

**For Immediate Release**

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**Beyond the “Customer-Centric” Buzzword:
Six Truths You Need to Know about Really Putting the Customer First**

Your company’s mission and vision statements might say you focus on the customer, but your actions speak louder. David Giannetto says to move beyond lip service, you must adopt the “customer-critical path.”

Hoboken, NJ (February 2008)—Who does your company exist to please? In your daily business operations, who ultimately determines whether you and your people get paychecks or pink slips? Who do the mission and vision statements place at the center of your employees’ universe? If your answer to all three questions is “the customer,” you’re not alone. Most leaders wake up each morning hoping to live up to their company’s promise to maximize customer value and deliver the best possible customer experience. Unfortunately, good intentions don’t always translate to success. David Giannetto says that despite its new buzzword status, “customer-centric” is an ideal that most companies fail to uphold.

“Creating a customer-centric company is a classic case of easier said than done,” says Giannetto, coauthor along with Anthony Zecca of *The Performance Power Grid: The Proven Method to Create and Sustain Superior Organizational Performance* (Wiley, 2006, ISBN: 0-470-05144-2, \$27.95). “It’s a concept that every business leader at any level wants to think he has a grasp onto, but more times than not, he doesn’t.

“And here’s a sobering reality check,” he adds. “Tough economic times are coming, and if you aren’t giving your customers the most for their money right now, they won’t think twice about dropping you when times get tough. And that will be when you need them most.”

No wonder “customer-centric” is thrown about so freely at most executive planning sessions. (Giannetto says it’s replaced “innovative” as the new, mandatory strategic language.) It describes a way of doing business that is no longer optional—and most leaders are finding that living up to the phrase requires more than changing a few words around in the company’s vision statement.

“Becoming a customer-centric organization requires a departure from years of tradition, a clear look at who and what your organization is, and a deeper understanding of what motivates your customers to buy from you, or from your competitor, than you may be used to having,” says Giannetto. “Fortunately, the cost to make this change is surprisingly low, while the benefits, and the returns, are shockingly high. And that’s why I think every company should make an effort to make the switch.”

If you’ve realized that staying viable requires you to become truly customer-centric, here are a few truths you need to understand up-front:

TRUTH #1: Right now your company is product-centric. Most companies still base their operations on the value chain that was popularized by Michael Porter in the mid-80s. The value chain is a string of critical processes that begins with raw materials, or inputs, and ends with a product or service delivered to a happy customer. Thinking this way makes sense because it is easy to place the customer at the end of the process. But this mindset doesn’t just affect an organization’s structure; it weaves its way into every aspect of how the organization manages itself, and how managers make decisions.

In short it creates a situation in which employees throughout the organization are focused upon delivering the product or service for which they are responsible. Engineers are working to design new products that will keep them one step ahead of their competition. Manufacturing is producing goods to meet customer orders or demand projections. The sales department courts potential buyers so that they become actual customers. Once they do, salespeople then return to identifying new targets and trying to transition those. Manufacturing works to refill shelves. Engineering continues developing products. The cycle continues.

“Employees are trained to think in terms of product development, delivery, and value,” says Giannetto. “Even if it doesn’t know it or intend to do so, the organization becomes product-centric, not customer-centric. Management is comfortable with this view of the world; after all, how can a mainstream management theory like the value chain approach be wrong? But then, when they do try to focus on the customer, they do not know how.”

TRUTH #2: Your employees may not understand the customer. To put the value chain concept in perspective, consider how a power utility works, says Giannetto. Power is generated by a complex and often dangerous power plant. It is delivered to the customer via a complicated and often dangerous network. The customer then consumes this power and must pay for it, creating the need for back office operations such as

accounting, finance, and customer service. The rest of the company's employees consist of highly educated engineers, highly trained and specialized workers, and a management team that is also highly educated and experienced in their field. Together they make up 75 percent of the organization.

“But have you ever stopped to consider that an organization designed this way—and believe me, the power industry has plenty of company—has a lot of people focused on consistency in design, execution, and production, but little focus on the customers and what they want?” says Giannetto. “That’s 75 percent of an organization that has little understanding of the customer’s true needs. It just goes to show what a challenge becoming customer-centric can be for most companies. But it is possible; you simply need to know where to start.”

TRUTH #3: Your company’s money isn’t allocated with the customer in mind.

When trying to transition to a more customer-centric organization, employees who have power within the organization are reluctant to yield it to those who understand the customer better. And their unwillingness to relinquish power results in a reluctance to shift funding from traditional areas to those that most affect the customer.

“To get an idea of what this kind of transition looks like for a company, let’s go back to the power utility example,” says Giannetto. “For a power utility, this means that engineers, who have often dedicated their entire lives to the study of their work, must be considered equal to project managers and customer service agents, most of whom do not hold any academic degree. Money, resources, and staffing must focus on project management and call center technology, not just on million- or billion-dollar assets. There must be *financial* recognition that these things equally affect the customer—and when large sums of money are involved, change tends to happen slowly.”

TRUTH #4: To stay viable in today’s business world, you must cut the value chain and hop on the “customer-critical path.” As you might have guessed, your customers are your partners on this path. And they must start their journey before they even become your customers—while they are still prospects, in other words. It isn’t always easy for a company to think along these new lines, but consider what a new client would need if they approached your organization for the first time. Ask yourself questions such as: What do they really need? Why did they choose to approach us and not our competitor? Are they approaching just us or everyone in the market, and what will set us apart?

Once the customer perspective becomes clear, natural customer groupings will emerge. It is your job to strive to see things from the perspective of these natural customer market segments. From this initial entry point, the organization can methodically walk along the customer-critical path through each major step that these new customer segments must go through in order to become happy, paying customers.

“This is the true value chain of the organization—a string of processes that become critical because they directly affect the customer, regardless of the product, service, organizational chart, academic degree, or bias,” says Giannetto. “Find the customer-critical path and you can guide your customer through your organization in the way that is most meaningful, and profitable, to both them and you.”

TRUTH #5: The customer-critical path offers more options for your customers. Any business leader knows that not every customer's needs are the same. This remains true even within an industry that has only one real product, like a power utility. The customer-critical path may start in several places in its efforts to meet the needs of several different types of customers—from household customers that simply need power turned on to major projects that require significant project management and preplanning.

“Eventually these starting paths merge,” says Giannetto. “It will occur at the point at which all customers are happy. From there they may take a different path. That is the great thing about being customer-centric. There isn't one narrowly focused value chain confining your customers. The customer-critical path allows you to easily adapt to your customers' needs so that your company can be useful to them long-term.”

TRUTH #6: Adopting the customer-critical path can transform every aspect of your company. The customer-critical path approach offers a significant value for organizations that adopt it, says Giannetto. It allows them to better understand their customers, so that they can be segmented and targeted by products or services with more effective value propositions. This drives the bottom line in several ways. A stronger value proposition increases appeal, driving revenue. Better service and customer interaction improve the customer experience and increase customer loyalty, driving customer lifetime value.

“The customer-critical path also becomes a vital decision-making tool for management,” says Giannetto. “It provides a clear and unbiased perspective on where resources should, and should not, be spent. It defines the relative worth of projects, assets, and expenditures, painting a clear picture of what results will be if the customer-critical path is not properly maintained.”

“If your mission and vision statements say you are customer-centric, follow the words up with real action,” says Giannetto. “You'll make your strategic plan actionable, setting your organization on a path towards true differentiation and market leadership. Properly crafted, the customer-critical path becomes a pleasant stroll through the park for your customers, and also happens to be the most profitable path for your organization.”

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About the Authors:

David F. Giannetto is considered one of the most experienced practitioners and a true thought leader in the Enterprise and Business Performance Management arena. He is the director of Cohn Consulting Group's Enterprise Performance Management Practice, and has been with J.H. Cohn LLP since 1999. He is responsible for helping client organizations improve operation efficiency, management effectiveness, customer satisfaction, and systems integration through the implementation of the latest performance management methodologies. Prior to this, he was an operations manager and quality auditor for Airborne Express Freight Corporation (currently DHL) at locations throughout northern New Jersey and New York City.

David, a former U.S. logistics officer who served with the 10th Mountain Division, is a Distinguished Military Graduate of Rutgers University and earned a business management degree from Monmouth University. David is following in the footsteps of his father, Vincent Giannetto III, one of the nation's most collectable and respected decoy carvers, and has himself won awards as both a decoy carver and wildlife photographer. Originally taught piano by his aunt at age ten, he is a lifelong musician whose work has been published by two private record labels. Born and raised in Edgewater Park, New Jersey, he currently resides in Basking Ridge, New Jersey.

Anthony Zecca is the partner-in-charge of Cohn Consulting Group, a division of J.H. Cohn LLP, one of the country's largest accounting and consulting firms.

Tony is an expert in driving corporate performance, developing business intelligence systems, and creating highly functional management teams. He has worked with top management to assess overall organizational effectiveness and strategic alignment, and to improve management effectiveness, profitability, and cash flow. Tony is an accomplished financial and management professional and a seasoned strategist focused on helping clients develop and implement growth and profit strategies that obtain breakthrough results within varying economic and market environments. He has served as the chief operating officer (COO) for several companies on the strategies and concepts consultants talk about, but rarely implement. In this capacity, he had overall management control and responsibility for the financial and operational areas, and was responsible for successfully driving both top and bottom line performance.

Tony earned a Bachelor of Science degree in accounting from Fairleigh Dickinson University, Teaneck, New Jersey. He has been very active in community activities and on various boards and business associations, including the American Institute of Certified Public Accountants (AICPA) and the National Association of Corporate Directors (NACD). Tony is a certified public accountant in New Jersey and New York.

About the Book:

The Performance Power Grid: The Proven Method to Create and Sustain Superior Organizational Performance (Wiley, 2006, ISBN: 0-470-05144-2, \$27.95) is available at bookstores nationwide, major online booksellers, or direct from the publisher by calling 800-225-5945. In Canada, call 800-567-4797.

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