible without advanced segmentation (see 'Hybrid segmentation', p11). But many organisations struggle to embed segmentation in their processes. Inadequate technology, siloed data and processes, difficulty in changing established ways of working and a lack of buy-in from senior management all contribute to this problem, resulting in many of the risks listed previously coming into play.

### Getting customer centricity wrong

Even though many businesses aspire to be customer-centric, given its highly complex challenges, few actually manage to achieve the desired impact. Here are some typical examples.



## Overcoming your obstacles

### Gaining a deeper understanding of your customers

It's worth reiterating that true customer centricity comes from an organisation's ability to understand, predict and act on changing customer needs:

- **Understand at scale:** In a connected way across the whole business and its processes
- **Predict with confidence:** Ensure the business can make decisions with a high level of confidence
- **Act at pace:** With high frequency and short lead times

Achieving this requires companies to take a structured approach to driving customer centricity within their organisations. That should start by examining four key areas - covering not just what they do and know, but also the enablers and connective tissue that make it all come together: vision, operating model, and culture.

#### Area 1: Who are your customers?

If you don't know who your customers are, how they are different, and why they make the choices they make, you can't create relevant and distinct value propositions. Instead, you're likely delivering dated one-size-fits-all products and experiences that treat customers as a homogeneous mass, putting you at the lowest end of the maturity scale for this stage.

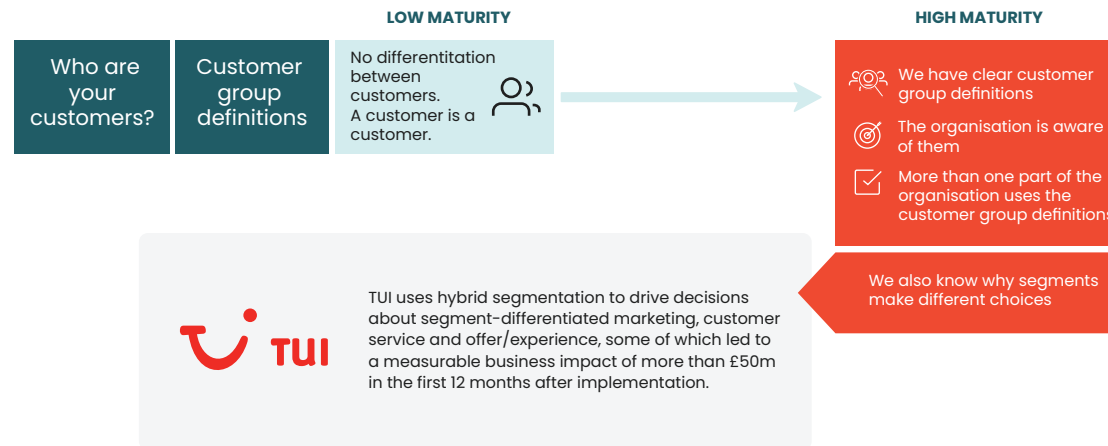
At the highest end:

1. Have clear customer group definitions based on needs, attitudes and behaviours
2. Ensure multiple parts of the organisation are aware of these definitions and are using them
3. Use these customer group definitions to drive decision-making across multiple domains, so the organisation knows this is having a financial impact

Leaders must recognise customer centricity's role in long-term growth and champion cultural shifts in its favour. Involvement in customer activities and integrating audience metrics into evaluations can shift leaders' perspectives.



## What does good look like?



### Area 2 – How do you find and attract your customers?

Figuring out who your customers are is the basic enabler for a customer-centric business. Next, you also need to be able to find them – where in the world, in what channels – and attract them to you – through products, services and experiences that are better than what your competitors provide. You do this through the core customer-facing processes of brand strategy, NPD/innovation, marketing and sales.

Traditionally, companies would manufacture goods and subsequently market them competing on quality and price. However, today's landscape requires a different approach. Choice in many categories is less dominated by purely functional attributes (though those are still important), and instead strongly influenced by emotional or aspirational attributes, like brand or endorsement. Successful companies must therefore produce what they can sell, altering the core value creation stage in the value chain.

### A high level of maturity here allows you to:

1. Adapt your brand positioning to key target segments
2. Innovate for distinct customer segments and needstates
3. Tailor marketing: Cater your marketing activities precisely to the needs and preferences of different customer segments.
4. Leverage customer feedback: Employ feedback from your customers to refine your products, services and experience.
5. Spot behavioural trends: Discern trends and patterns within customer behaviour, which can unveil growth opportunities that align with these insights.

### Hybrid segmentation

Hybrid segmentation is a powerful tool, connecting what customers do (as evidenced by transactional data) with their motivations (captured through surveys or other primary research methods). This can be used to:

- Create more impactful content and marketing campaigns that drive engagement
- Develop new products and services that increase uptake
- Create unique shopping experiences that foster customer loyalty

### What does good look like?



# NETFLIX

Netflix develops TV series and films and chooses how to place what they have in the "feed" for individuals based on a combination of viewer analytics, culture and trends research, ethnography, and script analysis.



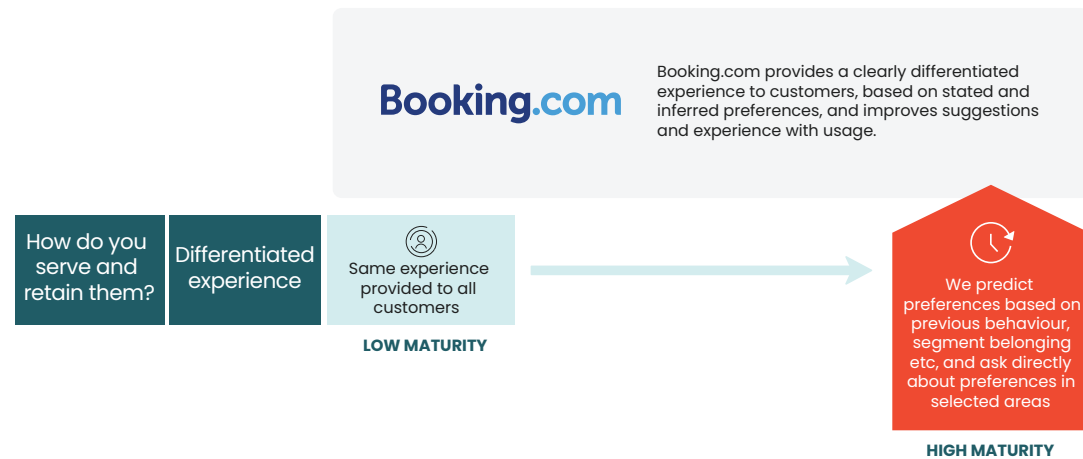
### Area 3 – How do you serve and retain your customers?

Are you providing the same experience to all of your customers? Then you're probably failing to meet their diverse needs and preferences, which can lead to reduced customer satisfaction, decreased loyalty and lost business opportunities.

Companies with the highest level of maturity in this area translate their understanding of needs and

preferences into loyalty, great customer service, and tailored experiences. Customer loyalty stems from being relevant and engaging. Great service can be created by understanding the preferences of how people want to interact with you, and tailored experiences can be built by acting on a deep understanding of the customer journey.

### What does good look like?



#### Area 4 – How does your operating model support your actions in these three areas?

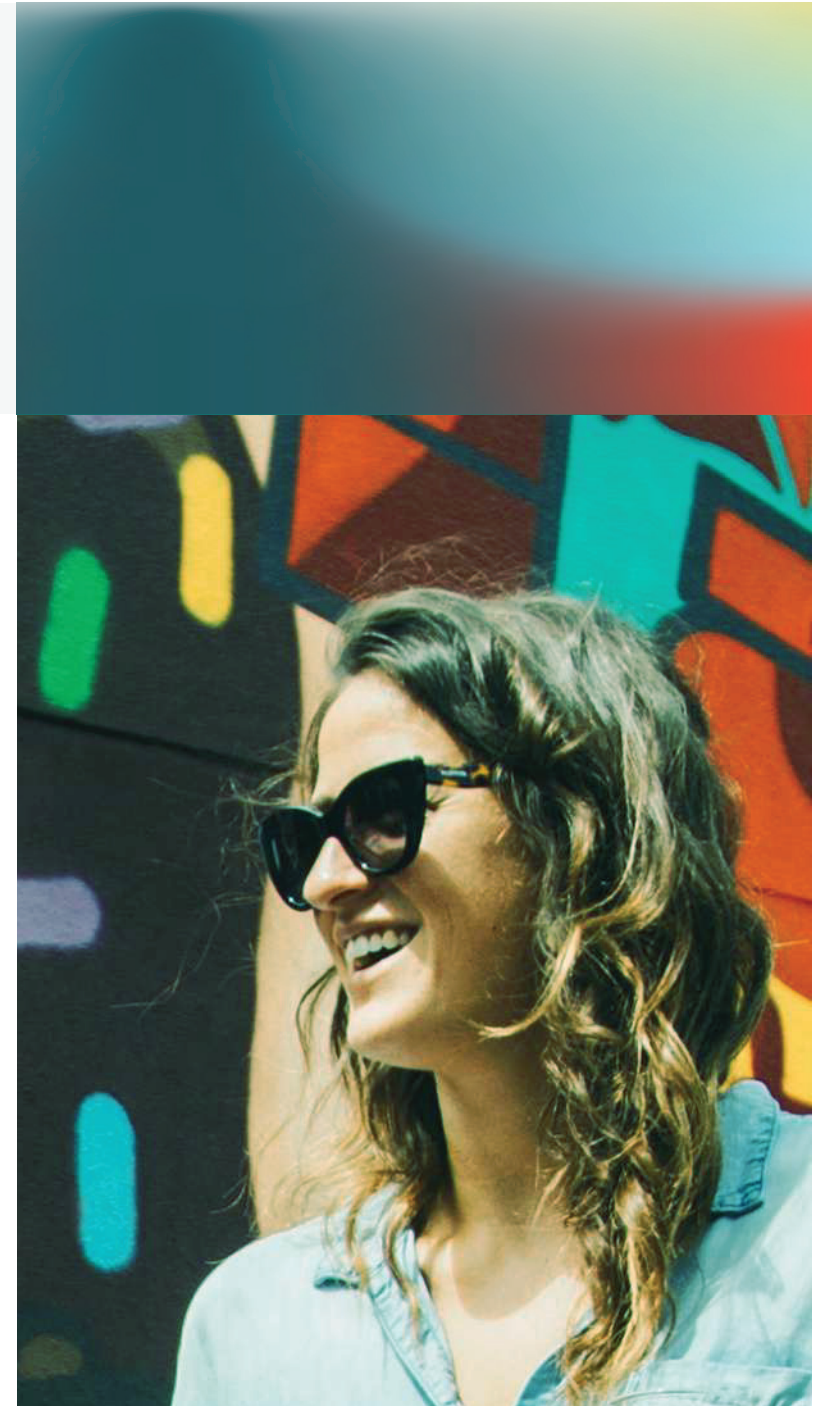
It's rarely just about what you do to be customer-centric when looking for clues on how to improve. You also need to think about the key enablers that make it all work as a cohesive whole, for example your operating model, vision and culture.

### What does good look like?



IKEA's vision is "To create a better everyday life for the many people." This vision goes beyond home furnishing. They want to have a positive impact on world - from communities where we source their raw materials to the way their product helps their customers live a more sustainable life at home.

IKEA's vision is deeply held and referred to by its employees on an almost daily basis in decision making



## 03

# Making it happen

**As we have seen, a successful customer-centric model places the customer at the core of every business decision. It involves a deep understanding of customer needs, preferences, and behaviours, which guides product development, marketing strategies, and service offerings.**

Now you understand more, here are some practical next steps to adopting a customer-centric culture, and more information about requesting external expertise.



## Practical next steps to make your organisation more customer-centric

### Conduct a customer centricity assessment

Start by evaluating your current level of customer centricity. Create a comprehensive assessment that covers various dimensions such as communication, product development, customer service, and sales. This assessment should help you identify strengths, as well as areas needing improvement.

Here are some example questions worth asking:

1. How frequently does your board discuss customers or customer centricity?
2. Do your business decisions align with customer preferences?
3. How well do your departments collaborate to enhance the customer experience?
4. Are customer insights integrated into product or service development?
5. How do you measure and act upon customer feedback?

### Build a sensory system

Businesses should develop internal capabilities and leverage external expertise to establish a 'sensory system' that consistently detects and acts upon market and customer changes.

Although currently underutilised by many companies, machine learning and predictive analytics are hugely valuable here – enabling businesses to identify patterns that would elude a human. They can also draw insights from the mountains of “unstructured data” – such as emails and call centre transcripts – most businesses sit on. This can help to detect emerging trends, and forecast potential outcomes.

Furthermore, by integrating predictive analytics into their strategic planning processes, companies can assess various scenarios, identify potential inflection points, and develop contingency plans to mitigate risks and capitalise on opportunities. In more advanced businesses, it will even be possible to integrate customer insights into product development.

### Make customer centricity a leadership priority

Initiating a culture of customer centricity requires dedicated leadership commitment. Here, CEOs – ideally in close partnership with their Chief Finance and Marketing Officers – hold a pivotal role in steering this transformation.

The leadership triumvirate of the CEO, CFO and CMO is crucial for several reasons. First, CEOs embody a company's trajectory, strategies, and communication – and CFOs should therefore also personify and guide a customer-centric vision.

Meanwhile, the role of the CMO has evolved in recent years from being viewed as a cost centre into an engine for growth, necessitating close collaboration with the CFO. In our view, uniting these three roles is therefore the most effective way to customer-centric change, ensuring it filters from the C-Suite into the most important functions of the wider business.

Indeed, the unification of CEOs, CFOs, and CMOs in steering customer-centric change echoes the complexity of this transformation and its far-reaching implications. It's a perspective that underscores not just the significance of these leadership roles, but also the interconnectedness of their efforts in driving a fundamental shift in organisational culture.



## Further practical steps to progress customer-centric change

### Align business decisions with customer needs

Create a framework that links customer preferences and market trends to business decisions. Whenever you're making a strategic choice, assess how it aligns with what your customers want. This could involve conducting market research, surveys, and analysing structured and unstructured customer feedback before finalising decisions.

### Foster cross-functional collaboration

Promote collaboration among different departments to enhance the overall customer experience. Organise regular cross-functional meetings where representatives from different teams can share insights and ideas on how to better serve customers and/or build cross-functional teams. Encourage a culture of open communication and shared goals.

### Personalise customer experiences

Leverage customer data to provide personalised experiences. Utilise CRM systems to track customer interactions, preferences, and purchase history. Tailor marketing messages, product recommendations, and communication to individual customer needs and behaviours.

### Invest in customer-centric training

Provide training to employees across all levels, including at board level, about the importance of customer centricity and how their roles contribute to it. Empower employees to make decisions that prioritise customer satisfaction and encourage them to share customer insights from their respective interactions.

### Measure and iterate

Establish key performance indicators (KPIs) that reflect your organisation's commitment to customer centricity, such as customer retention rates, customer satisfaction scores, and response times to customer queries. Continuously monitor these metrics and use them to drive ongoing improvements.

### Celebrate customer-centric wins

Acknowledge and celebrate instances where customer-centric initiatives have yielded positive results. Share success stories and lessons learned across the organisation to inspire further commitment to customer-centric practices.

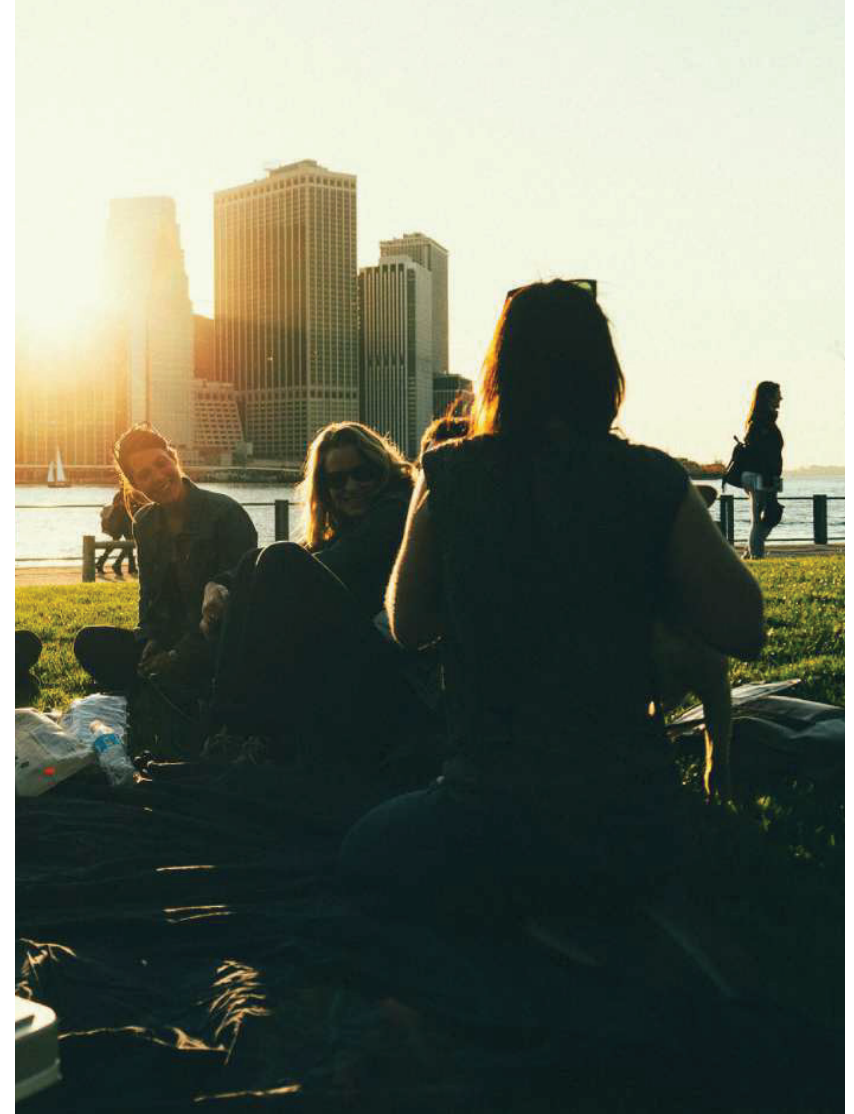
### Successful customer-centric companies excel at:

- **Leadership:** Customer-centric vision, strategy, leadership communication.
- **Perspective & flexibility:** Having a point of view on what is important to customers and how this will change, and a willingness to change this as new evidence comes in.
- **Connectedness:** Structures in place to ensure the full organisation has access to the same core understanding of the world they operate in (customers, markets, competitors, trends etc). This can take the form of processes (regular customer-centric business planning cycle) and/or systems that provide access of the right insights to the right decision maker at the right time.
- **Incentives:** Objectives set on leading indicators oriented around customers and their success in addition to outcome metrics.

## How STRAT7 Path can support your business to become truly customer-centric

To help businesses foster genuine customer centricity, adopting all of the best practices identified in this ebook, we've created a simple framework to provide structure and context to the actions your company can take to become customer-centric.

**STRAT7 Path** helps you understand where you are at, define your ambition, and design a programme to get there. In this section, let's take a closer look at how it works and the ways it can help you chart a course to long-term success.



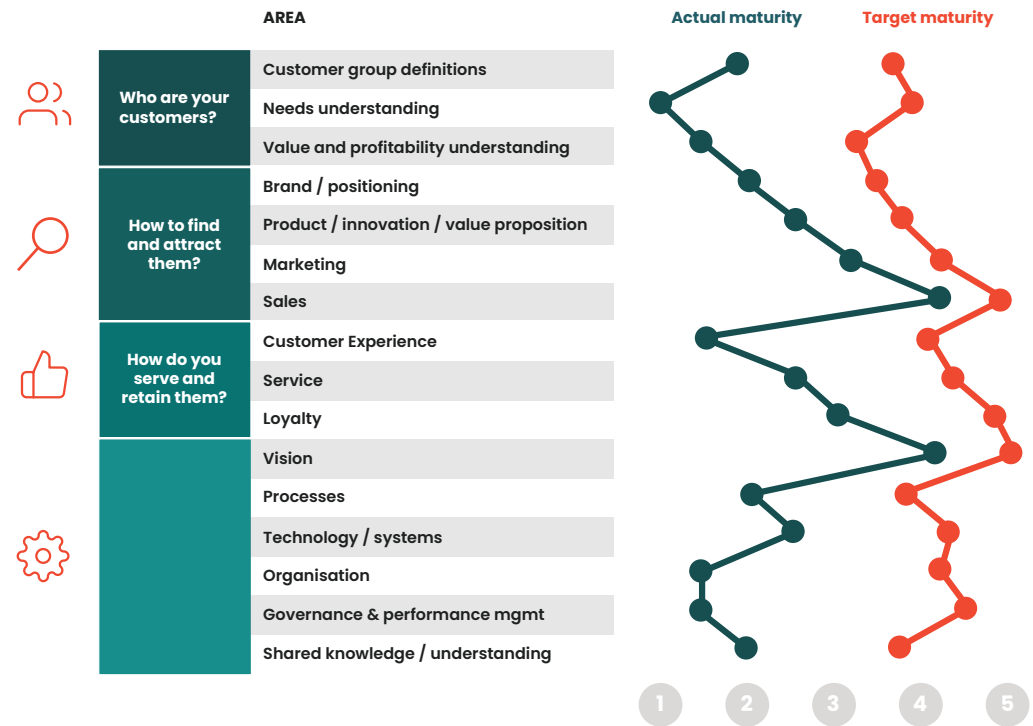
STRAT7 Path is our customer centricity maturity assessment tool. It lets us understand where a company excels and where it falls short, while also demonstrating what great customer centricity looks like for organisations.

By looking at customer centricity as a comprehensive whole, we can ensure you do it right.

Our assessment is broken down into the four

key areas identified in chapter 2, covering all your customer-facing processes. Each of the processes have several maturity dimensions, which capture the key value creating components of a customer-centric organisation.

These dimensions help us get to a granular understanding of how your company is performing within each of your processes.



## 04

# Conclusion

**In the journey to achieving true customer centricity, businesses must confront significant challenges head-on. Overcoming hurdles like departmental silos, resistant cultures, limited influence of insights and marketing teams, and underutilised segmentation is crucial for unlocking the full potential of customer-centric models.**

However, by fostering cross-departmental collaboration, organisations can begin to forge a unified view of customer behaviour, enhancing their understanding and

refining strategies for improved customer experiences. Furthermore, by building sensory systems to detect emerging trends and enhance decision-making, as well as making customer centricity a flexible leadership priority, businesses will be on the right path toward lasting transformation.

Yet more than anything, to foster true customer centricity, organisations need a deep understanding of their customers' needs, behaviours, and preferences. This understanding should guide decisions across the business – aligning product development, marketing strategies, and service offerings to deliver personalised experiences, engagement, and lasting customer relationship

Ultimately, achieving true customer centricity is not just about what you do or know, but also about cultivating an environment in which customer-centric values are integrated into every facet of the business. This alignment will set the stage for organisations to thrive in a customer-centred landscape, building strong relationships and reaping the rewards of long-term success.

If you have any questions, please don't hesitate to [get in touch](#).

05

# About STRAT7 Advisory.

**With a mix of backgrounds from management consulting to consumer insights, strategy and innovation, the STRAT7 Advisory team has a proven track record in delivering customer-centric solutions.**

## **Reinventing customer centricity to realise commercial impact**

We elevate and embed customer understanding into all aspects of decision-making, enabling organisations to understand, predict and act on change at pace and scale.

## **Rooted in evidence, guided by commercial acumen, powered by creativity**

We are united by the belief that true customer centricity is essential for businesses to

succeed in a changing world.

We are experts in ground-breaking customer and market insights, guided by commercial acumen and powered by creativity, we deliver impactful solutions to critical business challenges.

## **We help you win at change**

We put the customer at the heart of your business, enabling you to understand at scale, predict with confidence and act at pace.

**Uncover your maturity gaps with this easy-to-understand customer centricity**

**assessment. Identify which challenges, when solved, will make the biggest impact on your business, and chart your way forward.**

**Ready to dive deeper?**  
**Let's talk.**

