The Quest for Customer Focus

Ranjay Gulati and James B. Oldroyd

Every company wants to get close to its customers, but wishing doesn't make it so. New research identifies four stages of customer focus and maps the organizational changes necessary to navigate from one stage to the next.

More and more CEOS are hoping a stronger customer focus will be the antidote to escalating commoditization pressures. But as the frustrations of myriad companies can attest, getting closer to customers is not just a matter of installing a better CRM system or of finding a more effective way to measure and increase customer satisfaction levels. Tools and technology are important. But they're not enough. That's because getting close to customers is not so much a problem the IT or marketing department needs to solve as a journey that the whole organization needs to make. The companies that do it well follow a surprisingly similar path, passing the same milestones and, in many cases, struggling with the same problems. The journey can be arduous, it takes a long time - years, not months - but there are rewards all along the way. And for those organizations that have gone the distance, the payoff is remarkable.

For Continental Airlines, the journey began when the company was emerging from bankruptcy and needed to know more about the profitability of its individual customers. One of the first things it uncovered was a service mess that was costing the airline millions of dollars every year.

Continental took a systematic look at how passengers were treated when a plane was significantly delayed, when they were bumped from a flight, or during some other unfortunate event. What it found was that compensation was offered on an arbitrary basis by the gate agent, and, somehow, the lowest value customers were, on average, receiving the highest compensation. Worse, some passengers were finding ways to be doubly compensated; a customer who was bumped from a flight might first approach a gate agent, pick up a voucher for a free flight, and then minutes later telephone the airline and ask for another. The representative answering the phone would have no way of knowing that the same request had just been filled.

It was only when the company began to look at customer information in a more holistic fashion -- gathering, consolidating, and analyzing all of its customer interaction information in a single pool - that it was able to correct such inefficiencies. Now everyone who is delayed for, say, nine hours gets the same compensation, and when a gate agent hands a passenger a flight voucher, that transaction is reflected immediately in the customer information database. The passenger will be denied a second voucher even if he gets to a phone within a few seconds.

For Royal Bank of Canada (RBC), the quest for customer focus began when the company discovered that it knew much less about the needs of its customers than it thought. RBC is Canada's largest financial institution, with more than 12 million personal, business, and public-sector clients and offices in some 30 countries worldwide. In 1996, like most financial institutions at the time, RBC had been investing heavily in making banking as convenient as possible, on the assumption that this would attract new customers and increase loyalty. It extended banking hours. It built new branches and installed more ATMs. It added online access. It created insurance, investment, and other new services. But to the company's surprise, a survey of more than 2,000 current and potential customers revealed that people didn't choose a bank on the basis of how convenient it was. RBC scored very well on that measure. But, as the survey clearly showed, that was merely table stakes. Instead, what customers wanted was a bank that demonstrably cared about them, valued their business, and recognized them as the same individuals no matter what part of the bank they did business with.

Based on this insight, RBC set a goal to systematically manage all of its customers at every one of the millions of points at which they came in contact with the bank - a prospect that was daunting, to say the least. To its credit, over the last nine years RBC has learned how to reorient the focus

of its entire organization away from products and distribution and toward the real needs of its customers. The results are telling. Dividends swelled from 68 cents per share (in Canadian dollars) in 1996 to $1.72 per share in 2003, driven by a 20% increase in high-value customers and a 13% rise in average customer profitability between 1997 and 2001. Between 2000 and 2004, the percentage of customers that purchased the bank's high-margin packages of bundled products and services doubled, from 35% to 70%, and the success rate of sales leads driven from promotion events rose to 45%. (Compare this against the 2% to 5% response rate typical of standard marketing programs.) Along the way, RBC has won a host of information technology awards for its innovative customer—facing computer systems.

The Continentals and RBCs of this world are as exceptional as their exceptional results. But they are not unique. What are they, and others like them, doing right? To answer that question, we spent two years conducting an in-depth study of 17 companies that have made substantial progress toward becoming more customer focused. This diverse set of businesses ranges from financial institutions like RBC, to the gaming giant Harrah's Entertainment, to the massive telecom carrier SBC Communications. What we found, at a high level, was that customer-focused companies consistently embrace three concepts.

First, they know they can become customer focused only if they learn everything there is to learn about their customers at the most granular level, creating a comprehensive picture of each customer's needs--past, present, and future. Second, they know that this picture is useless if employees can't or won't share what they learn about customers, either because it's inconvenient or because it doesn't serve their interests. Finally, they use this insight to guide not only their product and service decisions but their basic strategy and organizational structure as well.

Over time, these companies enable and enforce coordination between internal units at progressively more sophisticated levels, they find new ways to manage the flow of information, they develop routines for decision making that incorporate customer preferences, and, ultimately, they shift the locus of their customer-focused efforts away from a centralized hub to a more disbursed set of activities that spans the entire enterprise.

Each company we have studied has followed a strikingly similar path in its journey, a path that runs through four distinct stages. Skipping stages might appear to speed up the process, but in the end it denies the organization the sure foundation it needs to build a lasting customer-focused mind-set. By understanding the journey, managers will be able to anticipate the challenges ahead and invest organizational resources, including their own time, in those activities that matter most while avoiding the high-cost, low-return measures that have plagued so many companies.

STAGE 1
Communal Coordination
The journey begins with the creation of a centralized repository of customer information, which records each interaction a customer has with the company. Creating this repository is a two-step process. First, organizations bring together and standardize information drawn from customer touch points throughout the firm into a single pool. Second, they organize this information by customer; that is, they make the customer-rather than the account, the purchase, the product, or the location- the fundamental unit of analysis.

The definition of a customer may not always be obvious. For Continental Airlines, for instance, customers could be defined as travel agents, corporations, or consumers. For a pharmaceutical company introducing a new prescription medicine for children, the customers might be physicians, but they could also be parents, their children, and their insurance companies. As a result, organizations may have to manage and collate their interactions with several interrelated customers together.

Gathering, standardizing, and organizing customer information that comes from all across the organization requires companies to establish a coordination infrastructure. The amount of coordination called for in this stage can be substantial, but it is not necessarily complicated; we call it communal coordination. Organizational units need not contact one another directly. Instead, each group contributes its information to the communal pool separately from the others and then taps into it as needed. In the companies we studied, a neutral entity like IT typically controls and oversees the pooling process. That's for two reasons. First, employees of a neutral entity like IT have the technical skills to normalize and cleanse information as it comes into the common repository. Second, and more important, such staff tends to be free of operational biases. Unlike sales, marketing, and other groups that create and use customer information, neutral entities like IT don't concern themselves with the actual value of the information; they care only that it is accurate, clean, and easily accessible. However, ownership of this process requires employees of the neutral entity to possess a unique mix of skills - an understanding of both the technology and the business needs of all the different groups that rely on customer information to make key business decisions. Such talent is not commonly found in most organizations.

The concept of a communal information source is relatively simple, but it requires a substantial investment in both time and technology to make it useful. There is, of course, the challenge of overcoming political boundaries, as people often resist sharing information--and resist losing control over it even more. But at this stage of the journey, it's simply the sheer volume of customer information that tends to make the pooling process so long. At Continental Airlines, it took more than four years. Just for a start, it took six to nine months to properly clean and aggregate the information as it came in from the finance, marketing, operations, and other units. Often, the devil was in the most mundane of the proverbial details-in one case, information might be captured as day/month/year; in another, as month/day/year. Such discrepancies had to be identified and corrected, often manually.

The need to capture information at a granular level is another reason the process is so time-consuming. Continental's database includes as fine a level of detail as a customer's choice of seats and preferred methods of booking; the number of times his flight departed on time, was delayed, or was canceled; and any time his luggage was lost.

If the task is onerous, the payoff is high: The goal of collecting information at so comprehensive a level is that Continental no longer needs to know in advance what business questions it might wish to ask. The repository has within it the potential to answer just about any question.

Pooling the data took even longer at Harrah's Entertainment: six years. Unlike Continental, which was taking over a set of processes that had been previously outsourced, Harrah's had to overhaul internal customer information management systems already in place in numerous properties scattered across the United States. When Harrah's began this process in 1991, competition in the gaming industry was local. Casinos in Las Vegas competed with rivals along the Strip, making ever more costly upgrades to woo customers to their tables from the tables next door. But initial research, which the pooled data confirmed, indicated that customers weren't really choosing among competitors on that basis. What they really wanted was to be properly recognized and rewarded when they visited Harrah's in another market. So Harrah's sought to shift its strategy away from focusing on competitors toward standardizing and improving its customer experience in all of the company's properties, thereby creating a national brand. (Harrah's customer database is described in detail in Gary Loveman's May 2003 Harvard Business Review article, "Diamonds in the Data Mine.") Creating a single view of customers is valuable in its own right: it generates opportunities for cross selling, it reveals glaring errors in customer service, and it can point the way to efficiencies that reduce costs. But more important still, consolidation sets the stage for the next steps on the journey toward customer focus--in two important ways.

First, as individual business or functional units are forced to share information, companies begin to see a shift in mind-set. Employees in one business unit learn to recognize that "their"

customers are shared assets, valuable to other units as well. This limited amount of coordination lays the groundwork for much higher levels of coordination to come.

Second, the central repository of customer information itself serves as a building block for the next stages. Continental Airlines in the mid-1990s had 35 to 40 domestic databases and another 50 international databases; more than half of them were dedicated to customer information, but nearly all of them housed some important customer data. Now it has two databases, one for customer analytics and modeling, and one for operational data. Previously, the different information repositories often produced different answers to the same question. There was no consensus within the company as to who the highest value customers were, for instance. The answer varied depending on whether you were looking at miles flown or at ticket price paid. Now there's no ambiguity-both miles and ticket price are factored in.

STAGE 2
Serial Coordination
In stage two, companies go beyond just assembling customer information to drawing inferences from it. Coordinating gets a little trickier as the centralized coordination role expands to manage not only the continued collation of data but also a sequence of tasks performed by certain functional units so that information can be analyzed and the resulting insights shared throughout the company. We call such a coordination architecture serial coordination. The sequence typically starts when the collated information from stage one passes to business analytics experts (who frequently reside either in marketing or in a separate unit of their own). They analyze the information and then pass along their results to users in the business units, who identify how best to apply it in marketing efforts, building on their knowledge of the local markets. The handoff from one unit to another may not occur spontaneously; one of the organizational units may need to take a leadership role to ensure that the entire sequence of steps is accomplished and properly coordinated.

In some organizations, the information is employed for more than sales and marketing activities, to analyze and improve a broad range of enterprise operations. For example, Continental was able to mine its customer information to configure its flight network more efficiently. Previously, the airline could analyze only the profitability over time of each route separately by tracking the number of passengers on each flight and the average fare they paid. It did not know whether those passengers were coming or going or what routes they'd previously flown. Now, with the data pooled from all organizational units, the route optimization teams can examine the total revenue generated by each passenger and the pattern of that individual's travel. Viewed in that context, a flight that was previously considered unprofitable--and, consequently, a target for elimination--might turn out to be a key connection between airports used by a substantial pool of very profitable customers. In short, Continental can now maximize the profitability of the whole flight network rather than the profitability of each independent segment.

Learning to use the communal data in this way requires substantial coordination. Employees in Continental's planning and scheduling group managed the overall process to ensure that the serial coordination actually occurred. In this instance, as they began their analysis, the members of the group realized they needed input from several different areas of the business, including operations, pricing, sales, marketing, and finance. They approached each one in turn for its input into the analysis of the flight network. The operations group provided information about how scheduling changes would affect when and in what way airplanes were serviced. Pricing then added information on how changes in ticket prices might influence customers' choices. Sales subsequently assessed what channels would best suit the offering. Marketing got involved to plan the launch of new flight segments. And, finally, finance made sure the assets of the organization were being put to the best use.

The Royal Bank of Canada saw similarly powerful benefits from analyzing its pooled data. In one instance, RBC was examining the effectiveness of one particular service offering. The package,

combined a checking account, credit card, and some other services, like the ability to pay bills at its ATMs. It was popular, but RBC's analytics team found that nearly 60% of the time these packages were unprofitable. In the past, that discovery might have forced the bank to discontinue, a product that customers liked or to raise fees for the package, either of which might have solved the bank's problem but not the customers'. With its transaction-level data, however, the company could pinpoint the source of the problem: The ATM bill-paying process wasn't automated. Bank employees had to take the paperwork from the envelopes inserted into the ATM and enter the transactions in by hand.

Serial coordination was overseen by the marketing and strategy group, which initiated the project. The analytics group provided the analysis, the product management group reevaluated the content and pricing of the product bundle, and the finance group studied the impact of the various options on the company's performance. In the end, after considering the input from all of these groups, the bank kept fees the same but added low-cost telephone and online bill-paying services to the original package. Happy customers began using these convenient options of their own volition. And a year later, 90% of these packages were profitable.

Serial coordination is not spontaneous and is fraught with obstacles. Traditional roles and structures create natural barriers to spreading information and lessons learned throughout the company. Some changes to a company's social and organizational structure will be required to overcome them. One of the most significant barriers can be a lack of trust between the group that collates the information, the analytics experts who manage it, and those who apply it in the line organizations.

The best way to whittle down those barriers and build trust is to show some early successes. For example, when RBC began using customer information to target sales activities more precisely, the central analytics team began creating much shorter lists of customers for bankers in the individual branches to contact with new offers. The bankers were initially- and understandably-skeptical of the effort when they started getting 20 names instead of the 300 they were accustomed to, and they hesitated to use the pared-down lists. But they quickly recognized that the new lists yielded much better response rates. That gave the bankers far more confidence in the analytics team.

Leaders of the coordination effort must carefully design the tasks involved at this stage and set up the links between units in such a way as to minimize conflict. For instance, when the centralized analytics group at telecom provider SBC develops a model for assessing, say, a given customer's profitability or usage pattern, the model is handed off to the IT department, which uses it to generate a score for each customer on that measure. The score is then passed to marketing, which uses it to determine which customers to target in promotional campaigns such as outbound calling and direct mail. In the end, yet another group looks at how much revenue each campaign has generated to measure its success. Handing information off from one unit to another in this structured way, at least once a month, helps make the coordination between units ever more seamless.

The second stage in the quest for customer focus usually uncovers critical gaps in employees' skills. Most people are unaccustomed to having so much customer information to work with. Often, those with statistical skills lack business savvy; those with operational knowledge are not comfortable analyzing data. It's difficult to find people who can be "bilingual." John Boushy, Harrah's senior vice president and chief integration officer, and the one responsible for the customer data warehouse, recalled telling his CEO: "I feel a lot like I've built an F-14 and I have Piper Cub pilots to fly them, and what I'm most concerned about…is that they're either going to inadvertently crash and burn, or, worse yet, they're going to fire a missile and…take down a friendly airplane."

In general, we found that best-practice companies centralize this analytic capability because it's not possible or practical to hire people with PhDs in statistics for every unit of the company. With the entry of COO Gary Loveman and his new leadership team in 1998, for instance, Harrah's created a central marketing-analytics team tasked with interacting with the various casinos and ensuring that all of them used the customer data effectively. This arrangement was not something that everyone in the corporate organization or the individual properties was good at or comfortable with, which led to some turnover in both units.

STAGE 3
Symbiotic Coordination

Stage three is a step jump in terms of complexity and the need for coordination because it requires that companies shift their focus from an analysis of past customer interactions to anticipating, and even shaping, the future. They begin to ask questions like: Which customers will be likely to switch to a competitor? Which are most likely to buy a new product or service in the future? Which are most likely to pose an unacceptable credit risk? Addressing these questions requires organizations to move away from the one-way information flow that characterized the previous stage toward a dynamic give—and-take. We call this symbiotic coordination: Information and decisions flow back and forth between central analytics units, operating units, and marketing, sales, and other organizational units-and even laterally among the organizational units themselves.

In this stage, companies embrace an experimental process comprising four discrete sets of activities: creating models to predict customer behavior; experimenting with various interventions designed to alter customer behavior; measuring the results of these interventions; and using feedback from the front line to improve the models and Subsequent campaigns. In true scientific fashion, companies often set aside a control group and compare the activities of those customers who received an intervention with those who did not. By repeatedly altering the experiments and carefully' measuring the results, companies learn over time which alternatives have the greatest impact on customer behavior.

For example, SBC wanted to decrease the number of customers that might defect to the competition. So using the analysis done in stage two of virtually every interaction between the company and its millions of customers, SBC Created various defection models to predict the likelihood that an individual would switch to another telecom carrier. It then developed and experimented with various marketing interventions designed to hold on to those at-risk Customers. In one instance, SBC learned that people who subscribed to the company's SBC Yahoo! DSL service were significantly less likely to switch their local phone Service from SBC to another vendor. Using propensity-to-buy models generated from its information pool, SBC then identified customers with the greatest likelihood of purchasing DSL. This in turn allowed product managers to identify and target only those individuals who would be profitable in a 12-month period. In one campaign alone, SBC was able to reach only its most profitable potential DSL subscribers, without significant marketing expense.

At Continental, the analytics group uses feedback from the company's 49,000 frontline employees to continually develop new hypotheses and interventions aimed at retaining and expanding the company's customer base. The dialogue occurs formally in "think tank" sessions and in training meetings conducted by a group of "ambassadors" from marketing charged with increasing the customer focus of the organization. In these sessions, flight directors, managers, and flight attendants, both domestic and international, come together to relay their firsthand experience to the corporate training officers. The customer-focused group, in turn, relays the information back to the modelers. The modelers then modify and enhance their predictive models, hypotheses, and interventions. So, for example, in one case the company tested different responses to customers who had been inconvenienced in some way, such as when a flight was delayed. Some customers were sent nothing (the control group), some received a letter of apology from the CEO, others got a letter and a flight coupon, and still others got a letter with a club lounge pass. Each group's

subsequent purchase patterns were measured, and it turned out that although all of the interventions were beneficial, the letter alone was as effective as the other, more costly offers. Frontline employees also contribute ideas based on their own experiences as travelers. These meetings have been very successful, yielding over 600 ideas for using customer information to improve service. One such idea: Add some of the knowledge the President's Club staff had about frequent travelers - such as their favorite drink-into the database.

Many companies get stuck at this stage because symbiotic coordination requires people in several units who have no formal reporting relationship to interact in spontaneous and unsystematic ways through a constant give-and-take. Work is not handed off serially from one group to another; people are learning together in real time. Pulling this off typically calls for some major structural changes. Most companies take one of two approaches to creating the needed links: They reorganize the entire company by customer segments that cut across product, technology, and geographic boundaries. Or they add new organizational units whose job is to ensure coordination between the centralized IT and analytics experts and the front line. Either way, it's a big job.

Royal Bank of Canada took the former approach. The bank was previously structured around products; employees attended to "mortgage" customers or "deposit" customers rather than to "RBC" customers. Now the company is structured around three customer segments: premium, standard, and foundation customers, each of which cuts across all of the product lines. To preserve a degree of accountability for sales, RBC also created a matrix structure, laying product segments over the customer segments, rather than obliterating the product segments altogether. As expected, the matrix structure engendered some tension between the customer and product organizations; employees focused on products are interested in selling their own products; employees focused on customers are rewarded for maximizing the value of all customers to the organization as a whole. To avoid confusion, RBC's leaders have made it explicit that customer segment employees have the final say in all of the product—oriented staff's customer-related budget decisions.

It takes patience and time to make such dramatic changes. RBC Banking vice chairman Jim Rager waited nearly five years after beginning the customer focus journey before undertaking this reorganization. To make the change more palatable, he wanted employees first to see some early successes with the new customer-focused approach.

Harrah's took the other tack. It created a core marketing-leadership team and an analytics group responsible for building scientific-learning capabilities. Then it made the frontline casino property managers responsible for implementing these new methods in their markets, within guidelines that offered "several degrees of freedom." Under this system, the core leadership team gives each marketing group in the region a specific performance goal for each customer segment but also gives it leeway to take its knowledge of local markets into account when determining how to achieve the objective. The idea is to foster a test-and-learn culture. To ensure proper coordination between the groups, the company created a new division structure, organized geographically: East, Central, and West. Each division head acts as a pivot, relaying strategy and directives to the individual casinos and reporting back to the leadership team on subsequent performance and problems on the front line. It helped that COO Gary Loveman was also the de facto chief marketing officer; having marketing and operations staff report to the same person enhanced the connections. SBC, too, created a new marketing group that cuts across geographies and units. Restructuring the company by customer segment would have been cost-prohibitive because the firm operates from many, many locations, and employees would have spent too much time traveling to achieve symbiotic coordination.

STAGE 4

Integral Coordination

If in the symbiotic stage, companies shift their focus from the past to the future, in the integral coordination stage, they focus on bringing a now-sophisticated understanding of their customers

into the present, incorporating that understanding into all of their day-to-day operations. Companies start to move past discrete, formal initiatives to weave customer focus into the informal values and daily behavior of all employees. Customer focus begins to define the organization and pervade its every aspect. In one example, a Continental flight attendant approached a passenger and apologized for a flight delay he had experienced less than 16 hours earlier. In another, a ramp agent--an individual who works on the tarmac loading luggage--noticed that the airline had lost the bag of a high-value customer on a previous flight. That customer was currently on board, so the agent notified her personally that her bag had been loaded onto the plane.

Whereas previously, central marketing, IT, and analytics groups were the primary drivers of customer-focused initiatives, now activities are extended down into the line organization, where employees are given the autonomy and latitude they need to focus on the customer in virtually every action. Continental, for instance, allows nearly all employees in the company access to its customer information-and it also provides them with access to the experts who can help them analyze and use it. Technology director Anne-Marie Reynolds observes that nearly half of her department's time is spent helping employees access and understand customer information.

At this stage, companies are coordinating key activities across vertical and horizontal boundaries, which are in many cases irrelevant to customers. We call this integral coordination. Companies can build informal overlays that transcend organizational boundaries, bringing together people with a passion for some particular customer-focused activity into centers of excellence. At RBC, for example, a data warehouse steering committee, with representatives from all of the bank's lines of business-RBC Investments, Insurance, RBC Banking, and Commercial Banking--establishes priorities and the order in which customer information projects will be funded, making sure that these projects are aligned with overall strategic objectives and that existing corporate roles and structures do not prohibit learning transfer.

Harrah's has created a similar organization for marketing, technology, and operations. The marketing council, which Loveman, now CEO, chairs, includes the core leadership team, representatives from technology, and leaders from each division. Marketing presents ideas to this larger council to elicit its feedback, thus involving the company at large in generating ideas for, and becoming committed to, the customer-focused effort.

When customer focus becomes institutionalized in this way, technology can not only support but even automate decisions. At Harrah's, for instance, technology helps employees to more productively allocate its scarcest resource: its hotel rooms, which run at 95% occupancy year-round. Customers spend more when they stay at the hotel than when they just visit the casino, so Harrah's wants to be able to put customers with the highest potential into the rooms. A new system that can match up customer profitability measures with occupancy predictions helps employees book rooms in a way that dynamically optimizes profitability. Very profitable customers could be given rooms for free, while unprofitable customers could be charged the highest rate. The results of this and other customer-focused programs have been outstanding; profit per available room increased 30% between 1999 and 2003, which equates to more than $20 million a year added to the bottom line despite a significant increase in costs, as the number of rooms in the network has expanded.

Integral coordination is a continual process that needs to be constantly revitalized. SBC conducts training exercises on a large scale to keep customer initiatives at the forefront of everyone's mind. The company's marketing department, which consists of 1,200 people and which turned out 1,700 campaigns in 2002, offers its employees programs like "Campaign List Generation 101" and "Campaign RO1101." Even Harrah's, a company widely feted for its use of customer information, recognized in 2003 that, owing to natural attrition and turnover, the customer-oriented skill sets it needed weren't necessarily understood or developed throughout the organization. Late that year, it launched an enterprise-wide marketing-training program that educated the head of marketing,

the director of marketing, and finance officers for each property. In all, more than 100 leaders went through the training in 2004. Harrah's also spent more money on its marketing-related IT investments last year than it ever had before. David Norton, senior vice president of relationship marketing, explains: "We are now reaching for branches higher up the tree, so it is only getting harder. But because we have had so much success, there is a great appetite to invest further and create even greater differentiation between us and our competitors."

While companies can and should distinguish between more and less desirable customers, they should not forget that lower-value customers may over time become more profitable. Indeed, very few of the companies we studied tried to get rid of lower-value customers. Rather, we observed, they sought to understand such customer segments, to identify profitable characteristics in seemingly less-profitable customers. For instance, Harrah's Total Rewards program recognizes people based on their annual value so that lower-but-steady spenders can aspire to perks that high rollers enjoy, such as shorter lines at restaurants. Harrah's then modified Total Rewards in 2003 to allow customers to carry over points from year to year so that they were treated according to their true long-term value.

Similarly, at SBC, the Small Business Group's philosophy is that whatever works for General Motors is also likely to work for small businesses. As Cathy Coughlin, the president of business communication services, ex- plains: "They want the same saving; they want to know if a new product has been introduced that could benefit them."

The challenges in this stage are monumental, primarily because integral coordination requires a major shift in attitude on the part of so many employees. As it began this stage, Royal Bank of Canada found that some of its product employees would pay lip service to the customer- focused approach and then revert to working in ways that undermined the new strategy. Harrah's senior vice president of business development, Rich Mirman, talks about the "huddle after the huddle," a reference to the words of basketball coach Pat Summitt. Summitt would call the huddle and then call the play, but when the team members got onto the court, they would huddle again themselves and change the play. At Harrah's, says Mirman, "we call a play, but the [people from the] individual properties go back and say, 'That doesn't pertain to our market.' All of a sudden, you're spending 25% of your time trying to get people to run the play."

Similarly, the credit card division at RBC, which had always operated as a separate group, agreed in principle with the customer-focused approach but continued its independent marketing activities. The group came around only after it did its own analysis and found that, as the customer- focused strategy was advocating, current bank customers were much more likely to add credit card services than noncustomers. Still, even now, not all of RBC's employees use the centralized customer information repository in their work, and the bank acknowledges that it will probably never see 100% adoption. Even so, the strategy has had a big impact on the business.

Shifts in attitude cannot be forced. Employees can only be nudged, pressured, coaxed--and provided incentives. Harrah's invested $40 million in 2004 alone to reward those employees who according to their managers had delivered outstanding customer service. And after changing its incentive structure and providing comprehensive training, Harrah's showed how seriously it took its customer focus initiative by eliminating the recalcitrant resisters. As a result of these efforts, Harrah's increased the share of its customers' gaming wallet from 36% in 1998 to 43% in 2003. SBC and Royal Bank of Canada have also had to change their incentive structures so that they not only reward sales but also encourage cross-unit cooperation and client-focused behavior.

Much has been written and said about customer relationship management, and companies have poured an enormous amount of money into it, but in many cases the investment hasn't really paid off. That's because getting closer to customers isn't only about building an information technology system. It's a learning journey--one that unfolds over four stages, each with its own obstacles, and each requiring people and units to coordinate in ever more sophisticated ways. Companies

that recognize this will invest their customer relationship dollars much more wisely--and will see their customer-focusing efforts pay off on the bottom line.

Understanding the Customer Focus Journey

	STAGE 1 Communal Coordination	STAGE 2 Serial Coordination	STAGE 3 Symbiotic Coordination	STAGE 4 Integral Coordination
The primary organizational objective	collation of information	gaining insight into customers from past behavior	developing an understanding of likely future behavior	real-time response to customer's needs
The coordination requirement	communal coordination between a neutral information owner and the sources of customer information	serial coordination between the neutral collator of information, analytics experts, and line organizations	symbiotic coordination between the neutral collator of information, analytics experts, and line organizations	integral coordination among all of the company's employees across divisions, geographies, and other boundaries
The locus of leadership	corporate strategy leaders and information technology	corporate strategy leaders, the neutral entity that collates information (such as IT), analytics experts, and marketing	corporate leaders, customer segment managers, and/or pivots that move information vertically and horizontally within the organization	corporate leaders and cross-business integrators

Harvard Business Review, v. 83, n. 4, p. 92-101, apr. 2005.