
Preface: You Must Read This Before Entering the Time Capsule

The customer isn't always right. Rather, the right customer is always right. And yes, there is a difference.

It was eight years ago when I wrote those words, as I began working on the book that aimed to be a call to action for the business strategy that I (and others) have termed “customer centricity.” Those three sentences were perhaps a bit flip, and in truth, they didn’t really quite explain what customer-centric thinking is all about.

But this little turn of phrase, I thought, would serve as a much-needed wake-up call—not only to marketing professionals but to entire companies and, more broadly speaking, the business world at large. The reality was that, at the time, such a wake-up call was badly needed.

Now as I look back eight years later—after more than 60,000 copies have been sold—I can proudly say that I was right about the need for a wake-up call.

Customer Centricity was first published in 2011. In so many ways it seems like a strange, distant past: a past in which product-centric thinking reigned supreme and few businesses were even aware that a viable alternative existed. Today, almost (I should emphasize: *almost*) every executive understands the power of data—and the absolute, unquestioned necessity to be relentless in seeking new and innovative ways to put that data to use. Today, many more businesses understand that their customer base is composed of a widely varying spectrum of buyers, each of whom brings a varying level of value to their company. And this is true in all markets: business-to-business versus business-to-consumer, products versus services, big-ticket items versus inexpensive low-involvement ones, and domestic versus multinational.

Today, many more executives understand the perils of product-centric thinking and that long-term survival in the hypercompetitive business environment demands not merely great customer service but also a firm grasp of how to engage with different kinds of customers in ways that create meaningful value for the customers as well as the company. Being “everybody’s friend” is generally not the best approach to achieve the kind of sustainable growth that stakeholders demand.

Today, customer-centric thinking is no longer a bizarre niche occupied by a few oddball companies (and ivory tower academics). It is well on its way to becoming a conventional strategy that all firms will

seriously consider, if not adopt, as their primary organizing mindset.

This was not the case in 2011.

Back then, I felt at times as though I was shouting into the wilderness. I knew that the small group of us who had begun to shape these ideas were on to something—and it was going to be something big. I knew that customer lifetime value (CLV), a term that many readers encountered for the first time when they read this book, would become an essential metric for countless companies seeking accountable success. And I knew that companies that failed to embark on any effort to better understand the differing needs, wants, and potential value of their heterogeneous customers would ultimately pay a price. I also knew that there were an awful lot of CEOs and Chief Marketing Officers (CMOs) out there who had no earthly idea what I was talking about, much less had any intention of putting my ideas to work.

This was a time in the history of modern business when a company such as Starbucks could be so naïve as to build a customer loyalty program around little more than occasional free cups of coffee for regulars. This coffee giant had millions of customers walking in and out of its stores every single day, which means it was being presented quite literally with millions of opportunities to better engage with those customers. To better understand them. To better serve them. To better profit from them. And yet, given those opportunities,

the Starbucks of 2011 (unlike the Starbucks of today) did not make this a priority. To me, it was maddening. But Starbucks was hardly alone.

In the first edition of *Customer Centricity*, I shined a not-so-flattering light on a number of companies that were failing and flailing as the data age dawned. Two notable examples were Starbucks and Nordstrom, though there were many others. I examined the perils of product-centric thinking and how too many companies were falling into a product-focused trap. I explored the new and emerging strategies that some early adopters of customer-centric thought, such as the Harrah's casino chain and Tesco grocery stores in the UK, were beginning to put to use, with great success—at least at that time. I explained how customer relationship management (CRM) had lost its focus, and how it could be reenergized by the most fundamental customer-centric ideas. I made an impassioned plea for change.

And apparently I won some people over.

Starbucks Has Come a Long Way on Customer Centricity

Not long after the book was first published, I got a phone call from Aimee Johnson, who at the time oversaw the loyalty program at Starbucks. I didn't

know it at the time, but Aimee was not calling to praise my work. Instead, she was on a mission (assigned by a senior executive) to “educate” this renegade Wharton professor to stop being so critical of the company. I couldn’t tell this from the initial call (Aimee didn’t explicitly tell me about this assignment until years later), but she asked a lot of interesting questions about my radical ideas and how they may (or may not) apply to Starbucks. After several follow-up calls, she realized that my ideas were, in fact, nicely aligned with the bold transformation that Starbucks had started to undergo. But some of the ideas, language, and analytical tools I referred to in the book were very new (and, in some ways, seemingly threatening) to the company.

Long story short: Aimee became a fan of the work and, in turn, became one of the “Heroes of Customer Centricity” whom I have praised in countless executive education sessions and keynote talks. Likewise, Starbucks as a whole made major changes to better understand its customers at a granular level and to leverage these insights in a truly customer-centric manner.

Take, for instance, the clever idea that is the Leaf Raker’s Society. If you haven’t heard of this particular corner of the internet, well, that’s no mistake. The Leaf Raker’s Society is supposed to be a “secret” Facebook group. Most specifically, it’s a secret Facebook group for people who are passionate about—you guessed it—raking leaves (among other autumn activities).

Launched by an internal Starbucks marketing team in the summer of 2018, the group is, in truth, little more than a brilliantly disguised, ongoing, permanent advertisement for the ever-popular pumpkin spice latte, which reappears on the Starbucks menu each fall. Described as a site for people who are “year-round scarf-wearers” with a goal of helping “Autumn arrive earlier in the calendar year,” the Leaf Raker’s Society has evolved into a truly organic online community; as of this writing, the group had more than 37,000 members and had sparked millions of conversations since its launch that go well beyond Starbucks products. That’s customer centricity in action.

For the members, it’s simply a site to celebrate fall, sweaters, pumpkins, and, of course, pumpkin spice lattes. But for Starbucks, it’s so much more. It’s a window into its customers’ hearts and minds; it offers not just usable data about those customers—Facebook, as we know for better and worse, is a treasure trove of personal data—but also, and perhaps more importantly, some perspective about how and why a group of people who are passionate about, of all things, a *season* are also passionate about pumpkin spice lattes. From a marketing perspective, it’s a masterstroke, and as somebody who came down somewhat hard on Starbucks in the initial publication of this work, I have to tip my cap here and say:

Well done, Starbucks. Well done. You've come a long way.

And what about Aimee Johnson? Well, after doing great things to help Starbucks navigate the customer-centric waters, she recently decided it was time to take on a new challenge—to take her expertise to a very different company in another sector that is in desperate need of some customer-centric transformation. Today, Aimee is the CMO of Zillow, helping this digitally native real-estate giant broaden its strategy to extend well beyond its initial scope of home listings, including buying and selling homes, providing financing to homebuyers, and a range of other services that will help create lasting relationships with high-value customers. It's bold and risky, but it's a great example of how customer-centric thinking can cross traditional industry lines with a visionary leader like Aimee Johnson to make it happen.

Apple Is Still Late to the Party, While Nordstrom Has Evolved

For every Starbucks, there is another company that, out of either stubbornness or ignorance, simply refuses to wake up to the reality of twenty-first-century commerce. Counted among these companies, I am dismayed to

report, are some of the most successful brands in the world of business.

My frustration with the Silicon Valley giant that is Apple is hardly new; it dates all the way back to the glories of the Steve Jobs era. Genius though he may have been, Jobs always was a strictly product-centric thinker. He had a famously large ego, a competitive streak that bordered on obsession, and complete confidence not only in his own individual brilliance but also in the brilliance of the products he created. To put it bluntly, I don't believe that Jobs ever really cared about his granular customers because he believed he knew better than they did. He would lead, he would create, and they would follow.

We must give credit where it is due: his instincts and product-centric practices were uniquely successful—at least for a while. Perhaps 10 or 15 years ago, Jobs's singular reliance on product-centric thinking was pure gold. There is no doubt that this mindset helped him conceive and develop some of the most revolutionary digital devices the world has ever seen.

But eight years after his death, the simple, honest truth is that Apple has effectively plateaued—and a big reason for this is that the tech giant was so late to the party on customer-centric thinking. People are often surprised to hear it, but anyone who operates in the world that I do—a world in which data analytics are central to pretty much everything

about a business—knows for a fact that Apple is still pretty bad at understanding its customers or using data to get smarter about them. It is a company that is bogged down in product-centric thought, and it continues to do things that make me shake my head. It tries to convince external audiences how much it cherishes privacy, but to me it seems more that it is waving the white flag when it comes to understanding and leveraging customer differences—particularly in contrast to all of the other West Coast tech behemoths.

Take, for instance, the company's decision in early 2019 to dismantle the old-school iTunes platform that had become such a joke among the internet crowd. This clunky, outdated system offered little to customers and didn't seem to be doing much for Apple either—at least in terms of data. But rather than just scrap the platform and build something new and better for all involved, Apple instead broke one bad old platform into three mediocre new platforms. The move was widely panned,¹ and justifiably so. It was another wasted opportunity for a company that, by all rights, ought to be doing a whole lot better with its customers.

1. "Game-Changer to Digital Dustbin: Why iTunes Is Shutting Down," Knowledge@Wharton, June 7, 2019, accessed December 12, 2019, <https://knowledge.wharton.upenn.edu/article/itunes-shutting-down>.

This isn't to suggest that Apple is doomed to fail. It continues to be a successful product leader, but its inability to fully embrace data-driven customer-centric thinking has been one factor associated with slower growth and greater competitive vulnerability.

Starbucks and Apple are somewhat extreme examples. There are any number of companies out there that have fallen somewhere in the middle in all of this: they may have embraced customer-centric thinking in some ways, but perhaps not in others, leaving them kind of halfway committed. Nordstrom was a big target in the first edition of this book. Perhaps somewhat unfairly, I painted the upscale retailer as a somewhat Stone Age practitioner of over-the-top and largely nonstrategic customer service. This was the company that embodied, more than any other, the rather simplistic notion that *the customer is always right*.

And yet, even Nordstrom has taken some significant steps toward a more customer-centric future. Perhaps some of this progress was spurred by self-survival—we live in the Amazon age, after all—but it's been heartening to see nonetheless. Indeed, the company's "Nordstrom Local" initiative represents a truly innovative step forward for a firm that has rarely been thought of as a leader in customer centricity—as judged by my definition of it.

Nordstrom Local locations, most of which are stationed in high-end, high-traffic urban centers

such as Hollywood and Manhattan, offer customers a range of services all under one roof—everything from styling advice to tailoring. What these locations don't offer, interestingly, is any inventory. Customers can't buy direct from these locations, because there are no actual products to buy there, but they can pick up online orders or place those orders there in the store. Perhaps more importantly for Nordstrom's customer-centric efforts, customers can and do interact directly with Nordstrom staff. This allows the retailer to understand its most loyal of customers better, serve them better, and derive as much value as possible from them.

Early indications are that the strategy is working. The company, which has continued to expand its roster of Nordstrom Local locations, says the customers who visit these locations presumably spend more per transaction and buy more frequently than customers who only visit the traditional mall-based locations. Nordstrom has tapped into something important: a lifeline of its most loyal customers. And if it continues to do so, it could help the company weather the Amazon storm.

In late summer 2019, Nordstrom announced that it would accept product returns for several competing retailers in its Nordstrom Local locations. *That* is a nice example of customer centricity: not only is the company catering to a select group of high-value

customers but it is also offering a meaningful value-added service to solidify its status as a genuine “trusted advisor” partner to those customers. In the long run, this tactic should (and I predict *will*) bolster the lifetime value of these customers and help Nordstrom acquire a better mix of valuable new ones. It has come a long way from the old apocryphal story of accepting tire returns from random customers, and I’m rooting for it as it continues to make innovative moves in this direction.

How to Read This Book

I am not here to tell you that customer centricity is a magic-bullet strategy for business success. Simply adopting the ideas I share in this book is not going to automatically create new revenue streams for your business. I believe in these ideas, and I believe in them strongly, but I also am honest in saying that implementing these strategies, and sustaining them, takes work. It takes *hard* work, and it takes an enduring commitment to continuing that work and always improving on it. My recognition of that fact is a big reason that, in 2018, I published a follow-up book, *The Customer Centricity Playbook: Implement a Winning Strategy Driven by Customer Lifetime Value*,

which I co-authored with my Wharton colleague Sarah Toms.

So here's my message to you as you dive into this book (whether for the first time or as a chance to reflect on your experiences to date): eight years after its first publication, *Customer Centricity* is as relevant and important as ever. With this in mind, I have made almost no changes to the text that follows—I want it to endure as a time capsule of thoughts from the dawn of the customer-centric era. Yes, there are some aspects that may seem a bit dated, embarrassing, or downright wrong (thanks to hindsight).

In Chapter 3, for instance, I've made a 180-degree turn on the definition and use of the phrase "customer equity" (CE). I'm trying to remove that phrase from the customer-centricity vocabulary. In short, it's not really a credible concept. The finance-y part is wrong: the way we define CE is the sum of all customer lifetime values—but we ignore all fixed costs and capital structure. Anything involving "equity" can't do that. Bottom line: let's drop CE and just call it what it is—"customer asset value."

But learning from the past is better than rewriting it in a favorable light. Just as I want my predictive models to be held to high standards of accountability, I feel the same way about my ideas. Please keep this in mind as you digest and evaluate the words you are about to read.

In fact, I'll admit a mistake before we even begin. The digital and data analytics revolution that fuels

customer centricity is not only well under way but zooming ahead faster and more dramatically than what I had envisioned back in 2011. More companies, large and small, than I had imagined are actively moving forward: some are still taking unsteady baby steps, and others are coming up with customer-centric solutions and strategies that seem surprising, innovative, brilliant, and sometimes quirky to me. Seeing all this progress, I remain as convinced as ever that, even if you're late to the party, this is the book that can get you up to speed—and prepare you for long-range, sustainable success in the ever-more customer-centric world.

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