WHARTON EXECUTIVE ESSENTIALS

PETER FADER

CUSTOMER CENTRICITY

Focus on the Right Customers for Strategic Advantage

Wharton

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Introduction

Let's start in Fairbanks, Alaska. Specifically, at the Fairbanks location of one of the most successful brands in retail: Nordstrom.

Nordstrom is a high-end retailer that, of course, sells many wonderful products. But as we all know, Nordstrom is not really famous for *what* it sells; it is famous for *how* it sells—with truly outstanding customer service. Nordstrom is known far and wide as the most customer-friendly retailer in the business, and that reputation is richly deserved. It's also no fluke. Indeed, the company to this very day gives all new employees a one-page company handbook that very simply states, "Our number one goal is to provide outstanding customer service."

Nordstrom executives *demand* outstanding customer service. And their employees deliver it. That's why Nordstrom sends thank-you cards to its customers. That's why Nordstrom clerks walk all the way around their counters to hand shoppers their bags. And that's also why, more often than not, if you ask to return an item to Nordstrom, your request will be granted.

Which brings us back to Fairbanks and one of the most well-worn tales in all of business history—the Nordstrom tire story.

According to legend, the year was 1975, and an unhappy owner of a set of worn-down tires walked into the new Alaskan Nordstrom outpost and asked to return them. The request was an odd one for several reasons, the most notable being this: Nordstrom not only did not sell the man the tires in question, but also *did not sell tires at all*.

No matter, the story goes; the store granted the request anyway. And all at once, Nordstrom had a handy little story on which to hang its customer-service hat. Indeed, in the years since this story originated, company spokespeople have on several different occasions backed its authenticity.

Of course, why wouldn't they? Every retailer wants to be known as customer friendly. Every retailer wants to be trusted. Every retailer wants to be known as the store that not only *says* the customer is always right, but actually *believes* the customer is always right. Nordstrom, apparently, is precisely that company.

But here's what you need to understand: Nordstrom was probably wrong to do this.

Despite everything you may have ever learned about business; despite all that you've been told about customer relations by your bosses, peers, and mentors; and despite even your gut instinct, I am here to let you in on this little secret: *the customer is not always right*.

Rather, the *right* customers are always right. And yes, there is a difference.

Not All Customers Are Created Equal

This is not a book about customer service. This is not a book about being customer friendly, either. This is a book about customer centricity. And although you may be surprised to hear it, there is nothing inherently customer centric about Nordstrom taking back a set of tires that they didn't sell in the first place.

As you'll learn in *Customer Centricity: Focus on the Right Customers for Strategic Advantage,* customer centricity is not really about being nice to your customers. It is not a philosophy. It is not something that can be fostered through a company handbook or mission statement.

Customer centricity is a *strategy* to fundamentally align a company's products and services with the wants and needs of its most valuable customers. That strategy has a specific aim: more profits for the long term.

This is a goal that every business would like to achieve, of course. And it's a goal that your company can achieve as well. But you'll only be able to get there and put customer centricity to use if you are willing to start thinking in new—and in some cases, truly radical—ways. That starts with scrapping some old ideas about company-customer relations, and it continues with a willingness to radically rethink organizational design, performance metrics, product development, and more—all in the name of finding new and unique ways of serving the customers who matter most.

The way I see things—and the way I want you to start seeing things—is that not all customers are created equal. Not all customers deserve your company's best efforts. And despite what that the tired old adage says, the customer is most definitely not always right. Because in the world of customer centricity, there are good customers . . . and then there is everybody else.

That latter group shouldn't be ignored, of course. I'm not suggesting that you ditch them, treat them shabbily, or ignore their wants and needs. I am suggesting, however, that you would be well served—and so would your stockholders—if you started spending more of your time working with the former group. Those are the customers who hold the key to your company's long-term profitability.

Customer centricity is about identifying your most valuable customers—and then doing everything in your power to make as much money from them as possible and to find more customers like them. These customers give you a strategic advantage over your competitors; it's a strategic advantage that could be the best path forward for many companies.

This is something that airlines and hotels have long understood. It's something Amazon, the massive (and creative) online retailer, has understood almost from the very start, way back in 1994. Wells Fargo understands the importance of customer centricity. So, too, do the executives who run Harrah's casinos; the powers-that-be at IBM; and maybe most especially, the leaders of British retailer Tesco, who state very openly that the data they gather from their customer-centric initiatives drive every major strategic decision they make. As this list suggests, there is great variety in the types of companies (and industries) that have put customer-centric practices into use, but these customer-centric savvy companies are hardly in the majority; they are the exception, not the rule.

Although the idea of customer centricity has been around for years (decades, really, as you'll learn later in this chapter) and although customer centricity has been proven in practice to be an incredibly effective means of maximizing customer lifetime value (you'll learn more about this later also), a shocking number of really well-run companies still don't seem the least bit interested in building a customer-centric culture, even though doing so would very clearly be to their benefit.

Costco, which has been helping its customers save pennies for years, isn't truly customer centric. Apple, which was recently named as the most valuable brand in the world, isn't customer centric—at least not yet. Walmart isn't customer centric. Starbucks isn't customer centric. And no matter what your gut may tell you, Nordstrom—sainted, famously customer-friendly Nordstrom—isn't truly customer centric, either.

A Path to Customer Centricity

The aim of *Customer Centricity: Focus on the Right Customers for Strategic Advantage* is simple: to give you a clear and concise understanding of what customer centricity is and isn't; to help you understand why a customer-centric outlook might prove crucial to your bottom-line success in today's superfast, supercompetitive environment; and to guide you around the pitfalls that other companies have faced when attempting to implement customer-centric initiatives.

The topics I'll cover include the following:

- Why the traditional means of doing business—the product-centric approach—is more vulnerable than ever before.
- How the strategies underlying customer centricity can help companies gain a competitive advantage in today's challenging business environment.

- How some cutting-edge companies and leading business minds are rethinking the idea of equity—and how the ideas of brand equity and customer equity help us understand what kinds of companies naturally lend themselves to the customer-centric model and which ones don't.
- Why the traditional models for determining the value of individual customers (something we call customer lifetime value, or CLV) are flawed—and how a rather simple tweak to that model can deliver a much more accurate picture of what individual customers and entire customer bases are really worth.
- How executives can use CLV and other customer-centric data to make smarter decisions about their companies.
- How the well-intended idea of customer relationship management (CRM) lost its way—and how your company can properly put CRM to use.

This book will give you the knowledge and tools you need to succeed in a world that, in the years to come, may well *demand* a customer-centric approach. In other words, by the time you're done reading this book, you'll be ahead of the game. It's a game that has been in the works for decades now. In fact, I should point out that there is nothing necessarily new about customer centricity—or at the very least, nothing new about the ideas on which it is built. The roots of customer centricity can be traced all the way back to the late 1960s, when a relatively obscure ad agency executive by the name of Lester Wunderman gave birth to the idea that we know today as direct marketing. Many of the concepts you'll read about in this book, including the basic overarching notion that businesses would be well served to know absolutely everything about their best customers, are derived in some way from the ideas of Wunderman, who understood long before anyone else the value of keeping records (frighteningly detailed records, actually) about customer buying habits.

What is new, however, is the competitive landscape and the incredibly demanding world in which you and your company are doing business. Today, more than ever before, many companies *need* customer centricity. They need it to compete in the short term and thrive in the long term.

The world has changed dramatically in the decades since Henry Ford first proved the viability of the tried-and-true product-centric business model—the model we'll explore in detail in chapter 1. That model worked wonderfully in the 1920s, and indeed, it still works pretty well today. It is not my contention that the product-centric model is broken; rather, I simply believe the product-centric model is no longer *enough* in many situations.

Technology, deregulation, globalization, and other factors have conspired to rob even the most wildly successful product-centric companies of the full set of inherent advantages that used to arise automatically from a well-executed product-centric strategy. Technological barriers have been broken down. Geographic barriers are all but nonexistent. But what remains are the relationships that companies have—or don't have—with their customers.

Most companies have been able to get by without customer centricity in the past. Many may be able to get by without customer centricity today. And some will be able to get by without customer centricity for years to come. But *most* companies in *most* sectors probably won't be able to get by without customer centricity forever, so they might as well start moving in this direction sooner rather than later.

I believe the companies that will enjoy the most success in the years and decades to come will be the companies that dedicate the resources necessary to not only understand their most loyal and committed customers, but also make the effort to then serve these valuable customers—and serve them in a way that will not only make them feel special but also maximize their value to the company. Make no mistake: your competitors want to steal your customers, and some of those competitors may be plotting at this very moment to do precisely that. Maybe, like National Car

Rental, they are creating a unique customer loyalty program that will allow them to serve their customers more efficiently than anyone else in the marketplace. Maybe, like Harrah's casinos, they have come to the understanding that although they might not be able to compete on sheer size, they can compete with kindness—that is, "kindness" delivered via a sophisticated patron-tracking program that ensures each customer visit to a Harrah's floor is a *profitable* visit.

Or maybe, having just heard the famous Nordstrom tire story for the umpteenth time, your competitor's top executive is starting to reconsider her strategy by asking whether that Nordstrom clerk's kindly action—the decision to take those tires back even though Nordstrom didn't sell the tires in the first place—actually made any sense. In the realm of customer centricity, at least, it's a question that can only be answered if one is given the right information—the kind of information that customer-centric companies use every single day to identify, serve, and leverage their best customers and maximize profits. Was the tire guy a regular Nordstrom shopper? If so, how often did he stop by—and how much did he spend? Was he really committed to Nordstrom? What was his business really worth? And if it turned out that business was worth a lot (or not much at all), well, what then? Accepting that bizarre return request may have been a good public relations decision, judged by the wisdom of hindsight. But it probably wasn't a good business decision.

In this book, you'll learn how and why those questions should be asked and answered. I'll explain where customer centricity came from, how it evolved into its current form, and the advantages it holds in a changing marketplace—a marketplace still dominated, at least for now, by companies holding fast to the product-centric model. I'll take a look at successful customer-centric companies, explore the "paradox" of customer centricity, and guide you around some potential challenges en route to customer-centric success.

By the time you are finished with *Customer Centricity: Focus on the Right Customers for Strategic Advantage,* you'll understand all of the basics of the customer-centric model—what it is, how it works, and how you can use it to maximize your profits. You'll also understand, as I do, that Nordstrom was probably wrong to take back those tires in 1975.

Product Centricity: Cracks in the Foundation

In this chapter:

- What is product centricity?
- Why are there cracks in the foundation of product centricity?
- Why does being customer friendly fall short of being truly customer centric?

What Is Product Centricity?

What is the primary objective of *every* company in *every* sector and *every* marketplace in the world?

Well, the answer is obvious, isn't it? The only reason anyone goes into business—the only reason any commercial enterprise exists—is to make a profit and to maximize those profits over as long a time period as possible. We are in business to make money. Preferably, a lot of it. And broadly speaking, for the better part of the past century, all companies have used the same general strategy to achieve that goal. That strategy can be termed "product centricity."

Ever since Henry Ford introduced the world to the wonders of the assembly line, companies of all kinds, even service firms, have followed that same path to growth and profitability. Ford's model—the product-centric model—worked. And it worked because of the virtuous cycle that underpinned the entire thing. As Ford understood when he unveiled the Model-T back in 1908, and as companies today still understand, the more products you sell, the cheaper it becomes to manufacture those products, which means you can make more products, sell more of them, and make even more money.

The product-centric model is precisely what the name suggests. Organizations that follow this model are literally built, from top to bottom, around the demands of the product:

- All strategic advantage is based on the product and the product expertise behind those products.
- Divisions and teams are set up around products.
- Employees are rewarded based on their ability to create new products or sell existing products.
- The long-term focus is about strengthening the product portfolio and constantly finding new ways to expand it.
- The brand is perceived to have greater value than the customer.

Create a product, market a product, sell a product. Repeat.

It's a time-tested and well-proven approach to business, so it's no surprise that 99% of companies on the planet still operate this way today. It doesn't matter if they are selling widgets or consulting services or plastic surgery or education; most business executives view the world through the lens of product centricity. It's hard to blame them. Indeed, as Apple, Walmart, and Coca-Cola prove, the product-centric ways of Henry Ford can still deliver the profits. Product centricity can still win your company massive market share. Product centricity can still make your company a global powerhouse.

And here's the thing: Product centricity is pretty simple.

Profits are maximized through volume and market share, and volume and market share are driven by growth—growth derived, generally speaking, in one of two ways. Companies can either expand their reach into new markets—demographic, geographic, or otherwise—or they can tweak an existing product just enough to convince their customers that version 2.0 really is that much better than version 1.0. The viability of the former method is self-explanatory. And although the latter is a bit more complicated, it continues to be a proven winner as well. Consumers like the new and improved. They like the latest. And companies are happy to deliver precisely that, especially when it is highly cost effective to do so.

So yes, market expansion works. New product development and line extensions work too. And as a result, product centricity works. Through the proven, reliable, and very much alive-and-kicking product-centric approach, companies are achieving exactly what they want to achieve: profits. In some cases, they are achieving enormous profits.

Take a look at Apple—possibly the most successful product company in existence today. Despite the continued health issues faced by Steve Jobs, the company's founder and creative force, Apple kicked off fiscal year 2011 with the single-best quarterly performance in company history. Apple sold 4.1 million Macs that quarter (nearly 25% more than they had in the previous year) along with 16.3 million iPhones, 19.45 million iPods, and 7.33 million iPads. Revenues reached $26.74 billion. Profits topped $6 billion. Revenues were up 71% and earnings were up 78% from the previous year. Right now, Apple is dominating its marketplace. A recent study by the marketing research firm Millward Brown estimated that the Apple brand is worth over $150 billion. Who can argue with that kind of success?

In that sense, Jobs and the powers-that-be in Cupertino, California, have no reason to change. No reason at all.

At least not yet.

Why Are There Cracks in the Foundation of Product Centricity?

I have two teenage children, so I can speak with authority when I say today's kids are spoiled. They are the most demanding generation the world has ever seen. They know exactly what they want, and because they have no patience whatsoever, they want what they want immediately. And they don't care how they get what they want, as long as they get it when they want it and in the format they want it.

The lesson for your company is obvious. Maybe you've got these kids as customers today. But unless you are prepared to meet their every demand *tomorrow*, they may not be your customers for long. In the parlance of sports, these kids are "free agents." Their loyalty extends as far as their next passing whim.

In this regard, the modern teenager is quite emblematic of the changing face of the business world. It is a business world that, in my view, is becoming less forgiving of the product-centric model and more demanding of a customer-centric model—a model based not on expertise in the realm of product development, but rather on a deep understanding of what customers actually want, when and how they want it, and what they're willing to give you in exchange.

The rules of the game have changed, and consumers hold far more power than ever before in today's ultracompetitive business environment. Make no mistake: although the product-centric model is not quite broken, there are certainly some cracks in the foundation. Those cracks can be traced to four key factors:

1. Technological advances and the speed with which new technologies are created and copied.
2. Globalization and the geographic advantages that have been lost as a result.
3. Deregulation and the way it has shaken up traditionally stable industries.
4. The rising power of the consumer and their newfound ability to get what they want, whenever they want, from whomever they want.

These trends have reshaped the world of business—and they should not be ignored.

For the better part of the past century, a well-run product-centric company essentially operated with a stacked deck; they enjoyed an inherent strategic advantage specifically because of their product expertise. If that company had superior technology, their market share was fairly secure. And if that company had locked down their geographic marketplace—or at the very least was located far enough from would-be competitors to make their competition irrelevant—their position was even more secure. These days, neither advantage truly exists. At least not in the way they used to exist.

Because of the near incomprehensible pace of technological advance these days, and because of the spread of technological knowledge to all corners of the globe, there is a much smaller technological advantage in business than ever before. Whatever you invent today can be knocked off tomorrow. So whereas it used to be true that a top-performing product or a truly cutting-edge technology could reign supreme, without competition, for years and years, that window of dominance has been shaved to months, weeks, and even days. This trend is probably most prominent in the computing space, where it is both clichéd and undeniably true that a computer is obsolete almost from the moment it is purchased.

Meanwhile, globalization—the borderless reality in which business operates today—has wiped away almost every company's geographic advantage as well. Those ever-more demanding consumers of today have good reason to be demanding; the entire world, and all of its goods and services, is now at their fingertips—and where a product is manufactured is essentially irrelevant. The product from China is as available to them as the product from their hometown, and in this sense, every company, no matter where it's located and no matter what its business, is competing in a truly global marketplace.

Everything is now everywhere, all at once. Consumers are smarter than ever before. The market is more saturated than ever before, more competitive than ever before, and changing more quickly than ever before. It is the perfect storm, and it explains why today's teens—and many adults—are so demanding: they can be. Because of technology and globalization and deregulation and the sheer speed at which business can and does get done, we have gotten to the point where consumers have all of the choices—and by extension, all of the power. So although I can justifiably be frustrated by just how easy my kids have it these days, the reality is that they have every right to be demanding. The market has declared it so.

So where does this leave product-centric companies? Well, in my view, it leaves them vulnerable. Or at the very least, more vulnerable than ever before to their competition—competition that is coming at them from all angles, on all fronts, and from every corner of the globe.

Which brings me to one last important change in the world of business. Just as technology has made life more difficult for businesses, so too has it created wonderful new opportunities. When Lester Wunderman, that underappreciated genius, literally coined the phrase "direct marketing" back in November of 1967, he had little to work with. He had his ideas. He had customers. And he had a bunch of pens and a few stacks of index cards. That's about it. Any information that Wunderman or his clients collected about their customers had to be gathered the old-fashioned way—by putting pen to paper. Wunderman taught client firms how (and why) to document every point of contact between the direct marketer and its customers, and he slowly but surely built what must have seemed at the time to be a fairly enormous database.

Today, that same database can be built in a few keystrokes. Today, for the first time in history, companies can collect massive amounts of data—once unthinkable amounts of data, really—about their customers. Important data. Actionable data. They can know what their customers buy and when they buy it and where they buy it and more. The data are there. And you know what? Some really smart companies—Amazon being possibly the most notable example—are leveraging that data, often with enormous success.

This data explosion is the last crack in the foundation and possibly the most important reason why the product-centric model is imperiled. Customer-level data are more available to you today than ever been before. And if you don't use it, your competitors will.

Why Does Being Customer Friendly Fall Short of Being Truly Customer Centric?

Starting in the next chapter, we will begin to explore exactly what customer centricity *is*—its definition, the organizational and cultural changes that it demands, and why I believe this new model really is the future of business. But first I should draw a line in the sand and explain, once and for all, what customer centricity *isn't*. This is an important distinction to make.

I now teach a regular course on customer centricity at the Wharton School, and in the first lecture of each semester, I put my students through a little exercise. Right after I explain what product centricity is, and right after I explain why I think product centricity is more vulnerable than ever before, I play a little trick on them. I put up a slide that lists five companies known far and wide for their customer orientation: Nordstrom, Walmart, Apple, Costco, and Starbucks. Then I run down the list, one by one, and poll students on whether they believe each company is customer centric. The responses always amuse me because each and every semester it becomes readily apparent that even the brightest students all too easily confuse customer service with customer centricity.

When that slide goes up, my students extol the customer-friendly virtues of Starbucks. They rave about how Walmart and Costco can deliver just about any product on Earth at precisely the right price to their customers. They speak in mild awe about storied old Nordstrom. And of course, they agree pretty much across the board that Apple—beloved, trendy Apple—loves its customers almost as much as its customers love Apple. And then they look at me in great bewilderment as I inform them that *none* of those companies is actually customer centric. Not customer centric enough, at least.

Let me explain why.

Let's start with Walmart and Costco. Walmart now has nearly 9,000 stores in 15 countries around the world, and Costco reported revenues of nearly $9 billion in 2011. Although Walmart and Costco are undoubtedly successful, they aren't customer centric; the reality is that despite their massive sales numbers and retail sector dominance, both companies are flying blind when it comes to their individual customers. Their model is utterly and completely product centric, even though they don't make their own products. Both retailers stock their shelves full of products—an unmatched variety of products—and then sell them cheaper than almost anyone else can. That's about the extent of it. And yes, it has worked out fairly well.

But how do these firms collect and leverage customer-level data? How well do they sort out their best customers from the rest of the pack? Not particularly well at all. In fact, they don't even try to do so. Are you a member of the Walmart loyalty program? Of course not; they don't have one. Why? Because it wouldn't be cost effective for them to take on all that overhead. (This is also true for many other retailers who *do* have loyalty programs, but that's another matter.) Walmart is very good at knowing which kinds of products should be sold in which geographic areas at which times, but they have no idea about the wants and needs—and lifetime value—of any individual customer. One notable exception is their Walmart.com subsidiary, but this division is a small part of the overall company, and they are generally unable to match online purchases with offline purchases made by the same household.

Costco, in contrast, collects that data as part of their regular operations because all customers must use their membership cards at checkout. But it's not clear what they do with all this rich data. Like Walmart, they are superb at making aggregate decisions about which products to sell where and when, but they make little or no effort to target individuals with customized offers. Why?

Both firms are paragons of product centricity. They sell in huge volumes and keep their costs wonderfully low. It's just not worth their while to start sorting out one customer from another—at least not yet, anyway.

Similar questions can be raised about Nordstrom, albeit to a lesser extent. On one level, Nordstrom seems to very deeply understand the value of its customers—yet on another level, they still fall short of customer-centric success. Yes, it is true that Nordstrom will take back used tires that it didn't even sell in the first place. Yes, it is true that Nordstrom clerks will walk around the counter to hand you your bag to save you the effort of lifting your arms. And yes, it is true that Nordstrom executives stress the importance of customer service possibly more than any other executives at any other retailer on the planet. Which is all fine and good.

But as a regular Nordstrom shopper, I wonder how much they know about me—and why they don't try to have a conversation that reflects my long and deep history of transactions with them. Individual sales people remember me and my previous purchases in their department, but this information doesn't seem to be tied together into a single comprehensive profile of me. In other words, they don't know what I am worth. I am nameless. Faceless. I am "the customer"—one of millions, whom they treat well in the store, just like all the rest. I wonder if Nordstrom as a company has any idea how often I shop there or what I buy when I do. Would they know enough about me to decide how much my lifetime value would be impacted if they did (or didn't) take back a set of tires that I wished to return there? I doubt it.

Starbucks is another example of a customer-friendly operation that falls short of customer centricity. Millions of people around the world start their day with a trip to their neighborhood Starbucks. Many of them order the same drink every day, without fail. And certainly, it can be assumed that, at their local Starbucks at least, the baristas know exactly what these customers want. But what happens when those extremely loyal Starbucks customers hit the road? What are the chances that the baristas in Kansas City will know as much about that customer as the staffers back home in Philadelphia? Can you walk into any random Starbucks and say, "I'll have the usual, please"? I don't think so. Starbucks makes almost no effort to learn anything about its customers. It offers no consistent customer loyalty program (despite many failed efforts to start one). It gathers virtually zero data at the customer level. It simply delivers its product—and hopes that's enough. Starbucks, it seems to me, is leaving huge amounts of money on the table by failing to take advantage of the deeply ingrained buying habits that many of its customers have established over the years.

And finally, let's discuss much-loved Apple. When I poll my students more hands go up as affirmation of Apple's presumed customer centricity than for any of the other firms. The company is a marvel at anticipating and shaping customer preferences, then profiting from these insights thanks to its unique abilities to design, manufacture, distribute, and promote its products. Apple has deservedly leapt to the forefront of the computing world. The company has evolved into a powerhouse. More than that, the company is a marketer's dream. Apple is trendy, hip, and enormously popular among young people, and it is supported by a legion of fans who are loyal beyond all measure of loyalty. Apple people are truly *all in* for Apple. And it is certainly true that the company goes out of its way to treat its fans pretty well; as my son can attest, if your iPod breaks, the good folks at the Apple Store will treat you wonderfully while you await your repairs.

But again—and I cannot emphasize this enough—*that's not really the point of customer centricity*.

For as much as Apple appears to care about its customers, the company has thus far taken only modest steps—surprisingly modest steps, actually—to really *understand* those customers. And the reason is simple: for all of its hipness, and for all of its cutting-edge credibility, the truth is that Apple is a pretty old-school operation. In fact, it's one of the most product-centric operations on the scene today. And I say that with enormous respect for how they do it.

Product centricity is how Steve Jobs built the company in the first place, and product centricity is the way the company continues to operate to this very day. The folks at Apple are geniuses when it comes to design and new product development. They are remarkably adept at coming up with new things, endlessly versioning those new things, and of course, convincing their customers to buy those new things. In that respect, Steve Jobs has utterly perfected Henry Ford's old model: develop a product, market a product, sell a product, *repeat*.

Millions upon millions of people buy Apple's products every single month. The company has countless opportunities to engage with those customers, learn from them, understand them. But what does Apple do to actually achieve this? What does the company *really* know about each of those millions of people who so anxiously await each and every new product offering? Surprisingly, it knows very little.

For proof, look no further than iTunes, which despite its massive popularity and industry-shaping influence was actually quite late to the party for something as basic as a recommendation engine. The Genius engine, which uses past purchase history to tell customers what other songs they may like, didn't arrive until 2008. That's a stunningly delayed response, especially considering the fact that Amazon had been doing basically the same thing for more than 10 years.

Again, I am not here to tell you that the folks at Apple don't know what they're doing. I'm not here to say their model doesn't work, because it quite clearly works just fine. But I am here to say that even enormously successful companies like Apple will eventually need to start thinking in new ways, questioning the status quo, and wondering what comes next. They need to ask themselves, in other words, whether that old model—the product-centric model that has so dominated business for so very long—will be as viable and as profitable in 5 or 10 years as it is today. Because I'll be honest: I have my doubts. Product centricity has worked for Apple and many other companies for a long time, and product centricity is still working for them now. But it won't work forever—because *just* having the best product, the best service, or the best technology won't always be enough.

The world has changed, and companies must change with it.

Thank you for downloading your complimentary preview of

WHARTON EXECUTIVE ESSENTIALS
Customer Centricity: Focus on the Right Customers for Strategic Advantage, Second Edition
by Peter S. Fader, PhD