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## WHY AREN'T MORE COMPANIES SHIFTING TO TREAT THEIR BEST CUSTOMERS BEST?

### Embracing Customer Centricity Means Dumping the Old Ways

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*"Russia is a riddle wrapped in a mystery inside an enigma."*

**Winston Churchill, October 1, 1939**

On a radio broadcast early in World War II, Churchill offered this gem about Russia, puzzling over what it did and why. It's one of my favorite quotes, spoken during a time of high stakes and important questions.

In many ways, customer centricity is just such a riddle. If customer centricity is so compelling, why do so few companies embrace it fully? In an era of the empowered consumer, why aren't companies further along implementing a strategy that so clearly drives value and entrenches

differentiation?

Investing proportional to customer value, the key principle of customer centricity, can improve overall margins 10% to 15% through two key steps: 1) reallocating investment to those relationships with the most profit potential, and 2) using better acquisition discipline to avoid relationships that will never be adequately profitable.

Yet most companies hold back. Why? The problem starts with budget misalignment. Our research indicates that 60% of marketers allocate 20% or less of their budget to nurturing customer relationships. Worse, 70% of marketers allocate less than 20% of their people to this goal. As a result, most organizations are starved for money, tools or people to drive customer centricity.

Unfortunately, most budgets reflect the way marketing used to be -- a time when brands were in control, where channel and media dominance were strategically sound. Today, consumers choose when, where, how and if they engage with brands, and it's time for brands to invest accordingly.

This is no easy undertaking. The explosion in media and channel options poses complicated questions. What are the best priorities for these options? How should they be integrated? At the same time, marketers are being pressed to demonstrate concrete results now. It's not easy to fund transformation while chasing short-term success.

Then, there's the question: what outcome does marketing seek? Often, short-term promotional results are given priority over long-term value creation. In cases like that, the organization is extremely unlikely to embrace customer centricity, because the real rewards of this investment show up over time. Customer centricity requires a conviction that some customers are worth more than others, and that not all new accounts should be equally valued.

Progressive marketers will calculate the future value of their customer relationships, invest proportionally to that value, then seek new relationships that act, look and think like their best customers. Doing so, they'll likely be rewarded with higher margins while creating a more enduring, customer-centric franchise.

#### **ABOUT THE AUTHOR**

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