

The Operating Model For Customer Obsession

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Customer Obsession Is Easier Said Than Done

[Report Excerpt](#)

In 2011, Forrester recognized fundamental changes in customer behavior and business strategy that led us to make the claim that the world has entered the age of the customer, which we define as:

A 20-year business cycle in which the most successful enterprises will reinvent themselves to systematically understand and serve increasingly powerful customers.

Since then, the urgency for change has only increased. Technology and economic forces have changed the world to such a great extent that an obsession with winning, serving, and retaining customers is the only possible response. But the best intentions do not a customer-obsessed enterprise make. Countless firms have fallen short as:

- › Reactive CX projects don't scale. Improving customer experience is a top priority for most companies, spawning countless CX projects and programs. Unfortunately, too many of those initiatives are reactive efforts to address problems. In fact, over half of the companies we surveyed lack a CX program that has a clear vision and is truly embedded into the organization. The result: Early quick-win CX improvements never scale to address more fundamental and wide-reaching opportunities.

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- › **Digital takes center stage.** It's impossible to be customer-obsessed without addressing the digital expectations of those customers. But too often, those efforts get swallowed by technical minutia and fall prey to a pursuit of digital for the sake of digital. One common example is the proliferation of new mobile apps created to attract customers but that go unused. Despite the more than 1.6 million apps available to Android users and 1.5 million apps available in Apple's App Store, customers still spend 84% of their time in just five of their favorite apps. The result: lots of shiny new (digital) objects that your customers don't like or even care about.

People get in the way. Customer obsession requires constant and comprehensive change — something that most people naturally resist. Unfortunately, too many firms underestimate this inertia and do too little to break through it. The result: a constant uphill battle fought within a strained and divided culture.

Success Requires An Operational Reset

So what does it take to succeed in your quest for customer obsession? Through in-depth discussions with C-level executives at over 30 companies at various stages in their customer-obsessed transformations, we teased out the common core for success. Success requires not only a shift in your firm's strategy but also a fundamental reset of day-to-day operations.

Let's start with the foundational elements:

- › **An aligned leadership team.** It may sound cliché, but commitment from the top is essential. In fact, across our interviews and a review of 16 Forrester Customer Experience Index (CX Index™) leaders, we couldn't find a single case where a company successfully made the move to customer obsession without a clear CEO champion. Customer obsession is broad, deep, and at times controversial, so executive leadership and conviction is a prerequisite.
- › **A simplified business model.** While this is not a hard and fast requirement, we'd be remiss if we didn't highlight how much easier customer obsession is without the added challenge of competing business units, services, and product lines. Jim Weber, CEO of Brooks Sports, noted that "our No. 1 advantage is our focus (on the runner)," and leaders at Domino's cited its singular focus on a singular line of business (pizza) under a single brand (Dominos) as key enablers. While some companies are blessed with this advantage, others can and do make the tougher choice to exit existing businesses.

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- › **Interdependent operational levers.** Our research uncovered a long list of operational success factors that make or break the experience your customers have with your brand. These success factors span all aspects of the people, processes, and technologies that run your business. But it's pulling all of these operational levers in concert that delivers the biggest impact. Given the collective reset required, it's no wonder newer entrants and disruptors with much less operational gravity often deliver better customer experiences — think JetBlue versus United or Amazon.com versus Wal-Mart. But executives at top traditional firms are also rising to the challenge.

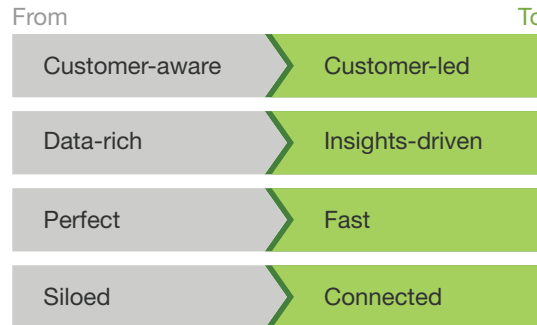
Shift Four Operating Principles To Embrace Design Thinking

In the age of the customer, the drivers of success change, requiring a fundamental reset of the principles on which firms operate. When manufacturing, logistics, and systems were sources of competitive advantage, firms valued efficiency and maximizing outcomes within known constraints. But in this new world, customer-obsessed firms value creativity and rapid prototyping grounded in customer needs. It's clear that top executives at customer-obsessed firms are linking arms to shift four important operating principles from a more traditional approach to one that embodies design thinking, moving (see Figure 2):

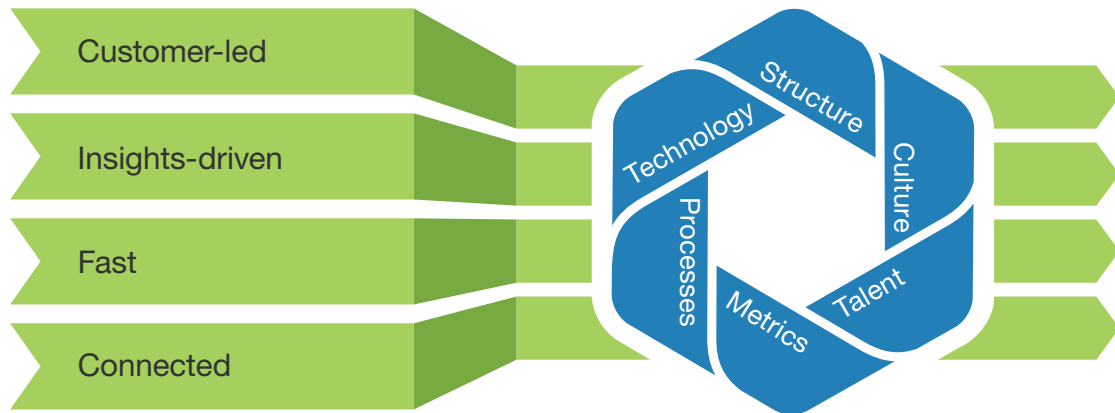
- › **From customer-aware to customer-led.** Most companies collect information on their customers, but only 11% of marketers report centralizing structured and unstructured data to make informed marketing decisions. Customer-obsessed organizations like The Lego Group have an integrated view of the customer. They embrace more advanced techniques like ethnography that go beyond the “what” and “how” of customers' behavior to reveal the “why” by eliciting customers' deep-seated needs and motivations.
- › **From data-rich to insights-driven.** Most firms are swimming in data, but they're only using about a third of it. Worse, only 29% say they are good at translating the result of data and analytics into measurable business outcomes. In their quest to become insights-driven, customer-obsessed firms work to master data enablement — specifically the processes and systems required to make data available, clear, and secure in their moment of need.
- › **From perfect to fast.** Despite having evolved over millions of years to be cautious about new things, more people are adopting more new product experiences more rapidly than ever before — a phenomenon we call hyperadoption. The faster you execute, the more quickly you will win over these customers.
- › **From siloed to connected.** Traditional command-and-control, siloed functional models can drive clear accountability and predictability. But they also drive long decision cycles and often result in competing and conflicting customer experiences. At customer-obsessed firms, many of these functional silos are giving way to cluster models where smaller, multidimensional teams of sales, marketing, service, product development, production, and technology staff focus on serving a single customer segment, journey, or desire.

FIGURE 2 The Four Operational Principles Of The Customer-Obsessed Operating Model

2-1 | The four operational principles



2-1 | The operational principles overlay the six operational levers



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People: Pull Your Most Influential Operational Lever

The most influential operational lever you have at your disposal is your staff. In fact, our interviews uncovered much more heat around structure, talent management, and culture than any of the other operational areas. Customer-obsessed firms don't shy away from what others see as "soft" issues. They tackle structure and culture issues head-on in a relentless pursuit to fill their teams with customer-obsessed employees.

Structure Your Organization To Break Down Silos

Traditional rigid, functionally siloed, slow-moving organization structures no longer cut it. To be customer-obsessed, firms need to pay less attention to the "boxes and lines" of organizational structure and more to reinventing the way the organization does its work by adopting new attitudes and paradigms. Success will favor firms that break down functional silos in favor of a leaner, more agile structure that encourages cross-functional collaboration and teamwork on behalf of customers.

- › **Empower a C-suite customer advocate.** Customer obsession requires a C-suite customer advocate responsible for delivering exceptional experiences across the entire customer life cycle. Three prerequisites exist for this advocate: 1) This can't be a staff function; they must have direct responsibility for a meaningful portion of the customer experience; 2) they must have an established, direct dialogue with customers to bring insights back to the executive team; and 3) they must have the gravitas to work across marketing, product development, and operations to garner support and commitment.
- › **Organize by customer segment...somewhere.** There is no common top-line organizational construct for success and no obvious differences versus what you might see at a typical company. But there is a common theme deeper within customer-obsessed firms: Whether defined by demographic, psychographic, or behavioral characteristics, leading firms structure parts of their organizational model to serve the needs of customer segments.
- › **Expect digital savvy everywhere.** Customer-obsessed firms embed digital capabilities in every nook and cranny of the organization. Dominos, for example, has used digital technology to push customer interactions to new heights with features like text-based ordering and to iterate quickly based on consumer feedback. This type of leadership has spurred 9.8% projected growth over the past two years.
- › **Embrace an ecosystem approach to capability development.** Customer-obsessed firms look outside their firms and become part of a set of collaborative partnerships that meet customers' needs in their context on their terms. Digital natives such as Airbnb, Amazon, and Uber have mastered the art of ecosystem thinking, focusing on core capabilities that add customer value and building a network of partners to do the rest.

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Double Down On Customer-Obsessed Cultural Values

Customer-obsessed firms have woven the value of customer obsession into their culture — some thanks to long-standing, deeply rooted beliefs established by their founders; others through proactive culture-shaping work. We define culture as a set of shared values and beliefs that drive behavior.

Customer-obsessed firms value:

- › **The customer above all else.** As you'd expect, customer-obsessed firms hold a deep and wide belief that customers are the key to success, and this shapes the way the organization works. As Zappos founder Tony Hsieh describes it, "We believe that customer service shouldn't be just a department; it should be the entire company."
- › **Openness to change, transparency, and collaboration.** Three other important values work to channel a strong focus on customers: 1) openness to change, 2) transparency, and 3) collaboration. Openness to change and moving from the status quo is the bedrock of being able to improve. Transparency then allows employees to have the visibility to make the best decisions and helps build trust. Lastly, collaboration across groups is the glue that helps them create integrated solutions for customers.

Design Incentives To Reward Improving The Customer's Experience

There's a reason for the cliché "What gets measured gets done." Organizations set goals for employees, and when those goals determine an employee's livelihood, they drive behavior. So it stands to reason that customer-obsessed firms include customer-centric metrics in their employees' goals, such as:

- › **A shared customer-based outcome metric for senior leaders.** A shared metric among leaders that measures how the organization is serving the customer is critical. The actual choice of measurement varies — Net Promoter Score, J.D. Power, an internal customer satisfaction assessment, or Forrester's CX Index — but its inclusion does not.
- › **Role-relevant adaptations cascaded throughout the organization.** Customer-obsessed firms show and goal every employee — not just the leadership team — on the aspect of their job that's most important to the overall experience of the consumer. Common metrics at this level won't work because an employee has to be able to influence a goal in order for it to drive behavior.

Process: Consciously Choose A Different Way To Work Together

The best team in the world will still underperform if the organization doesn't have thoughtful ways to channel their energy. From the most customer-facing processes like sales, marketing, and service to more internal processes like budgeting, administration, and planning, customer-obsessed firms work in ways that are consistent with their values and lead to more innovative results. The stand-out working habits of customer-obsessed companies are:

- › **Top-to-top partnerships.** We repeatedly heard leaders talk about how it all starts with them — and a key peer. Fresh cross-functional relationships can ignite change, while ingrained working habits create true partnerships and sustained progress.
- › **Frequent cross-functional interactions.** While it starts at the top, tightly integrated work habits in the trenches make it happen. Leaders recognize that collaboration is critical, and they set expectations and processes to ensure that their teams are connecting with peers..

Tackle Decision-Making Processes First

Customer-obsessed firms place particular focus on decision-making processes. Get them right and you're on a path to success. Get them wrong and you're on a much more challenging path. Customer-obsessed decision processes:

- › **Demand explicit voice of the customer inputs.** When customers matter, they become part of the decision process — at least in terms of a clear articulation of the impact a decision will have on them. At TGI Friday's, the second line item on formal business cases is an assessment of the proposal's impact on the customer. And that impact should be based on real input from real customers.
- › **Make room for gut-driven experimentation.** Data helps customer-obsessed firms develop a common understanding and prioritize what's important. But leading companies also recognize that when you're building solutions to delight customers in new ways, you need to reserve some budget for more gut-driven, experimental projects.
- › **Tap cross-functional decision teams.** Customer obsession involves all customer-facing functions and draws upon most, if not all, back-office functions, which inevitably support or execute behind the scenes. To prioritize and fund efforts that span all of these groups, customer-obsessed companies establish a clear governance process that includes critical stakeholders.

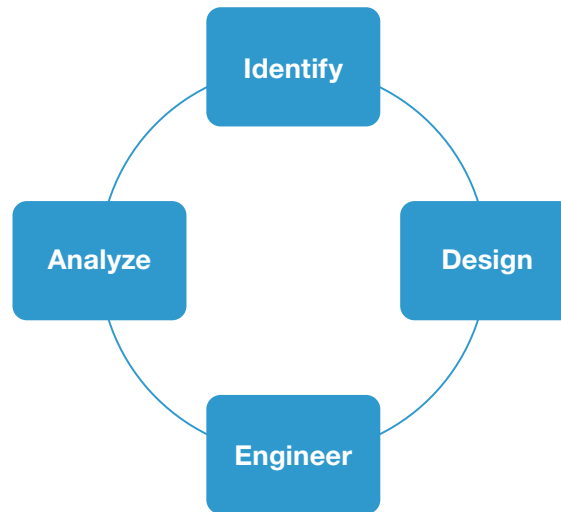
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Embrace A Common Approach To Experience Design

Functions throughout most businesses have adopted various methods to help create (often digital) customer experiences, such as persona development, journey mapping, Agile development, and innovation management. But how can you ensure that individuals using specialized methods are not working at cross-purposes and ultimately creating inconsistency and waste? Top customer-obsessed firms use a common approach — typically similar to Forrester's IDEA framework — that is designed to (see Figure 4):

- › **Start and end with the customer.** Throughout the process, the focus is on what the customer needs, sometimes before they even know they need it. Early on, this involves understanding the customer and their context by walking in their shoes; observing their actions through ethnographic research, focus groups, and journey mapping; and analyzing site and mobile traffic. Later, it's about collecting customer feedback on experiences and products so that you can quickly adjust and improve them.
- › **Connect ideation, design, and development.** The common approach brings customers, businesspeople, designers, and developers together to decide exactly how to match customers' motivations and needs to your business goals. Key methods like customer-led ideation or journey mapping can quickly turn into Agile development for new or improved functionality.
- › **Drive rapid iteration.** Importantly, this is not a linear process designed to create bulletproof experiences or products out of the gate. It is a continuous cycle approach designed to quickly deliver prototypes and minimally viable products and rapidly iterate based on customer input.

FIGURE 4 Forrester's IDEA Cycle



Technology: Prioritize The Business Technology Agenda

Customer-obsessed organizations approach digital technologies in a very different way. They heavily invest in business technology (BT) — the technology, systems, and processes to win, serve, and retain customers — and adopt new architectural and software development approaches that allow them to quickly shift and innovate as customer expectations continue to rise.

- › **Compose — don't buy — customer-facing software.** While packaged and custom software co-exist in most firms, customer-obsessed firms have a much more thoughtful mix, with custom development and orchestration dominating their systems of engagement portfolio. Dominos has three strategic areas of technology that it custom-builds and maintains internally to create differentiation: eCommerce, point of sale, and data platforms. Not all firms will be able to swallow the budget and talent requirements of that approach. But thanks to the rise of openly available services fronted by APIs, service-rich platforms, open source software, and new deployment technologies, more and more firms can quickly assemble high-quality solutions that may tap some packaged functionality but ultimately deliver differentiated customer experiences.

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- › **Embrace Zero Trust security.** Customer-obsessed organizations live everywhere that their customers are. As they extend into the cloud, form new digital ecosystems, and digitize stores, branches, and products with sensors, the perimeter of their internal trusted network erodes. With privacy concerns at an all-time high and placing customer trust in jeopardy, firms like WestJet Airlines now apply a Zero Trust approach to security that: 1) never assumes trust but continuously assesses it through a risk-based analysis of all available information; 2) fundamentally shifts the focus from the perimeter to the data itself; and 3) marshals the functions of many security domains, such as network, identity, and application, in a unified approach to data protection.
- › **Architect for systems of engagement.** Systems of engagement are the mobile and web applications that your customers touch or your agents or salespeople touch on behalf of your customers. They are the heart of your digital customer experience, which means traditional technology architectures just won't do. Systems of engagement require a loosely coupled, four-tier architecture to resolve an experience paradox: Internet scale and digital speed. Digital native firms like Amazon and Netflix were among the first to adopt this new loosely coupled approach, but more traditional customer-obsessed firms like Starbucks and Nordstrom are following suit.

Recommendations

Start Your Journey With A Shared Vision And Clear Ownership

With close to 70% of organizational change initiatives failing, a high degree of leadership competence is required to avoid the heavy human and economic toll of failed efforts. Customer-obsessed organizations avoid this fate by establishing a future vision shared across the C-suite and identifying clear ownership for building consensus on the action plan to get there. Done well, customer obsession promises to help your organization win, serve, and retain customers with a differentiated customer experience. Start your journey by:

- › **Shoring up your C-suite's commitment to change.** Customer obsession is a journey and a process that requires significant organizational change and unwavering leadership from your entire executive leadership team. If your CEO has already embraced customer obsession, it's likely that the rest of the C-suite has or will follow suit. If not, show the boss and your peers that it's worth it. How? Start with Forrester's analysis of the relationship between superior customer experience and growth. You can also do more customized analysis by comparing your firm's growth with that of your competitors with much higher (or lower) CX Index, J.D. Power, and/or ACSI scores.

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- › **Picking your C-suite customer advocate.** Naming your customer advocate requires careful consideration to ensure you tap the right person with the right experiences to lead your change management efforts. Your champion must demonstrate a unique mix of CX operational expertise along with the leadership talents to inspire and garner the support of the organization for the journey ahead. To succeed, your customer advocate must articulate a customer-obsessed vision and strategy — and then partner with executive peers to provide training, goal setting, and success metrics that empower each team member to operationalize customer obsession in their specific role.
- › **Assessing your organizational strengths and weaknesses.** Evaluate your organization’s current state against the operating principles required for customer obsession. Incorporate the point of view of every member of the C-suite before moving forward. But don’t stop there: Gain feedback from throughout the organization. Then, build a new operational map by developing competency profiles and identifying existing gaps that you need to address. Lead the organization forward as a change agent, putting plans in place to develop needed skills and attract and train new types of talent. Craft a personal development plan for each member of the C-suite to further expand their own knowledge and support.

Endnotes

¹ See the “Winning In The Age Of The Customer [119546]” Forrester report.

² Forrester surveyed 126 CX professionals to find out how their firms manage CX and how diligently they apply best practices. We also asked how effectively CX programs have improved customer experience quality and delivered financial results. See the “The State Of Customer Experience Maturity, Q4 2014 [119424]” Forrester report.

³ This excludes native email and messaging apps. The base was 1,680 US online smartphone owners (18+). Source: Forrester’s US Consumer Technographics® Behavioral Study, May 2014 to July 2014.

[?] Source: “Number of apps available in leading app stores as of July 2015,” Statista (<http://www.statista.com/statistics/276623/number-of-apps-available-in-leading-app-stores/>).

⁴ Transforming cultures to be customer-centric is one of the toughest challenges that CX professionals face. That’s because changing the culture of an organization requires the successful orchestration of many initiatives. See the “Seven Steps To Create And Sustain A Customer-Centric Culture [113384]” Forrester report.

⁵ Source: Forrester/ANA Q1 2015 Customer Life-Cycle Marketing Online Survey.

⁶ As The Lego Group moved away from its core markets of North America and Europe, it invested in a form of research it had never undertaken before: deep ethnographic research on how kids around the world really interact with their products. See the “Brief: Use An Ethnographic Approach To Enrich Personas For Local Markets [122141]” Forrester report.

⁷ This is an estimate based on ranges given by global data and analytics technology decision-makers for the percent of structured, semistructured, and unstructured data used for business intelligence at their firm. Source: Forrester’s Global Business Technographics® Data And Analytics Survey, 2015.

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⁸ Using a 5-point scale, we asked respondents to indicate their level of agreement or disagreement with the following statement: “We consistently measure the results of insights-driven action and learn what works.” Source: Forrester’s Q3 2015 Global State Of Strategic Planning, Enterprise Architecture, And PMO Online Survey.

⁹ We calculated this growth rate from Dominos’ 2014 annual revenue and 2015 revenue estimates. Source: Quarterly Earnings, Dominos Investor Relations (<http://phx.corporate-ir.net/phoenix.zhtml?c=135383&p=quarterlyearnings>) and “Analyst Estimates: Domino’s Pizza, Inc. (DPZ),” Yahoo Finance (<http://finance.yahoo.com/q/ae?s=DPZ+Analyst+Estimates>).

¹⁰ Leading organizations are making it effortless for customers to pick from a menu of everything they need in what Forrester calls a “dynamic ecosystem of value.” See the “The Future Of Business Is Digital [115520]” Forrester report.

¹¹ Source: Vala Afshar, “100 Tweetable Business Culture Quotes From Brilliant Executives,” The Huffington Post, September 9, 2013 (http://www.huffingtonpost.com/vala-afshar/100-tweetable-business-cu_b_3575595.html).

¹² See the “Defend Your Digital Business From Cyberattacks Using Forrester’s Zero Trust Model [61555]” Forrester report.

¹³ See the “Close The Experience Gaps With The Right Business Technology [120521]” Forrester report.

¹⁴ See the “Brief: Software Innovation Requires A Loosely-Coupled Application Architecture [116565]” Forrester report.

¹⁵ Not since the Industrial Revolution have the stakes of dealing with change been so high. Despite some individual successes, however, change remains difficult to pull off, and few companies manage the process as well as they would like. Most of the new initiatives — installing new technology, downsizing, restructuring, or trying to change corporate culture — have had low success rates. The brutal fact is that about 70% of all change initiatives fail. Source: Nitin Nohria and Michael Beer, “Cracking the Code of Change,” Harvard Business Review, May-June 2000 (<http://hbr.org/2000/05/cracking-the-code-of-change/ar/1>) and David Leonard and Claude Coltea, “Most Change Initiatives Fail -- But They Don’t Have To,” Gallup, May 24, 2013 (<http://businessjournal.gallup.com/content/162707/change-initiatives-fail-don.aspx>).

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